Mashreq posts a 12% increase in Net Profit for the First Half of 2015

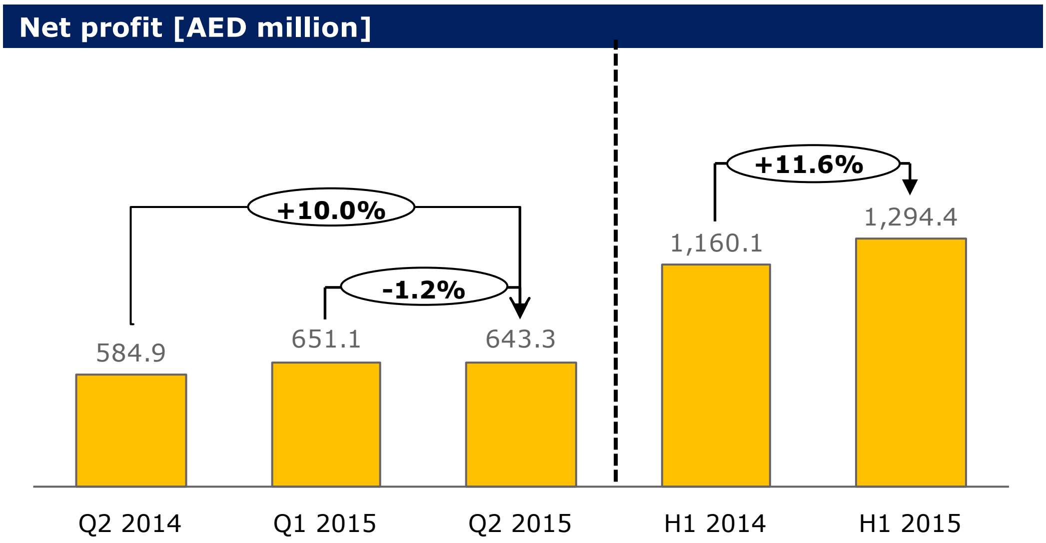
Dubai, UAE; 15th July 2015: Mashreq, one of the leading financial institutions in the UAE, today has reported its financial results for the period ending 30th June 2015 (H1 2015).

Key highlights [H1 2015 v s H1 2014]:

- ***Stable growth in Operating Income and Net Profit***
  - Net profit for the first half of 2015 increased by 11.6% year-on-year to AED 1.3 billion
  - Operating Income up 5.7% year-on-year to AED 3.0 billion driven by strong growth in Net Interest Income
  - Net Interest Income up by 12.7% year-on-year, on the back of 4.5% year-on-year increase in loan volume and stable net interest margins
- ***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 46.2%
  - Net Fee and Commission income increased by 3.6% year on year
- ***Strong balance sheet (H1 2015 vs YE 2014)***
  - Total Assets increased by 6.1% in the year to reach AED 112.3 billion; Customer Deposits increased by 10% to reach AED 75.3 billion due to a healthy growth of 54.8% in Islamic customer deposits
  - Loan-to-Deposit ratio remained robust at 77.6% at the end of June 2015
- ***Healthy liquidity and capital position***
  - Liquid Assets to Total Assets stood at 29.7% with Cash and Due from Banks at AED 33.4 billion
  - Capital adequacy ratio and Tier 1 capital ratio continue to be significantly higher than the regulatory limit and stood at 16.5% and 15.2% respectively

- ***Sustained asset quality***
    - Non-Performing Loans to Gross Loans ratio remained steady at 3.7% at the end of June 2015
    - Total Provisions for Loans and advances reached AED 3.7 billion, constituting 138.4% coverage for Non-Performing Loans

Mashreq delivered strong financial results for the first half ending June 2015, reporting a net profit of AED 1.3 billion, an increase of 11.6% as compared to the first half of 2014. Earnings per share strengthened to AED 7.29 at the end of June 2015 compared to AED 6.53 a year earlier.



Mashreq's CEO, H.E. AbdulAziz Al Ghurair, said: "The second quarter presented opportunities that helped us maintain our trajectory of growth. Customer deposits increased by 10% to reach AED 75.3 billion; operating income is up 5.7% year-on-year to AED 3.0 billion driven by strong growth in Net Interest Income, which was up by 12.7% year on year. This was on the back of 4.5% year-on-year increase in loan volume and stable net interest margins. We attribute our success to our customers and our employees. For Mashreq the customer comes first in everything we do, starting from creating market-leading products to delivering world-class service. Our customer centric strategy is implemented by a highly engaged team. The fact that we are the only bank to be awarded the Gallup best workplace award twice in a row shows just how seriously we take our obligation to our staff and their engagement levels."

