Mashreq posts a 9.2% y–o–y growth in Operating Profit for 9M 2016

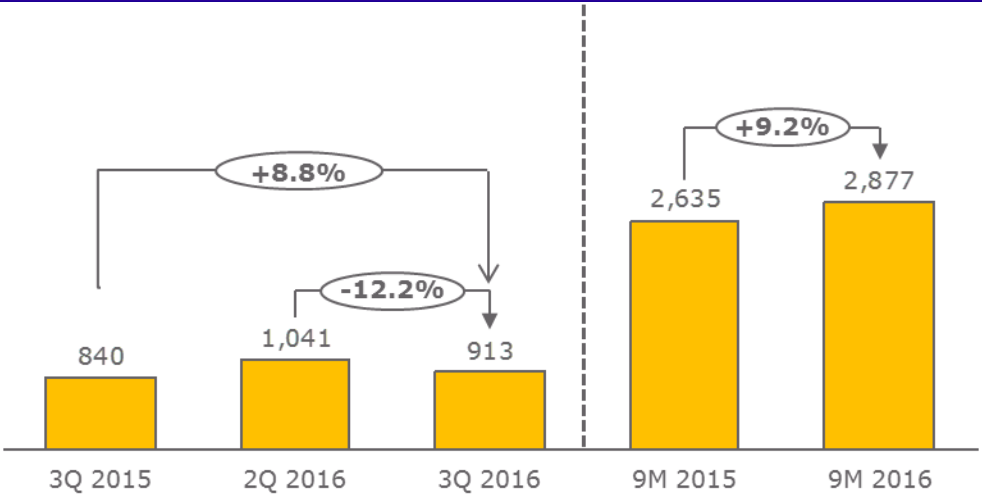
Dubai, UAE; 23rd October 2016: Mashreq, one of the leading financial institutions in the UAE, today has reported its financial results for the first nine months ending 30th September 2016.

Key highlights [9M 2016 vs 9M 2015]:

- ***Stable growth in Operating Income***
  - Operating Income up 4.6% year-on-year to AED 4.7 billion driven by strong growth in both interest and non-interest income
  - Operating Profit increased by 9.2% year-on-year to AED 2.9 billion
  - Net profit for the first nine months stood at AED 1.5 billion – a decrease of 9.4% compared to the normalized Net profit for 9M 2015 (adjusted for the impact of recoveries)
- ***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 42.6%
  - Insurance, FX & Other Income up by 7.1% year-on-year
- ***Solid balance sheet***
  - Total Assets increased by 3.9% to AED 119.6 billion while Loans and Advances increased by 3.5% to AED 62.3 billion as compared to December 2015
  - Customer Deposits increased by 2.2% to reach AED 75.3 billion as compared to December 2015
  - Loan-to-Deposit ratio remained robust at 82.8% at the end of September 2016
- ***Healthy liquidity and capital position***
  - Liquid Assets to Total Assets stood at 26.8% with Cash and Due from Banks at AED 32.1 billion
  - Capital adequacy ratio and Tier 1 capital ratio continue to be significantly higher than the regulatory limit and stood at 16.7% and 15.7% respectively

- ***Sustained asset quality***
    - Non-Performing Loans to Gross Loans ratio remained stable at 3.6% at the end of September 2016
    - Total Provisions for Loans and advances reached AED 3.6 billion, constituting 136.0% coverage for Non-Performing Loans

Operating Profit [AED million]



Mashreq's CEO, H.E. AbdulAziz Al Ghurair, said: "I am pleased with the progress the bank has made in the context of the external market conditions in 2016. I had previously emphasized the need for us to adopt rigorous business practices to respond to the challenging market environment. This meant that we had to make conscious yet realistic choices on where to focus, in order to achieve sustainable long-term growth for the bank."

