Mashreq declares a net profit of AED 1.8 Billion for the first 9 months, up 5.1%, YoY

Dubai, UAE; 21st October 2015: Mashreq, one of the leading financial institutions in the UAE, today has reported its financial results for the period ending 30th September 2015 (9M 2015).

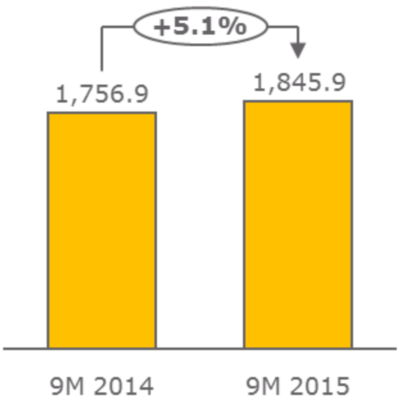
Key highlights [9M 2015 v s 9M 2014]:

- ***Stable growth in Operating Income and Net Profit***
  - Net profit for the 9 months of 2015 increased by 5.1% year-on-year to AED 1.8 billion
  - Operating Income up 3.0% year-on-year to AED 4.5 billion driven by strong growth in Net Interest Income
  - Net Interest Income up by 10% year-on-year, on the back of a 1.9% y-o-y increase in loan volume
- ***Consistently high proportion of net fee and commission income***
  - Mashreq's best-in-class Net Fee, Commission, Investment and Other Income to operating income ratio remained high at 45.1%
  - Net Fee and Commission income increased by 1.1% year on year
- ***Strong balance sheet (9M 2015 vs YE 2014)***
  - Total Assets increased by 5.2% in the year to reach AED 111.4 billion; Customer Deposits increased by 6.7% to reach AED 73.1 billion
  - Loan-to-Deposit ratio remained robust at 79.9% at the end of September 2015
- ***Healthy liquidity and capital position***
  - Liquid Assets to Total Assets stood at 28.1% with Cash and Due from Banks at AED 31.2 billion
  - Capital adequacy ratio and Tier 1 capital ratio continue to be significantly higher than the regulatory limit and stood at 16.7% and 15.6% respectively

- ***Sustained asset quality***
    - Non-Performing Loans to Gross Loans ratio decreased to 2.9% at the end of September 2015.
    - Total Provisions for Loans and advances reached AED 3.1 billion, constituting 148.0% coverage for Non-Performing Loans

Mashreq delivered stable financial results for the 9 months ending September 2015, reporting a net profit of AED 1.8 billion, an increase of 5.1% as compared to the 9 months of 2014. Earnings per share strengthened to AED 10.40 at the end of September 2015 compared to AED 9.90 a year earlier.

Net profit [AED million]



Mashreq's CEO, AbdulAziz Al Ghurair, said: "I am pleased to announce a 5.1% growth in net profit for the first three quarters of 2015 compared to last year, as we continue to pursue a path of balanced growth. I believe that in these times of uncertainty in the global economy as well as the visible volatility in the markets, balancing the enterprise objectives of growth vs financial prudence is of paramount importance. It is this balanced approach that has led to a decrease in the ratio of Non-Performing Loans to Gross Loans to only 2.9% at the end of September 2015. Not only that, the bank has increased its NPL coverage to an unparalleled 148%."

"Our ruthlessly focused effort to deliver increased customer satisfaction has resulted in maximizing the opportunities thrown up by the changing market conditions. Mashreq has maintained a steady growth rate by concentrating on elevating its customers' experience and by placing innovation at the heart of all its operations."

Al Ghurair continued, "Looking at the wider economy, the rest of 2015 looks stable for banking 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 value to our clients will enable Mashreq to continue to succeed in being their most preferred bank."

