A Historic year and a defining moment for Mashreq as it posts 33% in Net Profit in 2014

Dubai, UAE; 18th January 2015: Mashreq, one of the leading financial institutions in the UAE, today reported its financial results for the full year ended 31st December 2014.

Key highlights [2014 vs 2013]:

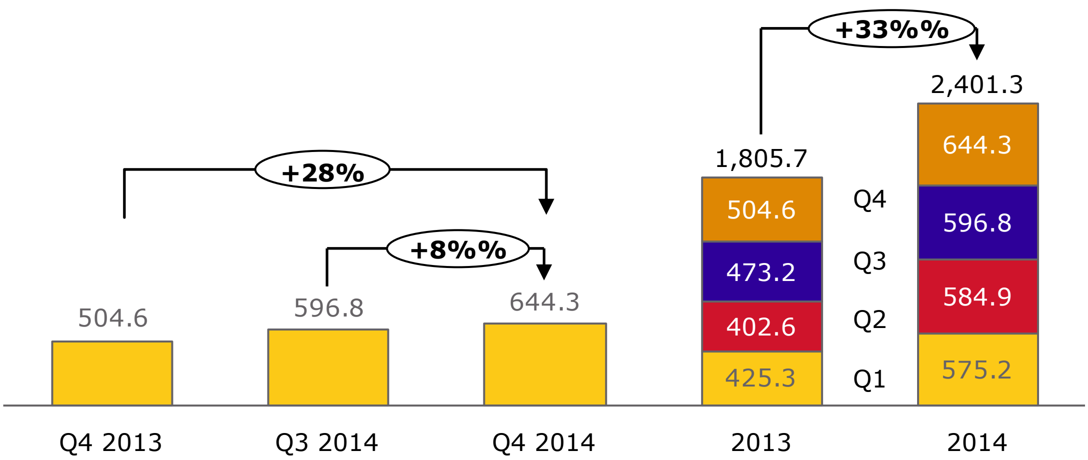
- ***Double digit growth in Operating Income and Net Profit***
    - Net profit increased by 33.0% to AED 2.4 billion
    - Operating Income up 20.8% to AED 5.8 billion driven by growth in both Net Interest Income and Net fee and commission income
    - Net Interest Income up by 28.9%, driven by 15.1% increase in loan volume and 26 bps 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 48.0%
    - Net Fee and Commission Income grew by 18.7% while Investment Income rose by 11.8%
- ***Continued improvements in efficiency***
    - Growth in Operating Expenses was contained at 8.2%
    - Efficiency Ratio improved from 42.2% in December 2013 to 37.8% at the end of December 2014
- ***Sustained growth in Loans and advances and Deposits***
    - Loans and advances increased by 15.1% to AED 58.0 billion
    - Customer Deposits increased by 16.9% to reach AED 68.5 billion
    - Loan-to-Deposit ratio and Loan-to-Total Assets Ratio remained stable at 84.8% and 54.8% respectively at the end of 2014
- ***Strong liquidity and capital position***
    - Liquid Assets to Total Assets stood at 27.7% with Cash and Due from Banks at AED29.4 billion

- Capital adequacy ratio and Tier 1 capital ratio continue to be significantly higher than the regulatory limit and stood at 16.6% and 15.3% respectively

- ***Significant improvement in asset quality***
  - Non-Performing Loans to Gross Loans ratio reduced from 5.1% in December 2013 to 3.7% at the end of December 2014
  - Total Provisions for Loans and advances reached AED 3.19 billion, constituting 120.4% coverage for Non-Performing Loans

Mashreq bank delivered strong financial results for the year ending 2014, reporting a net profit of AED 2,401 million, an increase of 33.0% as compared to 2013. Earnings per share strengthened to AED 14.20 at the end of December 2014 compared to AED 10.68 a year earlier.

Net profit [AED million]



Mashreq's CEO, H.E. AbdulAziz Al Ghurair, said: "2014 has been a watershed year for Mashreq. I say that because the impressive 33% growth in net profit was a result of intrinsic growth in our core business – our Loans have grown by 15.1% and our Customer Deposits have grown even faster than Loans as it grew by 16.9% beating overall market growth. This matchless growth was produced by best in class customer service and breakthrough product innovations that delivered customer delight."