"We took clear decisions at the outset to continue to grow by improving share of wallet of our existing customers and selectively on boarding new-to-bank quality customers. The impacts of these decisions are reflected in the bank's top line revenue growth of 5%. Our continued efforts in cost reduction for the last 3 quarters have led to a good 2% improvement in costs. The combined effect of revenue growth and cost reduction has delivered a solid 9% growth in operating profit for the first 9 months of 2016. We remain committed to continuously raising the bar and doing what is right for the long-term growth of the Bank. We therefore optimized our short term trade-off choices, in order to be in a leaner stronger position and fit for growth."

Al Ghurair concluded, "I am confident we are going to finish 2016 on a relatively strong note and will be well poised and ready to take advantage of the multiple growth opportunities in 2017."

Operating Income

- Total operating income for 9 month of 2016 was AED 4.7 billion, a year-on-year increase of 4.6% compared to 9 months of 2015 operating income of AED 4.5 billion.

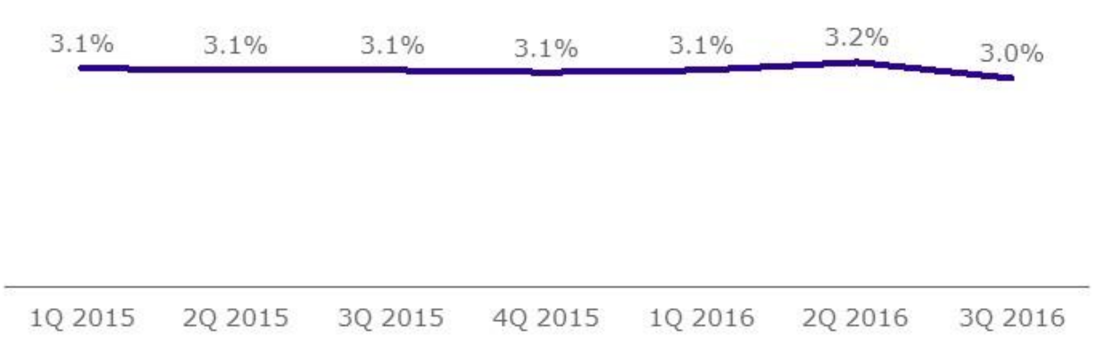
- Net Interest Income, net income from Islamic products and interest earned on marketable securities[1)] at AED 2.7 billion was up by 4.9% compared to 9 months of 2015, driven by 6.7% year-on-year increase in finance volume. On a quarterly basis, it has decreased by 4.4% from AED 0.9 billion in 2Q 2016. There has been a decrease of 9bps in net interest margin from 3.13% in 9M 2015 to 3.04% in 9 months of 2016.

- Total non-interest income increased by 4.2% year-on-year to reach AED 2.0 billion on the back of an increase in Insurance, FX & Other Income. Net fee and commission income represented 65.0% of total non-interest income in 9 months of 2016 as compared to 68.0% in 9 months of 2015.

- Operating expenses decreased by 2.0% year-on-year and by 3.0% quarter-on-quarter to reach AED 1.8 billion; Efficiency Ratio at 38.3% in 9 months of 2016 improved with respect to the previous year (40.9% as of 9 months of 2015).

- Net Profit has decreased by 19.5% year-on-year, however Net Profit decreased only by 9.4% on a normalized basis (one-off recoveries of AED 7 million in 9M 2016 vs AED 213 million in 9M 2015).