Operating Income

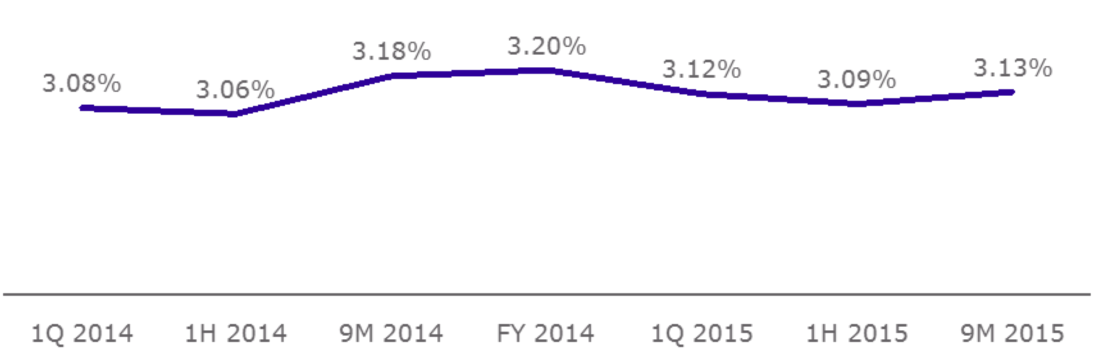
- Total operating income for 9M 2015 was AED 4.5 billion, a year-on-year increase of 3.0% compared to 9M 2014 operating income of AED 4.3 billion.

- Net Interest Income at AED 2.5 billion was up by 10.0% compared to 9M 2014, driven by 1.9% year-on-year increase in loan volume. There has been an improvement in net interest margin from 3.09% in 1H 2015 to 3.13% for the 9M 2015. On a quarterly basis, Net Interest Income increased moderately by 0.8% to AED 826 million in 3Q 2015 as compared to AED 820 million in 2Q 2015.

- Net fee and commission increased slightly by 1.1% year-on-year (9M 2015 vs 9M 2014) to reach AED 1.3 billion. Net fee and commission income represented 64.6% of total non-interest income in 9M 2015 as compared to 61.1% in 9M 2014.

- Operating expenses increased by 13.0% year-on-year but decreased by 1.9% quarter-on-quarter to reach AED 1.8 billion; Efficiency Ratio at 40.9% in 3Q 2015 remained stable with respect to last quarter.

Net interest margin [%]



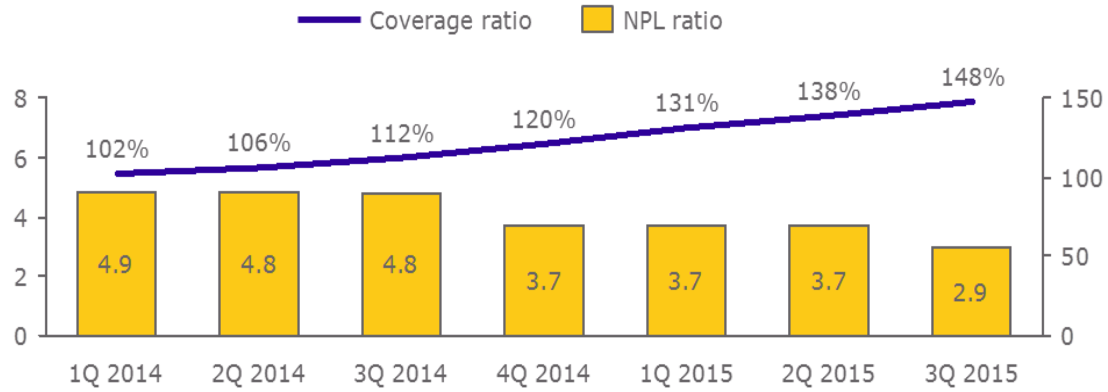
Assets and Asset quality

- Mashreq's Total Assets increased by 5.2% to reach AED 111.4 billion in 9M 2015, compared to AED 105.8 billion at the end of 2014. Loans and Advances decreased by 0.1% 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 1.9% driven by 12.4% growth in Islamic finance. Liquid Assets to Total Assets stood at 28.1% with Cash and Due from Banks at AED 31.2 billion as of September 2015. Loan-to-Total Assets Ratio at 52.4% fell slightly as compared to 54.8% at the end of 2014 (52.1% in June 2015).

- Customer Deposits at AED 73.1 billion, increased by 6.7% as compared to December 2014, driven by 80.2% growth in Islamic deposits and 0.7% growth in conventional deposits. Loan-to-Deposit ratio stood at 79.9% vs 84.8% in December 2014. On a year-on-year basis, customer deposits grew by 9.3% from AED 66.8 billion in September 2014 driven by Islamic deposits.