He continued, "Our Retail business has had a banner year of innovations and awards – nearly doubling their profits in the process; our Corporate banking division has emerged an absolute winner in orchestrating and leading domestic financing and our International banking division has helped Mashreq build a diversified business model with over 18% of our revenues coming off overseas business. But we did not let this growth overtake our prudence – we have increased total Provisions for Loans and Advances to reach 120.4% coverage for Non-Performing Loans."

Operating Income

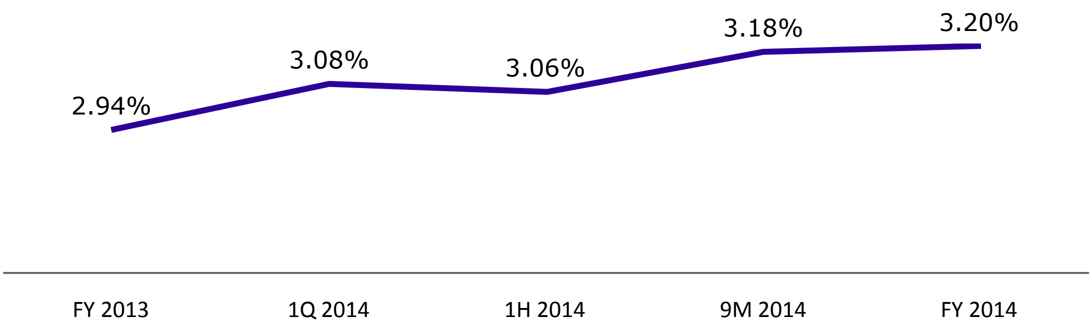
- Total operating income for 2014 was AED 5.8 billion, an increase of 20.8% compared to last year operating income of AED 4.8 billion. On a quarterly basis, operating income was AED 1.5 billion in Q4'14, which represented an increase of 13.5% year on year and 3.0% quarter on quarter. [refer Appendix 1: 2014 Financial Highlights]

- Net Interest Income at AED 3.0 billion was up by 28.9% compared to a year earlier, driven by 15.1% year-on-year increase in loan volume and 26 bps improvement in net interest margin from 2.94% in December 2013 to 3.20% this year, which was predominantly led by change in balance sheet structure and composition of loans.

- Net fee and commission income grew by 18.7% in the year to reach AED 1.7 billion; net investment income was up by 11.8% and other income also rose by 4.2% in the year leading to a best in class non-interest income to operating income ratio of 48.0% for 2014 (2013 ratio stood at 51.3%). Net fee and commission income represented 60.9% of total non-interest income in 2014 as compared to 58.1% in 2013.

- Operating expenses for the period increased by 8.2% to reach AED 2.2 billion; however, Efficiency Ratio improved from 42.2% in December 2013 to 37.8% at the end of December 2014. On a quarterly basis, operating expenses was AED 597 million in Q4'14, which represented an increase of 11.6% year on year and 8.5% quarter on quarter. [refer Appendix 1: 2014 Financial Highlights]

Net interest margin [%]