Net interest margin [%] – quarterly [1)]



1) NII component booked under Investment income as per IFRS, has been reclassified under NII

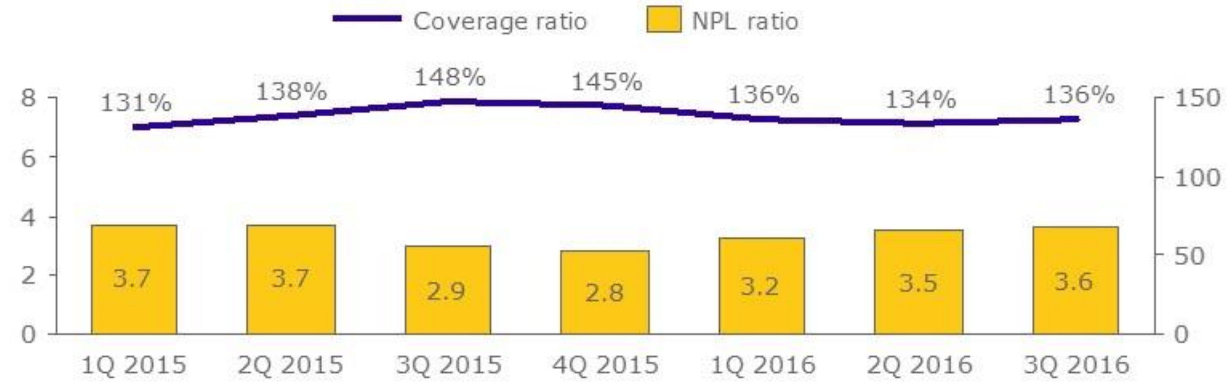
Assets and Asset quality

- Mashreq's Total Assets increased by 3.9% to reach AED 119.6 billion in 9M 2016, compared to AED 115.2 billion at the end of 2015. Loans and Advances increased by 3.5% YTD to end at AED 62.3 billion. On a year-on-year basis, Loans and Advances grew by 6.7% driven by 23.0% growth in Islamic finance. Liquidity continues to remain healthy with a high liquid asset to total assets ratio of 26.8%. Loan-to-Total Assets Ratio at 52.1% decreased slightly as compared to 53.9% at the end of June 2016 (52.2% in December 2015).

- Customer Deposits increased by 2.2% YTD to AED 75.3 billion driven by an increase in conventional deposits. Loan-to-Deposit ratio stood at 82.8% vs 81.7% in December 2015.

- Non-Performing Loans stood at AED 2.7 billion in September 2016 leading to a Non-Performing Loans to Gross Loans ratio of 3.6% at the end of September 2016 (2.8% in December 2015). Net Allowances for impairment for 9M 2016 were AED 1,308 million compared to AED 682 million in 9 months of 2015. Total Provisions for Loans and advances reached AED 3.6 billion, constituting 136.0% coverage for Non-Performing Loans as of September 2016.

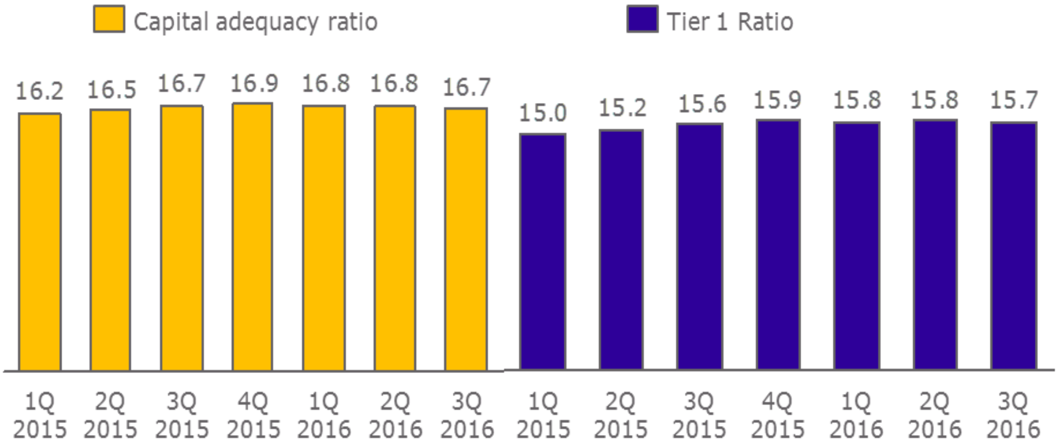
NPL and Coverage Ratio [%]