- Non-Performing Loans reduced to AED 2.2 billion in September 2015 leading to a Non-Performing Loans to Gross Loans ratio of 2.9% at the end of September 2015 (3.7% in June 2015). Net Allowances for impairment for 9M 2015 was AED 682.1 million as compared to AED 860.0 million in 9M 2014. Total Provisions for Loans and advances reached AED 3.1 billion, constituting 148.0% coverage for Non-Performing Loans as on September 2015.

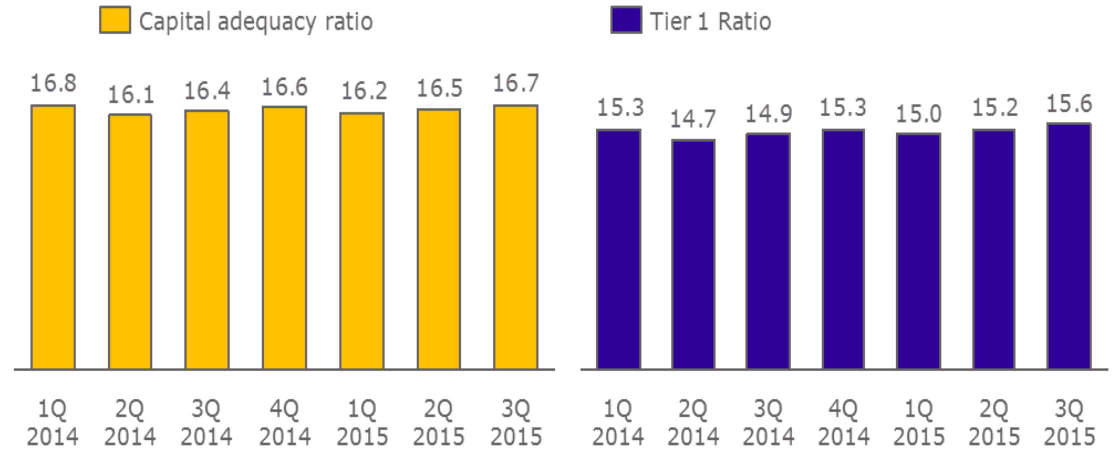
NPL and Coverage Ratio [%]



Capital and Liquidity

- Mashreq's Capital adequacy ratio stood at 16.7% (regulatory minimum of 12%) as of September 2015 compared to 16.5% as at 30 June 2015. Tier 1 capital ratio at 15.6% continues to be significantly higher than the 8.0% regulatory minimum stipulated by the UAE Central Bank (15.2% as at 30 June 2015)

Capital Adequacy and Tier 1 Ratio [%]



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 has sustained the momentum built up in the first half of the year with continued growth in the transaction volumes routed through the Corporate Online Banking platform mashreqMATRIX. This quarter has also shown increase in the uptake of alternate service channels for depositing cheques (Mashreq Cheque Scan) and Cash & Cheques (Mashreq Monster), which have aided in enhancing customer convenience and experience by bringing key banking services to their offices.

Corporate Finance continued its strong performance in Q3 - its best quarterly performance YTD, by successfully closing US$1.6 Billion in transaction value. Mashreq acted in a Mandated Lead Arranger & Book Runner capacity arranging and closing syndicated transactions which included: US$500 Million Ezdan Holding Group Company, US$400 Million OSN – Gulf DTH FZ LLC, US$100 Million Pakistan International Airlines (PIA), US$100 Million SK Engineering and Construction Limited, US$325 Million Consolidated Contractors Company and US$135 Million Future Pipes Industries. The division further cemented its projected earnings capacity by securing an additional US$1.0 Billion of new mandates in transaction value that are expected to be closed before the year end, positioning itself for yet another strong quarter before closing the year.

Real Estate Finance & Advisory 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 onshore real estate fund in the UAE, and is also working on launching Dubai's first DIFC Qualified Investor Real Estate Investment Fund.