Al Ghurair continued, "Looking to the wider economy, the rest of 2015 looks promising for Mashreq as the region's non-oil sectors continue to grow and expand. The UAE remains a strong and stable economy and I know that our ongoing commitment to delivering excellence across the banking spectrum will enable Mashreq to continue climbing new heights of success"

Operating Income

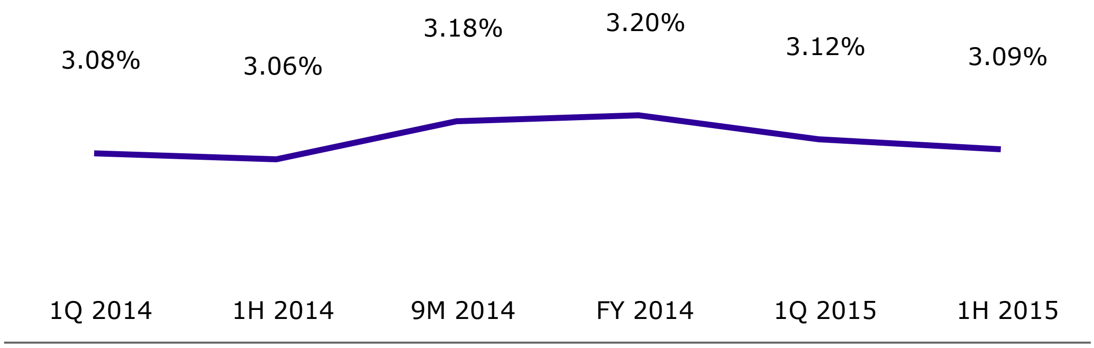
- Total operating income for H1 2015 was AED 3.0 billion, a year-on-year increase of 5.7% compared to H1 2014 operating income of AED 2.9 billion. On a quarterly basis, Q2 2015 saw an increase in operating income by 2.1% compared to operating income of AED 1.5 billion in Q1 2015.

- Net Interest Income at AED 1.6 billion was up by 12.7% compared to H1 2014, driven by 4.5% year-on-year increase in loan volume and 3 bps improvement in net interest margin from 3.06% in H1 2014 to 3.09% in the first half this year. On a quarterly basis, Net Interest Income increased moderately by 2.0% as compared to AED 804 million in Q1 2015.

- Non-interest income (Net fee, commission and other income) fell slightly by 1.5% year-on-year (H1 2015 vs H1 2014) to reach AED 1.4 billion as a 11.4% fall in investment income and 8.9% drop in other income was offset by 3.6% increase in net fee and commission income. On a quarterly basis, net fee and commission income increased by 8.3% compared to Q1 2015. Net fee and commission income represented 63.9% of total non-interest income in H1 2015 as compared to 60.7% in H1 2014 and 62.0% in Q1 2015.

- Operating expenses increased by 14.8% year-on-year and 1.7% quarter-on-quarter to reach AED 1.2 billion; Efficiency Ratio at 40.4% in Q2 2014 remained stable with respect to last quarter.

Net interest margin [%]



