Mashreq posts a 3% increase in Net Profit for first quarter 2017

Dubai, UAE; 12th April 2017: Mashreq, one of the leading financial institutions in the UAE, today has reported its financial results for the first quarter ending 31st March 2017.

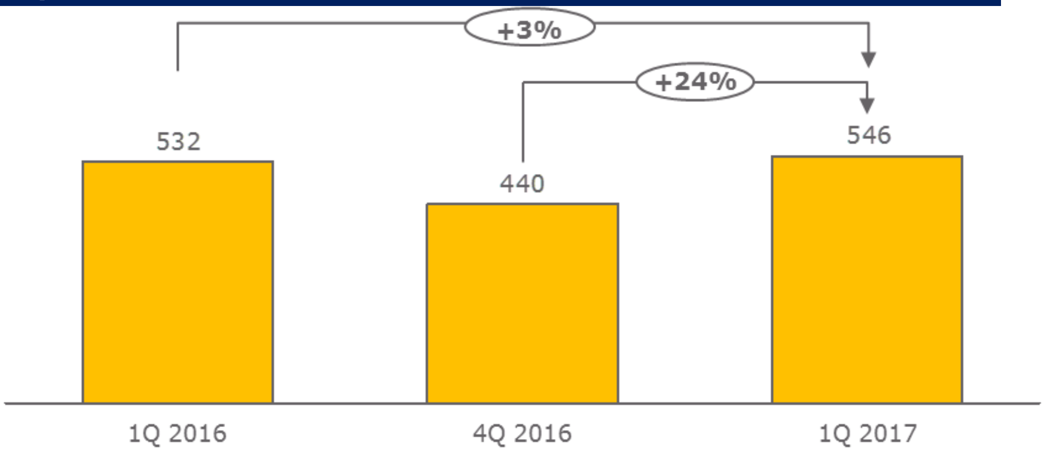
Key highlights [1Q 2017 vs 1Q 2016]:

- ***Stable growth in Net Profit***
  - Net profit increased by 2.7% year-on-year to AED 546 million primarily due to a 15% decrease in impairment allowance
  - Net Interest Income & Net Income from Islamic Products down by 3.6% year-on-year, on the back of flat loan growth
- ***Consistently high proportion of net fee and commission income***
  - Mashreq's best-in-class non-interest income to operating income ratio remained high at 41.6%
  - Investment income, FX & Other income increased by 17.9% YoY
- ***Healthy balance sheet composition***
  - Total Assets decreased by 1.7% in the year to reach AED 120.7 billion; Customer Deposits declined slightly by 0.8% to reach AED 76.4 billion
  - Loan-to-Deposit ratio remained healthy at 80.5% at the end of March 2017
- ***Strong liquidity and capital position***
  - Liquid Assets to Total Assets stood at 28.1% with Cash and Due from Banks at AED 33.9 billion
  - Capital adequacy ratio and Tier 1 capital ratio continue to be significantly higher than the regulatory limit and stood at 17.1% and 16.2% respectively

- ***Maintained asset quality***
    - Non-Performing Loans to Gross Loans ratio remained relatively steady at 3.3% at the end of March 2017.
    - The risk charge for the quarter decreased from AED 425 million in 4Q 2016 to AED 311 million and Total Provisions for Loans and advances reached AED 3.5 billion, constituting 145.5% coverage for Non-Performing Loans

Mashreq delivered stable financial results for the quarter ending March 2017, reporting a net profit of AED 546 million. Earnings per share are strong at AED 3.08 as of March 2017.

Net profit [AED million]



Mashreq's CEO, Abdul Aziz Al Ghurair commented, "Given the challenging business environment in 2016, Mashreq's cautious stance has allowed us to stay focused on building quality assets whilst upholding a strong liquidity position, as evidenced by the bank's healthy loan-to-deposit ratio of 80%."

He added, "The stabilization in the business environment coupled with our sharp focus on asset quality has led to lower provisions for impairment, down 27% from the previous quarter. We are well poised to take advantage of market opportunities, and will see better upside in profits if the operating environment remains stable."

Al Ghurair concluded, "As we celebrate our 50th year, we are thankful for the decades of support we have enjoyed from our clients and partners. We remain committed to these long term relationships as we look forward to 50 more years."