Capital and Liquidity

- Mashreq's Capital adequacy ratio stood at 16.7% (regulatory minimum of 12%) as of 30 September 2016, compared to 16.9% as of 31 December 2015. Tier 1 capital ratio at 15.7% continues to be significantly higher than the 8% regulatory minimum stipulated by the UAE Central Bank (15.9% as at 31 December 2015)

Capital Adequacy and Tier 1 Ratio [%]



Business Unit Updates:

Corporate Banking:

Global Transaction Services

Mashreq's Global Transaction Services team continued its impressive performance this year by bagging 3 more awards in this quarter at EMEA Finance Middle East Awards announced at SIBOS 2016. Mashreq won the Best Treasury Services in the Middle East, Best Trade Finance Services in the Middle East and Best Factoring Services in the Middle East. In the third quarter the team successfully rolled out Host-to-Host implementations for a number of large clients across different industry verticals. This represents yet another milestone for Mashreq and is a reflection of the wider success the Bank has enjoyed on account of its efforts in pioneering innovation in the corporate financial solution space across the region.

Contracting Finance

Contracting Finance continues to maintain its competitive edge in the UAE market in terms of segment specialization and has also successfully provided finance for contractors in projects across Bahrain, Qatar, Kuwait, Egypt and Oman, capitalizing on the bank's strong regional presence. Mashreq has delivered its expertise in Contracting Finance through successful execution of several high-value projects within the Oil & Gas, Petrochemical, Civil, Infrastructure and Power Generation industries. As of September 2016, the bank supported prominent local and international contractors and executed many strategic projects across the region, including Bahrain International Airport, Doha Reverse Osmosis

Desalination Plant in Kuwait, Liwa Plastics Plant in Oman, Cairo Festival City Apartments, a Desalination Plant and a Sulphur Recovery Plant in Egypt.

Corporate Finance

Corporate Finance has sustained its track record successfully closing a few notable loan market transactions which included a 5-Year, USD 185 million facility for Jet Airways with Mashreq as a sole bookrunner, USD 700 million syndicated term loan for the Government of Sri Lanka (its largest syndicated loan to-date), as well as, a USD 150 million facility for Burgan Bank Turkey. On the Debt Capital Markets (DCM) side, Corporate Finance with Mashreq as JLM & Bookrunner successfully closed the USD 750 million Murabaha Sukuk for Emaar Properties PJSC. The team continued to aggressively pitch for new business to continue building its pipeline despite challenging market conditions generally.

Real Estate Finance & Advisory

Real Estate Finance & Advisory has originated deal flow of more than AED 5 billion up to 3Q 2016. The team closed lucrative and high value transactions for some of the most prestigious and prominent names within the UAE real estate industry. The team has also now started its pitch to select investors relating to its DIFC-based real estate Qualified Investor Fund ("QIF") which was launched in partnership with an experienced real estate private equity firm in Abu Dhabi. The QIF has an equity size of USD 300 million and will also raise debt for Shariah-compliant investments in high-yielding assets; the initial and GCC wide roadshow for the fund is to begin imminently.

Retail Banking:

During the third quarter, Mashreq's retail business maintained its leading position and continued providing innovative banking solutions to customers. The Bank announced a partnership with the Dubai Police to provide unique and innovative payment acceptance services to the UAE public. This comes as part of the Dubai smart city and smart government vision of H.H. Sheikh Mohammed Bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai. The initiative will be realized through a new customer facing, self-service touch screen device, which will be installed at the counters of the Dubai Police service centers. With its user friendly layout and elegant design, the system will make it easier and more convenient for customers to use, manage and make transactions. The payment device also includes features including a satisfaction survey for the customer to complete right after the transaction. Mashreq is the first bank to integrate such state of the art payment solutions with the Dubai Police systems. The devices will be installed at the headquarters of Dubai Police and other locations thereafter.