Retail Banking:

During the 3rd quarter Retail banking witnessed the launch of innovative and customer centric banking solutions. Mashreq became the first bank to integrate *Emirates Identity Authority (EIDA)* cards with all its bank processes- allowing customers to open accounts, pay their utility bills, update their personal information and carry out cash withdrawals and deposits using their Emirates ID. Mashreq has thus cemented itself as one of the most innovative banks in the region and reasserted its market leadership in delivering innovation and a world class customer experience.

Another innovative product the Bank launched was instant *Online Foreign Currency Account* for those who have a natural need to maintain foreign currencies like USD, EUR, GBP and AUD. Customers can open the new account instantly without paper based forms at no additional cost and these will have full transactional capability. The Foreign Currency Account provides customers with a complete digital experience as it removes the hassle of additional account opening forms. Using just the online channel, Mashreq customers will be granted full freedom to open and operate the Foreign Currency account with superb functionality. The account allows customers to transfer funds from any existing account to buy into the newly opened FCY denominated account. It can also be used for inward or outward remittances and is perfect for those who decide to diversify their currency holdings.

Mashreq also launched *SmartSaver Visa Platinum Credit Card*, the next generation cash-back card. Powered by never before 'Everyday Savings' benefits, SmartSaver represents the evolution of reward propositions by offering consumers smart savings of up to a whopping 10%, with no caps or limits, at over 450 partner outlets across 50 leading brands. Coupled with its promise of simplicity and transparency - no spend tiers, no thresholds to be met, no complicated calculations and no annual fees – the new Card is a dream come true for the value-conscious consumer who gets to save up to AED 30,000 per annum, from the very first Dirham of spend, on the back of a guaranteed give-back of 1.25% on all domestic and 2.5% on all international spends. What's more, cardholders additionally get a 5% give-back on categories like education, telecom and utility bill payments, allowing them to save big on expenses that typically strain the household budget.

In line with the Bank's strategy to continue launching customer centric products, the Bank launched *Mashreq Flash Transfer* which allows instant 24/7 money transfer to over 12,000 ATMs in India using mobile number only. This unique remittance service is for customers to send a payment instantly to a beneficiary in India. 'Mashreq Flash Transfer' offers the ultimate convenience and speed of service to individuals who want to send money to India including 'instant cash'. Sender can simply choose the beneficiary phone number from the phone book & initiate the payment in a flash – mobile to mobile payment. The new service allows the credit to the beneficiary bank account and is offered instantly to Axis Bank and near instant to other banks in India. The recipient has the option to withdraw cash at any of Axis bank ATMs; without the need to have an ATM card or bank account. Additionally there is an option to remit funds instantly to a beneficiary having an Axis bank account in India. Credit to other bank accounts will be near instant depending on the NEFT cutoffs in India. The remittance can be initiated by the sender by simply selecting the beneficiary phone number from the phone address book.

International Banking:

Despite the headwinds created by lower oil prices and disturbances in some of the key overseas markets, Mashreq's International business has delivered robust growth in revenues and profits. International business is now contributing more than 20% of bank's revenues. Both Corporate and FI businesses have shown excellent growth, significantly outpacing the market particularly in Egypt and Bahrain.

FI Business has maintained its leadership position in South Asia region and has continued to grow in various geographies including Turkey and Africa. Mashreq has received UAE Central Bank's approval for opening a Rep Office in Kenya and should have one operational in Kenya before the year end. This would help the bank in supporting and sustaining the existing business and also in acquiring a much larger share of correspondent banking business in the region.

Treasury and Capital Market:

Despite a challenging and volatile macro environment Mashreq was able to grow its Treasury product suite across asset classes. The banks defensive positioning in an increasingly unpredictable market has cushioned the downside risks. This quarter there was a standout transaction – namely the execution of the single largest Islamic deal, a profit rate swap.