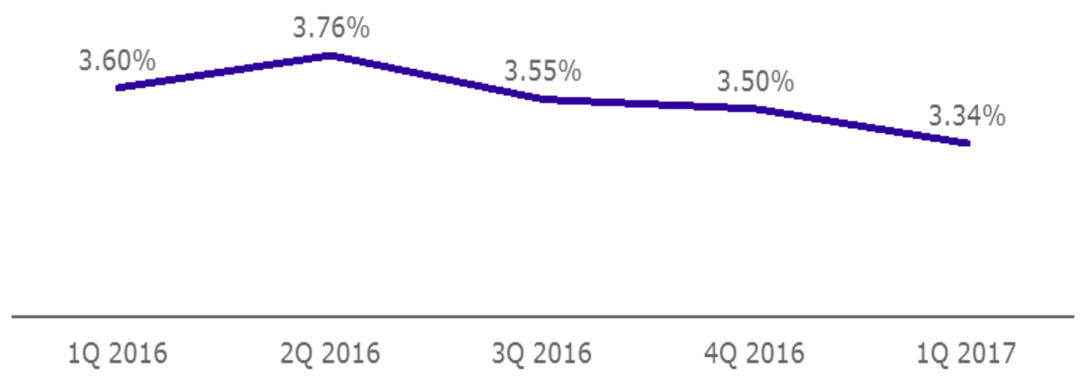
Operating Income

- Net Interest Income & Net Income from Islamic Products at AED 852 million was down by 3.6% compared to 2016. There has been a decline in net interest margin from 3.60% as of March 2016 to 3.34% as of March 2017. Net Interest Income & Net Income from Islamic Products has decreased by 4.4% to AED 852 million in 1Q 2017 as compared to AED 891 million in 4Q 2016.

- Total Non-Interest Income decreased by 5.6% year-on-year to reach AED 607 million. Net fee and commission income represented 61.9% of total non-interest income in 1Q 2017 as compared to 69.5% in 1Q 2016.

- Total operating income for 1Q 2017 stood at AED 1.5 billion, a year-on-year decrease of 4.4%. However, strict control on Operating expenses led to a reduction of expenses by 5.7% year-on-year and as a result Efficiency Ratio in 1Q 2017 improved to 39.0% compared to 41.2% in the previous quarter (39.5% as of 1Q 2016).

Net interest margin [%] [1)]



1) Annualized quarterly NIM's; NII component booked under Investment income as per IFRS, has been reclassified under NII

Assets and Asset quality

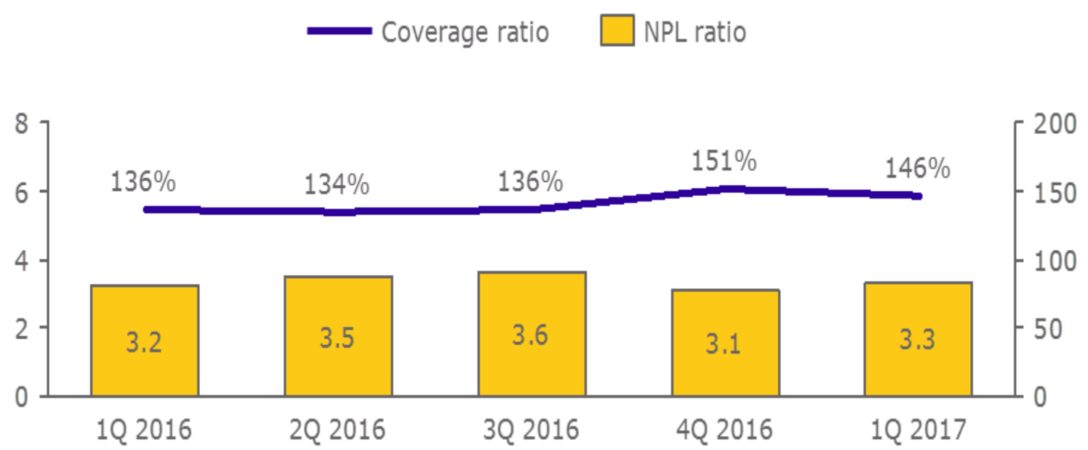
- Mashreq's Total Assets decreased by 1.7% to reach AED 120.7 billion in 1Q 2017, compared to AED 122.8 billion at the end of 2016. Loans and Advances grew by 0.6% YTD to end at AED 61.5 billion driven by a 1% growth in conventional finance. Liquid Assets to Total Assets stood at 28.1% with Cash and Due from Banks at AED 33.9 billion as of March 2017. Loan-to-Total Assets Ratio at 51.0% increased slightly as compared to 49.7% at the end of 2016.