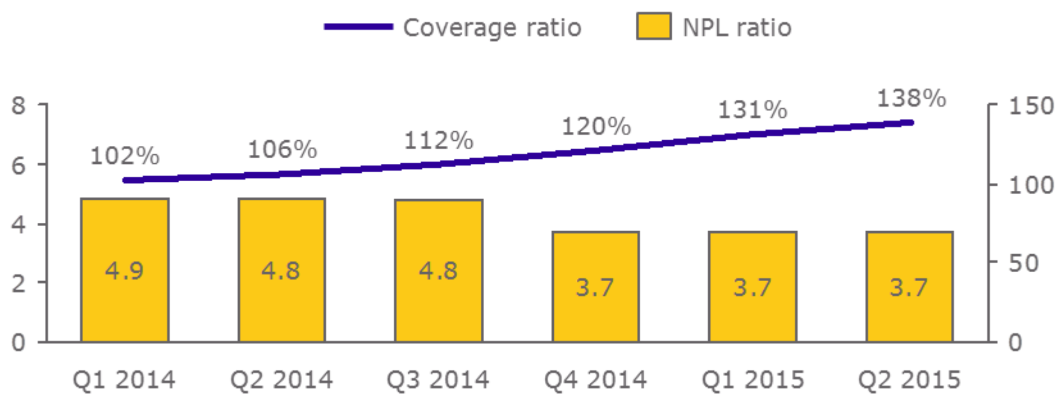
Assets and Asset quality

- Mashreq's Total Assets increased by 6.1% to reach AED 112.3 billion in H1 2015, compared to AED 105.8 billion at the end of 2014. Loans and Advances increased by 3.1% in the quarter to end at AED 58.4 billion, a slight increase from AED 58.0 billion at the end of December 2014. On a year-on-year basis, Loans and Advances grew by 4.5% driven by 6.3% growth in conventional loans. Liquid Assets to Total Assets stood at 29.7% with Cash and Due from Banks at AED 33.4 billion at the end of the first half. Loan-to-Total Assets Ratio at 52% fell slightly as compared to 54.8% at the end of 2014.

- Customer Deposits at AED 75.3 billion, increased by 10% as compared to December 2014, driven by 54.8% growth in Islamic deposits and 6.3% growth in conventional deposits. Loan-to-Deposit ratio stood at 77.6% vs 84.8% in December 2014. On a year-on-year basis, customer deposits grew by 6.5% from AED 70.8 billion in June 2014 driven by both conventional and Islamic deposits.

- Non-Performing Loans remained stable at AED 2.8 billion in June 2015 leading to a Non-Performing Loans to Gross Loans ratio of 3.7% at the end of June 2015. Net Allowances for impairment for H1 2015 was AED 423.9 million as compared to AED 555.8 million in H1 2014. Total Provisions for Loans and advances reached AED 3.7 billion, constituting 138.4% coverage for Non-Performing Loans as on June 30, 2015.

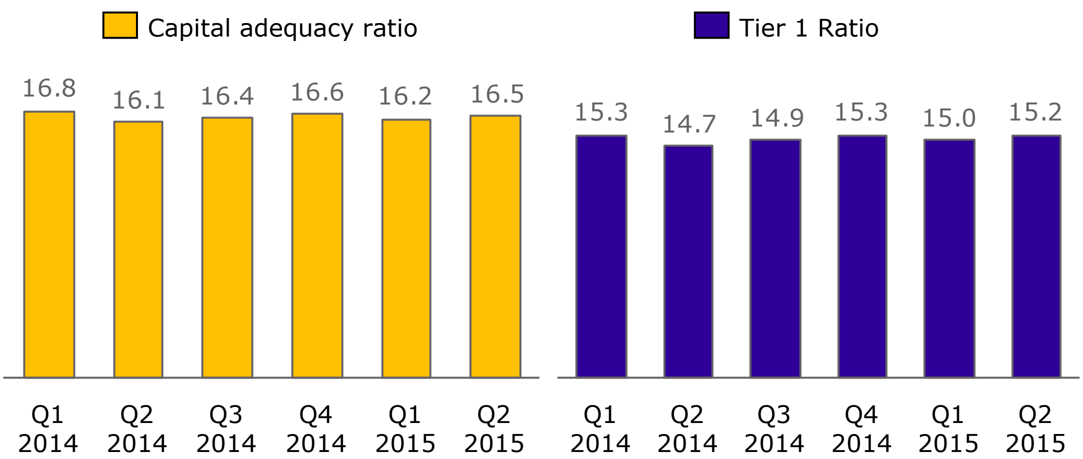
NPL and Coverage Ratio [%]



Capital and Liquidity

- Mashreq's Capital adequacy ratio stood at 16.5% (regulatory minimum of 12%) as at 30 June 2015 compared to 16.2% as at 31 March 2015. Tier 1 capital ratio at 15.2% continues to be significantly higher than the 8.0% regulatory minimum stipulated by the UAE Central Bank (15.0% as at 31 March 2015)

Capital Adequacy and Tier 1 Ratio [%]



2015 First Half Operational Update:

Corporate Banking:
The Corporate Banking Group has continued its trend of providing world class financing solutions with an emphasis on both relationship management and the provision of innovative solutions in the form of new products and services.