Reflecting its ongoing commitment to introducing customer-centric financial solutions and unique banking experiences, Mashreq, the market leader in innovation, has once again revolutionized the mobile space by introducing a new card control capability which is integrated with its award-winning mobile banking Snapp and the Tap n Go wallet. This ground breaking launch is in response to customer's demand to fully control their cards, including their supplementary cards. Mashreq's Card Control gives customers the power to lock, block, limit, manage daily purchases and set maximum transaction amount and count on all their cards - thus giving customers instant security and empowerment on-the-go. The new functionality will make it easier and more convenient for customers to have full control on both credit and debit cards anywhere and at any time.

Introducing yet another innovation solution, Mashreq's contactless payments sticker solution Tap n Go can be used to make payments without carrying physical cards. Tap n Go can be used by all Mashreq Credit Card customers and it reduces transaction time from 45 seconds to less than 8 seconds. For every TAP n Go transaction made in supermarkets such as Al Maya, Geant, West Zone, Choithrams, Al Adil, Sunrise City and Nesto, Mashreq customers will get 10% off their bill with a maximum cap of 10 AED per bill. At Novo Cinemas Mashreq customers will be rewarded with a free soft drink on every TAP n Go payment. In Jamaica Blue Coffee, customers will receive 50% discount on coffee and beverages.

Proudly becoming the first Bank in the UAE to integrate with Apple's Siri for voice-powered payments, Mashreq's mobile banking feature allows customers to transfer payments using Apple's virtual assistant, Siri. While online and mobile banking continues to be a key focus for Mashreq, this adds to a host of recent additions that make banking with Mashreq a convenient and innovative experience for its customers. First-time users will need to download the new iOS10 update and register for voice banking services.

They will then receive a one-time password (OTP) that will allow them to confirm the registration and start using the service. To transfer payments, users will simply need to tell Siri how much they want to send, to whom and confirm it using either their PIN or touch identification. With security in mind, the new feature only works on password protected devices. Transfers can only be sent to registered contacts in the phone and the limits are low keeping it anywhere from AED 1 to AED 500.

International Banking:

IBG had a very successful first nine months of 2016 registering an impressive above target growth both in revenues and profitability. In particular strong results were delivered by the Bank's business in Egypt and New York. In recent times Mashreq has grown wallet share and become a clear leader in the Indian subcontinent and Africa region for lending to Financial Institutions.

The market environment for the international business was very challenging with an unprecedented confluence of regulatory challenges and market uncertainty coupled with sustained economic weaknesses. In some of our major markets particularly in Africa the lower oil prices adversely affected the budgets and current accounts.

International business has responded to the challenges with a more focused sales process, by keeping ears close to the ground and by improving distribution capabilities. Banks worldwide are facing the most significant regulatory changes we have seen in our lifetimes. Mashreq believes in staying ahead of the curve on the regulatory front with Regulatory Compliance, Sanctions, "Know Your Customer" and "Anti Monetary Laundering" policies and related controls being the key areas of focus.

Treasury and Capital Market:

In what continues to be a challenging and uncertain market environment, Mashreq is supported by its comprehensive capital markets products suite across asset classes, an online trading platform and 24 hour dealing room. In 3Q, FX flow experienced momentum particularly in the Retail space. Trading revenue continues to be strong amidst increased volatility in underlying markets. Mashreq's Asset Management business saw positive performance for its regional fixed income mandates.

The Rates & Fixed Income business experienced a pick-up in bond trading volumes and revenues amidst sustained primary market issuance, which helped market-making and flow business. The business also continued to offer its clients wide-ranging structured investment products.