- Customer Deposits at AED 76.4 billion, decreased by 0.8% as compared to December 2016, primarily due to a 12.9% decline in Islamic deposits. Loan-to-Deposit ratio stood at 80.5% vs 79.2% in December 2016.

- Non-Performing Loans increased marginally by AED 221 million in the quarter leading to a Non-Performing Loans to Gross Loans ratio of 3.3% at the end of March 2017 (3.1% in December 2016).

- Net Allowances for impairment for 1Q 2017 were AED 311 million as compared to AED 425 million in 4Q 2016 (AED 366 million in 1Q 2016). Total Provisions for Loans and advances reached AED 3.5 billion, constituting 145.5% coverage for Non-Performing Loans as on March 2017 (151% as on December 2016).

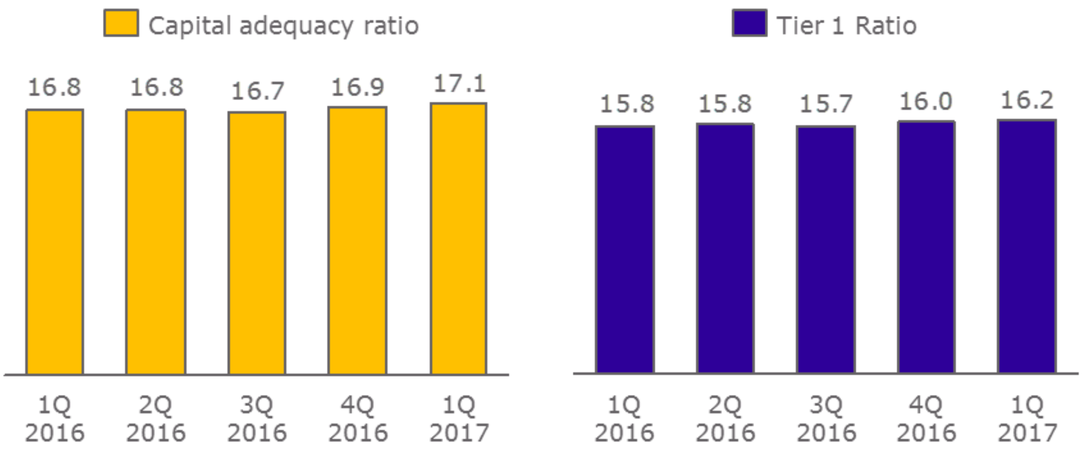
NPL and Coverage Ratio [%]



Capital and Liquidity

- Mashreq's Capital adequacy ratio stood at 17.1% (regulatory minimum of 12%) as of March 2017 compared to 16.9% as of 31 December 2016. Tier 1 capital ratio at 16.2% (16.0% as of 31 December 2016) continues to be significantly higher than the 8.0% regulatory minimum stipulated by the UAE Central Bank [1)].

Capital Adequacy and Tier 1 Ratio [%]



1) Basel 3 capital guidelines expected later in the year

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

Mashreq's Global Transaction Services team started the year by bagging the prestigious "The World's Best Treasury & Cash Management Bank in UAE" award by Global Finance. In 1Q the team successfully rolled out the state of the art corporate online banking portal "mashreqMATRIX" in Kuwait. One of the key products rolled out in 1Q was enhancing Corporate Cheque Scanning services to support "Post Dated Cheques" in addition to the current dated cheques; all this in the convenience of the client's office, bringing banking right in their work environment. GTS continues to be a focus area in driving digitization keeping the clients' need for convenience and security as a primary driver to accomplish their day to day requirements across Mashreq's presence locations.

Corporate Finance

Corporate Finance made a meaningful contribution in bank's effort at building up a solid pipeline for 2017 and successfully wrested a few landmark mandates during 1Q, namely an acquisition finance mandate for US$ 522 million for acquiring partial ownership in UAE franchisee of a large European auto dealer and a US$ 500 million syndication mandate for one of the prominent real estate companies in GCC.