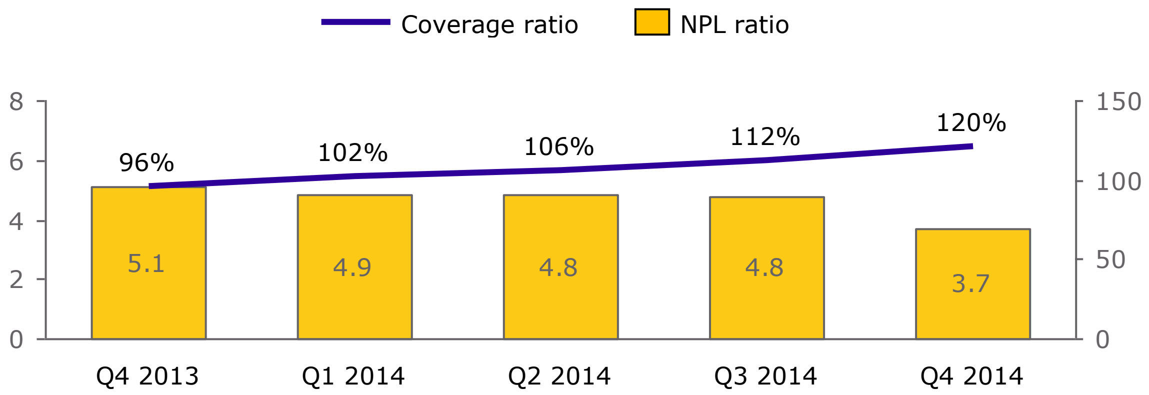
Assets and Asset quality

- Mashreq's Total Assets increased by 18.1% to reach AED 105.8 billion in 2014, compared to AED 89.6 billion at the end of 2013. Loans and Advances grew by 15.1% during 2014 to reach AED 58.0 billion, compared to AED 50.4 billion at the end of December 2013 predominantly led by 18.0% growth in conventional loans. On a quarterly basis, Loans and Advances grew by 1.3% driven by 6.3% growth in Islamic finance and Investment products. Liquid Assets to Total Assets stood at 27.7% with Cash and Due from Banks at AED 29.4 billion at the end of the fourth quarter and Loan-to-Total Assets Ratio remained stable at 54.8%.

- Customer Deposits increased by 16.9% during the same period, driven by both conventional and Islamic deposits to stand at AED 68.5 billion at the end of December 2014 leading to Loan-to-Deposit ratio of 84.8% at the end of 2014 (86.1% in December 2013). On a quarterly basis, customer deposits grew by 2.5% from AED 66.8 billion in September 2014. [refer Appendix 1: 2014 Financial Highlights]

- Asset quality continued to improve as Non-Performing Loans decreased to AED 2.7 billion in current year from AED 3.2 billion last year leading to a reduction in the Non-Performing Loans to Gross Loans ratio from 5.1% in December 2013 to 3.7% at the end of December 2014. Net Allowances for impairment for 2014 was AED 1,075 million as compared to AED 873 million in 2013. Total Provisions for Loans and advances reached AED 3.19 billion, constituting 120.4% coverage for Non-Performing Loans as on December 31, 2014. (96.1% coverage as on December 31, 2013)

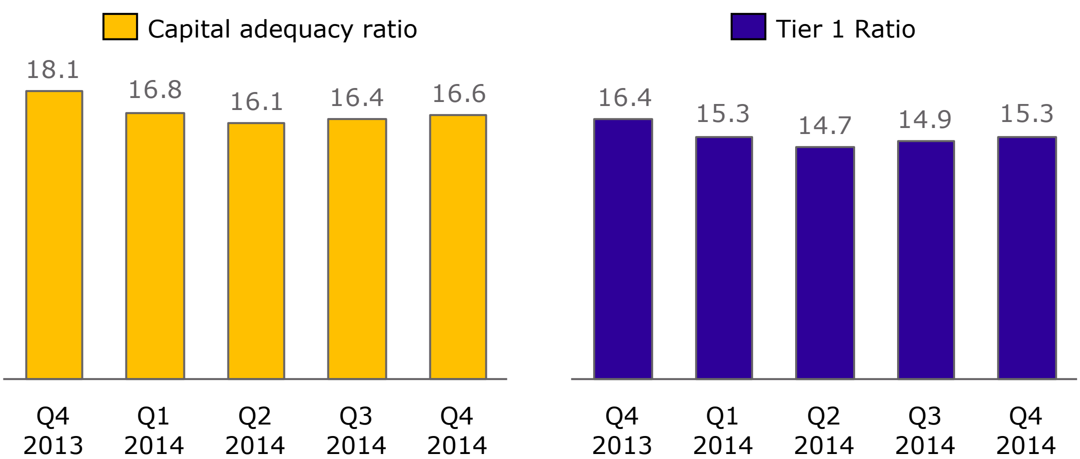
NPL and Coverage Ratio [%]