<u>Awards:</u>

MasterCard Innovation Forum 2015

Most Innovative Consumer Marketing Campaign' in the Middle East & Africa

Dubai Chambers – CSR Label *(Winner for 5 years in a row)*

EMEA Finance Awards Treasury Services Awards 2015

Best cash management services in the Middle East
Best factoring services in the Middle East

Global Finance Awards *(World's Best Consumer Digital Banks in The Middle East and Africa) 2015*

Country Winners category: Best Consumer Digital Bank in Qatar - Mashreq
Regional Sub-category winners: Best Integrated Consumer Bank – Mashreq UAE

Gallup Great Workplace Award (2nd time winner)

Finance Monthly M&A Awards 2015

Trade Finance Firm of the year UAE

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 2015

Best Islamic Deal of The Year Award’ in Qatar

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 2015

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

Super brands 2015

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

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Appendix 1: 2015 Third Quarter Financial Highlights

9M 2015 Financial Highlights	9 Month Trend			Quarterly Trend				
			Δ %				Q3'15 Δ %	
Income statement (AED mn)	**9M'15**	**9M'14**	**YoY**	**Q3'15**	**Q2'15**	**Q3'14**	**QoQ**	**YoY**
Net Interest Income	**2,449**	2,226	10.0	**826**	820	786	0.8	5.1
Fee and commision	**1,297**	1,283	1.1	**408**	462	425	(11.7)	(4.0)
Investment Income	**117**	181	(35.0)	**19**	53	69	(64.8)	(73.0)
Insurance,FX & Other Income	**594**	637	(6.8)	**190**	189	194	0.7	(1.8)
Total Operating Income	**4,458**	4,327	3.0	**1,443**	1,524	1,474	(5.3)	(2.1)
Operating Expenses	**(1,823)**	(1,612)	13.0	**(603)**	(615)	(550)	(1.9)	9.6
Operating Profit	**2,636**	2,715	(2.9)	**840**	909	923	(7.6)	(9.0)
Impairment Allowance	**(682)**	(860)	(20.7)	**(258)**	(228)	(304)	13.4	(15.1)
Overseas Tax Expense	**(63)**	(40)	58.1	**(19)**	(22)	(14)	(13.4)	37.7
Non-Controlling Interest	**(44)**	(58)	(23.0)	**(12)**	(16)	(9)	(27.8)	31.8
Net Profit for the Period	**1,846**	1,757	5.1	**551**	643	597	(14.3)	(7.6)
EPS [AED]	***10.40***	*9.90*	*5.1*	***3.11***	*3.62*	*3.53*	*(14.1)*	*(11.9)*
			Δ %				**Δ %**	
Balance Sheet (AED mn)	**Sept'15**	**Sept'14**		**Sept'15**	**Jun'15**	**Dec'14**	**QoQ**	**YTD**
Total Assets	**111,378**	102,297	8.9	**111,378**	112,280	105,840	(0.8)	5.2
Loans and Advances	**58,386**	57,302	1.9	**58,386**	58,450	58,046	(0.1)	0.6
Customer Deposits	**73,070**	66,829	9.3	**73,070**	75,329	68,488	(3.0)	6.7
Shareholder's Funds	**18,004**	16,301	10.4	**18,004**	17,492	16,919	2.9	6.4
Key Ratios (%)	**Sept'15**	**Sept'14**	**Δ bps**	**Sept'15**	**Jun'15**	**Dec'14**	**Δ bps**	**Δ bps**
CAR (Capital Adequacy ratio)	***16.74***	*16.38*	*0.36*	***16.74***	*16.45*	*16.62*	*0.29*	*0.12*
Tier 1 Ratio	***15.61***	*14.94*	*0.67*	***15.61***	*15.23*	*15.26*	*0.38*	*0.35*
Loan-to-Deposits	***79.90***	*85.74*	*(5.84)*	***79.90***	*77.59*	*84.75*	*2.31*	*(4.85)*
*Return-on Assets**	***2.27***	*2.44*	*(0.17)*	***2.27***	*2.37*	*2.46*	*(0.10)*	*(0.19)*
*Return-on-Equity**	***14.73***	*15.61*	*(0.88)*	***14.73***	*15.74*	*15.69*	*(1.01)*	*(0.96)*

*Annualized

-ENDS-

For media enquiries, please contact:

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

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

For investor relations enquiries, please contact:

Ali Zaigham Agha
Investor Relations, Mashreq
Tel: 04 –2077543
Email: AliAgha@mashreqbank.com