Mashreq was the Global Coordinator, JLM and Bookrunner for the US$ 500 Million sukuk issuance by Ezdan Holdings, the largest listed real estate company in Qatar, bringing the total of sukuk issuance to US$ 1.75 billion where Mashreq played a lead role over last 12 months. Apart from the above, Corporate Finance is working on multiple opportunities in the acquisition finance space with Financial Sponsors as well as drawing to conclusion multi-million dollar deals in the healthcare sector.

NBFI

The NBFI team continues to lead in cross-sell initiatives with all product areas contributing to client solutions. 1Q 2017 highlights include the closure of a PE sponsor lead Capital Call/Acquisition financing of a leading UAE University. The

NBFI team continues its focus on revenue diversification at both customer and product levels. The team recently on-boarded a regional investment bank with a secured US$ 60 million REPO facility and continues to have a strong cross-product transaction pipeline for existing and NTB relationships.”

Real Estate Finance & Advisory

The Real Estate Finance & Advisory is currently structuring and advising on a total deal size of more than AED 10 billion including bilateral, club and syndicated facilities. These include lucrative and high value transactions for some of the most prestigious and prominent names within the UAE and GCC 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.

Contracting Finance

The unit 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. During 1Q 2017, Mashreq supported prominent local and international contractors executing many strategic projects across the region. New projects worth AED 11.3 billion were supported during 2017 increasing the value of the total projects under finance to AED 382 billion as of 1Q 2017. Projects financed in 2017 continued to support the infrastructure development of the region and diversification of the economy along with enriching the cultural outlook.

Retail Banking:

Mashreq’s Retail Banking Group pioneers financial solutions targeted at making the customer’s banking experience accessible and simple. During the first quarter of 2017, the bank continued to drive its successful cards strategy focusing on three main pillars of Lifestyle, Cashback and Travel, with the launch of the SmartSaver Global Credit Card. SmartSaver Global Credit Card is a premium cashback card on the Mastercard World platform and represents the next stage of evolution of cashback propositions, with up to 6% cashback on all international spends and up to 2.5% cashback on all domestic spends.

Mashreq continued its dominance of the digital space by driving innovation to new levels. In the first quarter of 2017, the bank launched the Corporate Virtual Card, becoming the first local bank to launch this service enhancing its comprehensive product suite for Commercial Payments. Mashreq also recorded significant growth in the usage of Cardless Cash via its award winning Mobile Banking application – Snapp.

During the first quarter, the bank also launched an exclusive partnership with Samsung, enabling Mashreq customers to be the first to gain early access to, 'Samsung Pay', a secure mobile payment service that works as a contactless credit or debit card.

Mashreq broadened its geographical reach to draw investors to the UAE property market by participating as the exclusive banking partner at the Dubai Property Show in Shanghai, offering an entire spectrum of financing options for both residential and commercial properties in UAE with end-to-end advisory support.

The Bank is also a proud recipient of the Dubai Chamber CSR Label for 2016, Mashreq is the only UAE financial institution to achieve this accreditation for the sixth consecutive year since 2011. The first quarter also saw the bank acknowledged with the Service Olympian Award for 'Most Viral Activities on Social Media' recognizing Mashreq's community engagement efforts on social media channels. In an effort to contribute to the UAE's 'Year of Giving', Mashreq Al Islami partnered with Emirates Red Crescent to deliver its promise of the 'contribute for good' feature on the credit card.

International Banking:
After an outstanding 2016, Mashreq's International Business Group has continued to deliver robust performance in the first quarter of the financial year. Despite the ongoing challenges faced in some of the key overseas markets, both Corporate and FI businesses have delivered decent growth in 1Q 2017.

The FI Business has maintained its position of leadership in the South Asia region and has enjoyed continued growth in important geographies such as Africa; 2017 has also seen the International Corporate business add India to its list of overseas locations.

Innovation and a superior customer experience are at the very heart of Mashreq's values and in keeping with this spirit, the International Business Group has launched the state-of-art Corporate Online Banking portal – mashreqMATRIX - in Kuwait. With the roll-out of this key initiative, Mashreq Kuwait joins all other International Corporate & FI locations in offering customers an online real-time banking solution.