Capital and Liquidity

- Mashreq's Capital adequacy ratio stood at 16.6% (regulatory minimum of 12%) as at 31 December 2014 compared to 18.1% as at 31 December 2013. Tier 1 capital ratio at 15.3% continues to be significantly higher than the 8% regulatory minimum stipulated by the UAE Central Bank (16.4% as at 31 December 2013)

Capital Adequacy and Tier 1 Ratio [%]



2014 Full Year Operational Update:

During the 12 months under review, Mashreq launched its new corporate identity 'We Make Possible', which reinforces its customer centricity approach. The Bank continues to reinforce its brand power by taking over four decades of banking excellence to the next level and launching a major campaign publicly pledging to embody the very spirit of the UAE and make the seemingly impossible become possible for its customers. The Bank was a proud recipient of the Gallup Great

Workplace Award 2014, the first and only financial institution in the Region to receive such a prestigious international recognition from 36 elite institutions.

In an unprecedented step, Mashreq announced a financial literacy initiative; a UAE's first of its kind digital platform www.foloosy.ae has been launched to encourage financial education across the UAE. Supported by a website, an App and various social media sites, it has been strictly designed with the objective to empower residents in the UAE with the knowledge they need to choose the financial products that are best-suited to them and to avoid making potentially costly financial mistakes. Although operated by Mashreq, it can be used by anyone, Foloosy.ae site features five core personal finance pillars – Save, Borrow, Invest, Insure and Islamic Banking.

The ***Retail Banking Group*** started the year with a set of innovative banking solutions, continuing the technology fulfillment across banking solutions and services. Mashreq kicked off the 2014 FIFA World Cup Brazil™ action with the launch of the "Limited Edition FIFA World Cup™ Mashreq Visa Card" with the official Trophy design. The Limited Edition FIFA World Cup™ Mashreq Visa Card comes powered by 'Salaam Goals' – a new rewards program from Mashreq.

The Bank also launched the UAE's FIRST 3-IN-1 CINEMA CREDIT CARD - the Mashreq Novo Credit Card - co-branded with Novo Cinemas for customers to spend anywhere on their credit card, accumulate loyalty points – called Salaam Entertainment points – and redeem these instantly for free tickets and refreshments at Novo Cinemas. They continue to get a whopping 50% discount on 2D, 3D & IMAX tickets booked at the box-office or at www.novocinemas.com amongst other benefits. Expanding its cards business, Mashreq and Etisalat launch the UAE's first "Me-Life" Credit Card. Customers can literally zeroise their monthly expenditure on Etisalat services such as talk-time, data, broadband and direct-to-home subscriptions, through a whopping 5% rewards give-back on all their card purchases. The Bank also unveiled its new, super-premium card, the Mashreq Solitaire Credit Card aimed exclusively at the discerning, affluent customer. Solitaire is the epitome of luxury and unique in every way – from UAE's first and only genuine, certified diamond embedded plastic to a new and appealing vertical design that is singular in nature. Solitaire cardholders get to enjoy a customized Rewards program, Salaam Carats, that offers significant value across local and international spend, backed by the first ever choice of redemption options across over fifty and growing luxury brands.

Continuing its support towards the SME segment, Mashreq's Business Banking Team launched the UAE's Online SME Community 'SME*Xchange*'. Mashreq SME*Xchange* is designed to encourage SME's to more actively participate in the UAE's vision for growth. It is available for both, customers and non-customers of the Bank.

In line with some of its recent innovations, Mashreq announced the opening of a cutting-edge branch in Al Ain & Sharjah City Centre which features the E Cube

Retail Concept offering customers speedy, smart banking and interactivity with the latest technology led devices.

Continuing its innovation stride and complementing the Bank's many technology-led achievements, Mashreq pioneered another UAE first with the launch of Tap n Go. This is the country's first NFC *(Near Field Communication)* Sticker solution and is accepted at over 4,000 outlets and makes low-value purchases exceedingly simple by converting any mobile phone of any generation into a credit card that can then be used to make contactless payments at thousands of retail outlets in the UAE and abroad. All purchases less than AED 100 require no signature.