2016 Third Quarter Awards:

CSR Label – Dubai Chambers – 2016

World Finance Awards

Best Digital Bank – UAE
Best Mobile Banking Application – UAE

Global Finance Digital Bank Conference

Country awards recognition
Best corporate digital bank in the U.A.E
Best consumer digital bank in Qatar
Best consumer digital bank in the U.A.E

Regional awards recognition
Best online deposit, credit and investment product offerings
Best bill payment and presentment
Best web site design
Best integrated consumer bank site

Gulf Business Awards 2016

Business Leader of the Year – Banking Industry (H.E. AbdulAziz Al Ghurair)

Appendix 1: 2016 Third Quarter Financial Highlights

3Q 2016 Financial Highlights	Nine Month Trend			Quarterly Trend				
			Δ %				3Q'16 Δ %	
Income statement (AED mn)	**9M'16**	**9M'15**	**YoY**	**3Q'16**	**2Q'16**	**3Q'15**	**QoQ**	**YoY**
Net Interest Income & Net Income from Islamic Products*	**2,676**	2,551	4.9	**875**	916	868	(4.4)	0.9
Fee and commision	**1,293**	1,297	(0.4)	**399**	447	408	(10.9)	(2.3)
Investment Income	**59**	16	278.1	**11**	30	(23)	(63.9)	(146.6)
Insurance,FX & Other Income	**636**	594	7.1	**211**	248	190	(14.8)	11.0
Total Operating Income	**4,664**	4,458	4.6	**1,496**	1,641	1,443	(8.8)	3.7
Operating Expenses	**(1,787)**	(1,823)	(2.0)	**(583)**	(601)	(603)	(3.0)	(3.4)
Operating Profit	**2,877**	2,635	9.2	**914**	1,041	840	(12.2)	8.8
Impairment Allowance	**(1,308)**	(682)	91.8	**(470)**	(472)	(258)	(0.5)	82.0
Overseas Tax Expense	**(58)**	(63)	(8.7)	**(24)**	(15)	(19)	57.9	30.4
Non-Controlling Interest	**(26)**	(44)	(41.6)	**(5)**	(14)	(12)	(66.4)	(59.9)
Net Profit for the Period	**1,486**	1,846	(19.5)	415	540	551	(23.2)	(24.8)
EPS [AED]	***8.37***	*10.40*	*(19.5)*	***2.34***	***3.04***	***3.11***	*(23.1)*	*(24.8)*
			Δ %				Δ %	
Balance Sheet (AED mn)	**Sep'16**	**Sep'15**	**YOY**	**Sep'16**	**Jun'16**	**Dec'15**	**QoQ**	**YTD**
Total Assets	**119,624**	111,378	7.4	**119,624**	114,665	115,157	4.3	3.9
Loans and Advances	**62,297**	58,386	6.7	**62,297**	61,755	60,166	0.9	3.5
Customer Deposits	**75,276**	73,070	3.0	**75,276**	73,345	73,635	2.6	2.2
Shareholder's Funds	**18,498**	17,252	7.2	**18,498**	18,104	17,769	2.2	4.1
Key Ratios (%)	**Sep'16**	**Sep'15**	**Δ bps**	**Sep'16**	**Jun'16**	**Dec'15**	**Δ bps**	**Δ bps**
CAR (Capital AdequABy ratio)	***16.65***	*16.74*	*(8.9)*	***16.65***	*16.79*	*16.90*	*(14.2)*	*(24.3)*
Tier 1 Ratio	***15.73***	*15.61*	*11.6*	***15.73***	*15.84*	*15.86*	*(10.6)*	*(12.7)*
Loan-to-Deposits	***82.76***	*79.90*	*285.4*	***82.76***	*84.20*	*81.71*	*(143.9)*	*105.1*
*Return-on Assets***	***1.69***	*2.27*	*(57.8)*	***1.69***	*1.86*	*2.17*	*(17.7)*	*(48.6)*
*Return-on-Equity***	***10.93***	*14.73*	*(380.5)*	***10.93***	*11.95*	*14.16*	*(102.0)*	*(323.3)*

*NII component booked under Investment income as per IFRS, has been reclassified under NII

**Annualized

-ENDS-

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