Global Transaction Services is continuing to grow and several key customers of Mashreq have started routing their payments (particularly payroll) and trade transactions through our award-winning integrated online corporate banking platform, mashreqMATRIX. New features such as the ability to send payments without SWIFT codes and trade advices over e-mail have been introduced to simplify the process for our customers. The largest Matrix signup, the onboarding of GEMS, was also done and 15,000 salaries were processed in the first month itself.

Corporate Finance has continued to build on its Q1 momentum securing an additional five mandates in Q2 across the Wholesale Bank spectrum further reinforcing its pipeline and earnings potential. Corporate Finance has successfully closed its debut syndication in Turkey, arranging a USD 124 million multicurrency facility for Burgan Bank, where the Bank has continued to grow its focus in recent years. The team has continued delivering growth in fee income from its home market by closing transactions such as a USD 1.5 billion syndication for Emirates National Oil Company (ENOC) and a USD 135 million for Future Pipelines Industries Group, both of which were oversubscribed.

Real Estate Finance & Advisory has built upon a strong 2014 by closing a number of landmark transactions with a total value of USD 1.3 billion (AED 4.7bn) during H1 2015. Further our clients have signed facility agreements for an additional 4 transactions amounting to USD 700 million (AED 2.5 billion). The Real Estate Team has recently entered into a Fund Advisory mandate with a key client in the real estate sector in the UAE to assist them with structuring the first on-shore real estate fund in the UAE.

Retail Banking:
Mashreq became the first financial institution in the Region to open a Fully Automated Branch - '**imashreq**' - located at the Deira City Center Metro stop and has plans to open 3 more 'imashreq' branches across the UAE by year end 2015. In line with Mashreq's thrust for constant innovation, all services at 'imashreq' are instant and digital.

Mashreq also launched **Portraits**, the nation's very first ***'Selfie'*** credit card, further reinforcing the bank's 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.

Mashreq has also recently launched the newest version of its mobile banking App '**Snapp**'. The award winning mobile app takes care of all the banking needs of customers and boasts of other significant features like Mobile Money Transfer, Cardless Cash Withdrawal, My Money Manager and ForEx Alerts.

Mashreq has 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 to get a guaranteed give-back of 1.25% on every domestic purchase and 3.25% on all international spends and has 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** branch network in Karama, offering customers a wide range of products and innovative financial solutions. The Bank has 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 Bank also opened the First Business Banking Centre in the heart of Dubai's business hub Muraqqabat, Deira. The move affirms Mashreq's commitment to the support of SMEs and the new Centre will offer a comprehensive range of services to SMEs through a dedicated and experienced team of Customer Service Associates and Account Managers.

Reflecting its unwavering efforts to ensure the implementation of high standards in all its propositions and delivery to its customers, Mashreq has launched the UAE banking sector's first certification program in Sales "Integrity & Ethics". The Retail Banking Business of Mashreq has initiated the program and the same is conducted by Mashreq Learning Systems (MLS) in association with the Chartered Institute for Securities & Investment (CISI). The training program is aimed to reach 2,500 staff members and in its first stage will involve personalized training of 450 front-line Retail Banking staff initially facilitated by CISI's Director of Global Business Development.

International Banking:

It has been a buoyant half year for Mashreq's **International business** which has achieved significant growth in revenues and profit for the first half of 2015. All businesses and geographies have contributed to the strong performance despite the competitive challenges and the negative impact of reduced oil prices in some of our markets.

The leadership position in Mashreq's core South Asia business has been maintained and a simultaneous growth in the African business has continued with both an entry into new markets and a deepening of our reach in Kenya, Nigeria and Ghana – leading numerous debt transactions along the way.

Mashreq's Hong Kong branch has now started offering RMB clearing in addition to the US Dollar and Hong Kong Dollar clearing leading to attracting new and larger clientele. The introduction of the Automated Cheque Clearing solution in Kuwait has further enhanced the FI Online system leading to an improved customer experience.

Treasury and Capital Market:

Overall growth in business continues to be supported by a strong **Treasury** product suite, online trading platform and 24 hour dealing room. Businesses worked closely with clients across industries and geographies in developing and executing strategies across asset classes – including hedging, trading &

structured solutions. The Bond Brokerage business in Treasury established relationships with several asset managers and funds based in Europe and Asia to enhance bond/Sukuk trading. In a volatile environment, the Equity Derivatives business maintained volumes relative to 2014 with the issuance of structured investment products across retail and corporate franchises.