Another first, which was launched by Mashreq was the world's first online & international mobile top-up and bill payment service, another quick and hassle free payment facility for consumers. This new initiative allows customers to instantly top-up mobile credit to their family, friends and loved ones in 103 countries from Mashreq's dedicated online platform, MashreqOnline and Snapp mobile app.

Realizing its customer's aspirations, Mashreq launched a special account called 'DreamSaver' that encourages customers to save regularly in order to achieve a pre-defined financial goal. Mashreq's 'DreamSaver' gives consumers a unique flexibility to select the 'dream' & choose the tenure & savings option to meet the stated objective. Customers can save on the go by using MashreqOnline as well as Snapp mobile banking App.

The Bank also announced the launch of Home Equity Release solution, which enables clients to use the additional value in their home to generate cash flows, which can be used for further investments to generate wealth. Home equity loans allow borrowers to use the equity in their home as collateral. Reaching out to new employees coming to the UAE, Mashreq rolled out first of its kind service 'Mashreq Essentials' – a new, easy and efficient way of banking which is offered to new recruits. The package includes details of the new account, a credit card, debit card and a banking guide, which is handed over to employees on their first day of joining their new employer in the UAE.

Mashreq's Corporate Banking Group's mission is to drive relationship banking through customer centricity, ensuring that it is the primary bank of corporate clients, and the efforts continued in the quarter. Corporate Banking Group delivered world class Investment Banking Services to the clients, especially in the fields of Corporate Finance, Real Estate and Investment Services (Islamic or Conventional). It successfully closed more than 13 multibank deals and transactions establishing the best DCM platform amongst local / regional banks as evidenced by bagging the "Best Loan House in UAE" award from EMEA Finance for the second year in a row and attaining number 2 ranking for Middle East 2013 Book Runner Loan League Table.

Mashreq's pioneering innovation and market leading Global Transaction Services (GTS) received many important accolades in 2014 - EMEA Finance – Best Cash management Services in the Middle East was announced at SIBOS; The Banker Middle East - Best Corporate Account Product; Celent Model Bank Awards – Cash Management and Trade. These awards serve as a measure of the Bank's outstanding achievements in a very competitive market. The Government & Related Entities (GRE) & Real Estate continuous efforts resulted in closing some major deals – Emaar Malls Lead & Co-ordinating bank, TECOM & New Mall Limited, Emaar Malls Sukuk, Tamouh Investment etc. Market trends have also recently allowed Mashreq to re-engage its efforts around IPOs, which it sees as possible opportunities going forward and Mashreq was mandated as a key receiving bank for Emaar IPO.

The Contracting Finance division also continues to lead the way as a differentiating segment now capturing significant market share in the UAE and actively expanding its regional presence including Qatar/Bahrain/Egypt and Kuwait through projects awarded. As in previous years we have managed to lead major projects like the AD Midfield, Red Line North Rail project in Doha and this year Mashreq has participated in two out of three packages of the Kuwait National Petroleum Company Clean Fuel Project. This demonstrates the reach for this segment in our countries of presence.
The Commercial Banking & Large Corporate divisions persist to show strong growth in their portfolio by deepening their relationships and ensuring "stickiness". Commercial banking has successfully closed over 50 Collection & Payment mandates through the year bringing in healthy levels of CASA balances. The Emerging Corporates (EC) is the driving engine of any economy and is a key strategic growth segment at Masheq. EC has reported a strong momentum of funded asset growth regionally and hosted the first "Most Valued Customer Awards" aiming to strengthen and enhancing the relationship with top customers in the last quarter.

International Banking Group's (IBG) strategic goal is to leverage its existing footprint by supporting franchise client needs internationally and international client needs in our franchise. The primary focus being on payments, trade, investment and capital flows, whether inwards or outwards, between the GCC and Egypt with the rest of the world. The secondary focus is transactions across the bank's network.

The Bank differentiates itself through an in-depth knowledge of the markets it operates in; adopting a relationship based approach in all of its interactions; delivering a high level of service and leveraging off the strong product capabilities developed in its UAE home base.

Despite challenging operating environment in some of the countries over an extended period of time, Mashreq's international business delivered record results in 2014, received several awards internationally from reputed global institutions, completed landmark transactions, grew market share in the countries we operate 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.