Treasury and Capital Market:

The Treasury and Capital Markets business consists primarily of customer flow and proprietary trading. Customer flow includes transactions for FX, derivatives, hedging, investment products, equities and regional asset management undertaken on behalf of customers. Proprietary business includes trading and investing activity undertaken on behalf of the bank.

FX

Although the general slowdown weighed on corporate FX flow, the retail space continued to experience momentum. Trading revenue was lackluster amidst subdued volatility.

Rates & Fixed Income

Corporate interest rate hedging experienced a hike in business on the back of recent US Fed rate hikes. The team executed some large hedging transactions including a profit rate swap. Regional credit markets saw significant primary bond and sukuk issuance from GCC sovereigns, banks and corporates, based on which trading volumes picked up pace. The team played a key role in the successful marketing, distribution and placement of Ezdan Holding's recently concluded 5-year, USD 500 million sukuk, in which Mashreq was the Global Coordinator, Joint Lead Manager & Book-runner. 1Q also saw a revival of customer interest in structured investment products and the team also managed to expand the Reverse Repo offering by adding new relationships; volumes are expected to grow going forward.

Equities

The equities business witnessed increased customer flows as most regional equity markets traded with a positive bias amid expectations that OPEC's recent oil deal will lift prices and should help reduce the fiscal burden on regional economies. Improving sentiment helped local equity markets trade 10% higher (volume) vs. 1Q 2016. Improving liquidity and in line with expectations, FY 16 results helped boost leverage appetite from clients keen to position themselves ahead of 1Q 2017 announcements.

Mashreq continues to be supported by its comprehensive capital markets products suite across asset classes, an online trading platform and a 24 hour dealing room.

1Q 2017 Awards:

- **CSR Label – Dubai Chambers – 2016** (sixth consecutive year)

- **Service Olympian Awards – Ethos**
  Category winner Social Media Index

- **Global Finance**
  Best Treasury & Cash Management Bank in UAE

Appendix 1: 1Q 2017 Year End Financial Highlights

1Q 2017 Financial Highlights	Quarterly Trend				
				1Q'17 Δ %	
Income statement (AED mn)	**1Q'17**	**4Q'16**	**1Q'16**	**QoQ**	**YoY**
Net Interest Income & Net Income from Islamic Products*	**852**	891	884	(4.4)	(3.6)
Fee and commision	**376**	392	447	(4.1)	(15.8)
Investment Income	**35**	(1)	18	NA	93.7
Insurance,FX & Other Income	**196**	223	178	(11.7)	10.4
Total Operating Income	**1,460**	1,504	1,527	(2.9)	(4.4)
Operating Expenses	**(569)**	(620)	(604)	(8.2)	(5.7)
Operating Profit	**891**	884	923	0.7	(3.5)
Impairment Allowance	**(311)**	(425)	(366)	(27.0)	(15.0)
Overseas Tax Expense	**(24)**	(17)	(18)	43.7	34.5
Non-Controlling Interest	**(10)**	(2)	(8)	519.3	25.3
Net Profit for the Period	**546**	440	**532**	24.1	2.7
EPS [AED]	***3.08***	*2.48*	*3.00*	*24.1*	*2.7*
				Δ %	
Balance Sheet (AED mn)	**Mar'17**	**Dec'16**	**Mar'16**	**QoQ**	**YoY**
Total Assets	**120,708**	122,814	113,724	(1.7)	6.1
Loans and Advances	**61,516**	60,994	61,134	0.9	0.6
Customer Deposits	**76,410**	77,041	75,624	(0.8)	1.0
Shareholder's Funds	**18,593**	18,758	17,577	(0.9)	5.8
Key Ratios (%)	**Mar'17**	**Dec'16**	**Mar'16**	**Δ bps**	**Δ bps**
CAR (Capital Adequacy ratio)	***17.11***	*16.86*	*16.80*	*25*	*31*
Tier 1 Ratio	***16.19***	*15.95*	*15.81*	*24*	*38*
Loan-to-Deposits	***80.51***	*79.17*	*80.84*	*134*	*(33)*
*Return-on Assets***	***1.79***	*1.62*	*1.86*	*18*	*(6)*
*Return-on-Equity***	***11.70***	*10.55*	*12.04*	*115*	*(34)*

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

**Annualized

-ENDS-

For media enquiries, please contact:

Rana Alborno
Public Relations, Mashreq
Tel: 04 –6083703
Email: RanaAlb@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