Best in Class Asset Management:

- The business received its largest non-related 3rd party mandate – GCC Pension Fund awarded a USD 100 Mio Fixed Income mandate

2015 Half Yearly Awards:

Gallup Great Workplace Award *(Second year in a row)*

Banker ME Industry Awards 2015

- Best Regional Retail Bank
- Best Private Bank - UAE
- Best Branding GCC
- Best Real Estate Financing

Annual Insight Middle East Call Centre Awards 2015

- Best Customer Care
- Best Customer Experience Management
- Best in CRM Management
- Best Service to Sales
- Best VOC Implementation in Large Organization

Smart Card & Payments Awards, Middle East 2015

- Best Premium Card – Solitaire Credit Card
- Best Credit Card – Mashreq sMiles
- Best Debit Card - Mashreq Private Banking VISA Infinite

Retail Banker International Awards 2015

- Middle East Retail Bank of the year 2015

Islamic Finance News

- Best Islamic Deal of The Year Award' in Qatar

Global Finance

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

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

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

mashreq المشرق

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Appendix 1: 2015 Second Quarter Financial Highlights

Q2 2015 Financial Highlights	Half Yearly Trend			Quarterly Trend				
			Δ %				Q2'15 Δ %	
Income statement (AED mn)	**H1'15**	**H1'14**	**YoY**	**Q2'15**	**Q1'15**	**Q2'14**	**QoQ**	**YoY**
Net Interest Income	**1,623**	1,440	12.7	**820**	804	754	2.0	8.7
Fee and commision	**889**	858	3.6	**462**	427	421	8.3	9.9
Investment Income	**99**	112	(11.5)	**53**	46	45	16.2	18.1
Insurance,FX & Other Income	**404**	444	(8.9)	**189**	215	252	(12.4)	(25.0)
Total Operating Income	**3,015**	2,853	5.7	**1,524**	1,492	1,472	2.1	3.5
Operating Expenses	**(1,220)**	(1,062)	14.9	**(615)**	(605)	(538)	1.7	14.4
Operating Profit	**1,796**	1,791	0.2	**909**	887	934	2.4	(2.7)
Impairment Allowance	**(424)**	(556)	(23.7)	**(228)**	(196)	(304)	16.2	(25.1)
Overseas Tax Expense	**(44)**	(26)	68.2	**(22)**	(23)	(14)	(6.1)	59.3
Non-Controlling Interest	**(33)**	(49)	(32.8)	**(16)**	(17)	(31)	(5.6)	(48.6)
Net Profit for the Period	**1,294**	1,160	11.6	**643**	651	585	(1.2)	10.0
EPS [AED]	***7.29***	*6.53*	*11.6*	***3.62***	*3.67*	*3.29*	*(1.4)*	*10.0*
			Δ %				Δ %	
Balance Sheet (AED mn)	**Jun'15**	**Jun'14**		**Jun'15**	**Mar'15**	**Dec'14**	**QoQ**	**YTD**
Total Assets	**112,280**	103,914	8.1	**112,280**	106,930	105,840	5.0	6.1
Loans and Advances	**58,450**	55,958	4.5	**58,450**	56,668	58,046	3.1	0.7
Customer Deposits	**75,329**	70,757	6.5	**75,329**	71,166	68,488	5.8	10.0
Shareholder's Funds	**17,492**	15,669	11.6	**17,492**	16,835	16,919	3.9	3.4
Key Ratios (%)	**Jun'15**	**Jun'14**	**Δ bps**	**Jun'15**	**Mar'15**	**Dec'14**	**Δ bps**	**Δ bps**
CAR (Capital Adequacy ratio)	***16.45***	*16.10*	*0.35*	***16.45***	*16.24*	*16.62*	*0.21*	*(0.17)*
Tier 1 Ratio	***15.23***	*14.67*	*0.56*	***15.23***	*14.97*	*15.26*	*0.26*	*(0.03)*
Loan-to-Deposits	***77.59***	*79.08*	*(1.49)*	***77.59***	*79.63*	*84.75*	*(2.04)*	*(7.16)*
*Return-on Assets**	***2.37***	*2.40*	*(0.03)*	***2.37***	*2.45*	*2.46*	*(0.08)*	*(0.09)*
*Return-on-Equity**	***15.74***	*15.79*	*(0.05)*	***15.74***	*16.15*	*15.69*	*(0.41)*	*0.05*

*Annualized

-ENDS-

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