A significant development in the international sphere has been the upgrade of the banking license in Hong Kong to the status of a Tier 1 full-fledged bank. The upgraded branch in Hong Kong is now poised to expand reach to new and larger clients, increase business from VOSTRO accounts from Correspondent Banks and handle selective commercial banking business. Hong Kong Branch has already joined HKD clearing as a direct participant and will become direct participant in USD clearing also w.e.f. 19th January, enabling faster clearing of funds for its clients.

2014 Full Year Awards:

- Gallup Great Workplace Award
- Banker Middle East Industry Awards - Best Regional Retail Bank
- Islamic Business & Finance Awards - Best Islamic Window
- Arabian Business Startup Awards - SME Bank of the Year
- CSR Label – Dubai Chambers – 2014
- Super brands 2014
- EMEA Finance Middle East Banking Awards
  Best Local Bank in the UAE
  Best Regional Investment Bank in the ME
  Best Loan House in the UAE
- Banker Middle East Product Awards
  Best Call Centre
  Best Corporate Account
  Best Customer Service – Retail
  Best Fixed Income Fund
  Best Web/Mobile site
- Global Banking & Finance Review Awards
  Most Innovative Islamic Banking Solution Provider
  Best Corporate Bank Qatar 2014
  Best Customer Service Bank Qatar 2014
  Best Retail Bank UAE 2014
  Most Innovative Banking Product (Mashreq Max) UAE 2014
- IAIR Banking Awards - Best Bank in UAE
- International Finance Magazine
  Best Internet Bank in UAE
  Best Online Bill Payment in UAE
- World Finance Banking Awards
  Best Investment Bank - UAE
  Best Commercial Bank – Qatar
- The Middle East Excellence Awards 2014
  Financial Market Trading Automation and System Excellence Award
- MasterCard Innovation Forum 2014
  The Best Use of Innovative Technology' in the Middle East & Africa
- EMEA Finance – Middle East Banking Awards - Best Cash Management in the Middle East
- Celent Awards - Best Cash Management and Trade award
- Gulf Business Industry Awards - Innovator of the Year – H.E. AbdulAziz Al Ghurair
- Global Finance – World's Best Banks
  Best Consumer Internet Bank – Mashreq Qatar

Best Web Site Design – Mashreq
Best Integrated Consumer Bank Site – Mashreq

- First Bank in UAE to achieve IIA Conformance
- Smart Card Awards 2014
  Best Debit Card – Supplementary Debit Card
  Best mPayment Innovation – PayPort
- The Asian Banker - Excellence in Retail Financial Services International Awards
  Best Improved Retail Bank in the Middle East
  Best Mobile Phone Banking
  Best Retail Banking Branch Innovation
- MENA Fund Manager Awards 2014
  Best Equity Fund - Makaseb Arab Tigers Fund, for both the one year performance category and the three year performance category.
  Best Fixed Income Fund award - Makaseb Income Fund won the in both the one year and three year Fixed income categories.
- RERA Best Practice - Top Trustee Bank
- Daman Corporate Health Awards - Corporate Wellness Team of the Year
- Insights - Best Customer Retention Unit
- Emirates Institute for Banking and Financial Studies
  3 individual awards for Emirati staff
- Asian Business Leadership Forum - Business Excellence Award
- Tatweej Academy Awards

Appendix 1: 2014 Financial Highlights

Annual trend

Income statement [AED mn]	2014	2013	Y-o-Y [%]
Net interest income	3,040	2,358	29%
Fees and commission	1,709	1,440	19%
Investment income	188	168	12%
Other income	908	872	4%
Total Operating income	5,845	4,837	21%
Operating expenses	(2,210)	(2,042)	8%
Operating profit	3,635	2,796	30%
Impairment allowance	(1,075)	(873)	23%
Overseas tax expense	(74)	(40)	84%
Non-controlling interest	(85)	(76)	12%
Net profit	**2,401**	**1,806**	**33%**
EPS [AED]	14.20	10.68	33%

Balance Sheet [AED bn]	Dec'14	Dec'13	Y-o-Y [%]
Total Assets	106	90	18%
Loans and Advances	58	50	15%
Customer Deposits	68	59	17%
Shareholder's funds	17	15	12%

Key Ratios [%]	2014	2013
Loans-to-Deposits	*84.8%*	*86.1%*
Tier 1 Ratio	*15.3%*	*16.4%*
CAR	*16.6%*	*18.1%*
Return-on-Assets	*2.5%*	*2.2%*
Return-on-Equity	*15.7%*	*13.0%*

Quarterly trend

Income statement [AED mn]	Q4'14	Q3'14	Q4'13	Y-o-Y [%]	Q-o-Q [%]
Net interest income	814	786	690	18%	4%
Fees and commission	425	425	355	20%	0%
Investment income	7	69	37	(81%)	(90%)
Other income	271	194	255	6%	40%
Total Operating income	1,518	1,474	1,337	14%	3%
Operating expenses	(597)	(550)	(535)	12%	8%
Operating profit	921	923	802	15%	0%
Impairment allowance	(215)	(304)	(247)	(13%)	(29%)
Overseas tax expense	(34)	(14)	(2)	NM	NM
Non-controlling interest	(27)	(9)	(49)	(45%)	NM
Net profit	**644**	**597**	**505**	**28%**	**8%**
EPS [AED]	3.81	3.53	2.98	28%	8%

Balance Sheet [AED bn]	Dec'14	Sep'14	Dec'13	Y-o-Y [%]	Q-o-Q [%]
Total Assets	106	102	90	18%	3%
Loans and Advances	58	57	50	15%	1%
Customer Deposits	68	67	59	17%	2%
Shareholder's funds	17	16	15	12%	4%

Key Ratios [%]			
Loans-to-Deposits	*84.8%*	*85.7%*	*86.1%*
Tier 1 Ratio	*15.3%*	*14.9%*	*16.4%*
CAR	*16.6%*	*16.4%*	*18.1%*
Return-on-Assets	*2.5%*	*2.3%*	*2.3%*
Return-on-Equity	*16.2%*	*15.6%*	*14.2%*

-ENDS-

About Mashreq:

Mashreq is one of the UAE's leading National Financial institutions and the second oldest. Founded in 1967 as Bank of Oman, the bank has played a pioneering role in the industry, particularly in retail banking. Among its many firsts, it was the first to launch such products as travellers' cheques, credit cards and ATMs.

In 2014, Mashreq has launched a new corporate identity that builds on its history of innovation and customer service and illustrates to the wider world just how committed it is to its customers, to the continued building up of its comprehensive expertise and market knowledge, and to nurturing its absolutely top-class reputation in the industry.

The Bank has received numerous international awards reflecting the bank's successful record, such as Gallup Great Workplace Award 2014, Best Regional Retail Bank by Banker Middle East Industry Awards 2014, SME Bank of the Year by Arabian Business Startup Awards 2014, Best Islamic Window by Islamic Business & Finance Awards 2014, Best Local Bank –UAE, Best Loan House – UAE, Best Regional Investment Bank – Middle East by EMEA Finance Middle East Banking Awards 2014, Best Use of nnovate Technology in the MEA Regional by MasterCard Innovation Forum 2014, Best Investment Bank – UAE, Best Commercial Bank – Qatar from World Finance Banking Awards 2014, Best Retail Bank UAE, Best Corporate Bank – Qatar, Best Customer Service Bank – Qatar by Global Banking & Finance Review Awards 2014 and the CSR Label for the fourth consecutive year by Dubai Chambers for its sustainability efforts in the community it serves.

As a leading financial Institution in the UAE, Mashreq aims to be world class in every facet of its business; including its social responsibility to the community it serves in. Towards this goal the bank pays particular attention to recruiting, training, developing and retaining UAE National employees.

Huda Ismail
Public Relations, Mashreq
Tel: 04 –6083629
Email: HudaI@mashreq.com

Nssrin Khalil
Public Relations, Mashreq
Tel: 04 – 6083836
Email: NssrinK@mashreq.com

Sandhya Balkrishnan
Investor Relations, Mashreq
Tel: 04 –2077543
Email: SandhyaB@mashreqbank.com