Mashreq posts a 3.0% y–o–y growth in Net Profit in the first half of 2017

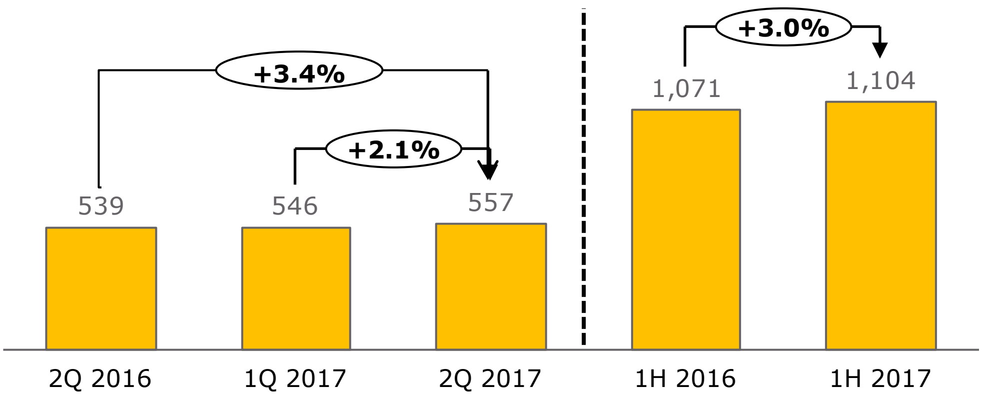
Dubai, UAE; 16th July 2017: Mashreq, one of the leading financial institutions in the UAE, today has reported its financial results for the first half ending 30th June 2017.

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

- ***Steady growth in Net Profit***
  - Net profit for the first half stood at AED 1.1 billion - a 3.0% increase YoY
  - Impairment Allowance down by 22.3% YoY
- ***Consistently high proportion of non-interest income***
  - Mashreq's best-in-class non-interest income to operating income ratio remained high at 41.2%
  - Investment income up by 52.4% year-on-year
- ***Solid balance sheet***
  - Total Assets increased by 2.4% in the year to AED 125.8 billion whereas Loans and Advances increased by 2.4% to AED 62.4 billion as compared to December 2016
  - Customer Deposits increased by 1.1% year to date to reach AED 77.9 billion
  - Loan-to-Deposit ratio remained robust at 80.2% at the end of June 2017
- ***Healthy liquidity and capital position***
  - Liquid Assets to Total Assets stood at 29.7% with Cash and Due from Banks at AED 37.3 billion
  - Capital adequacy ratio and Tier 1 capital ratio continue to be significantly higher than the regulatory limit and stood at 17.2% and 16.3% respectively

- ***Sustained asset quality***
  - Non-Performing Loans to Gross Loans ratio remained stable at 3.3% at the end of June 2017
  - Total Provisions for Loans and advances reached AED 3.7 billion, constituting 150.1% coverage for Non-Performing Loans

Net Profit [AED million]



Mashreq's CEO, H.E. AbdulAziz Al Ghurair, said: "Mashreq's continued focus on business performance while remaining committed to our customers' needs is evident in the financial results for the first half of 2017. Our perennial drive to deliver innovative solutions which exceed customer expectations is the reason we are able to achieve sustained performance, despite market slowdown and regional headwinds. I am pleased to report that we achieved a 3% year-on-year increase in net profit; it stood at AED 1.1 billion for the first half of 2017."

"Our teams have worked well to build a steady pipeline of non-interest income, which represents a healthy 41% of Operating Income. Loans-to-deposits remains steady at 80%, supported by our highly liquid balance sheet and above-average Tier 1 capital. Growth in Assets and Liabilities has been modest in line with market conditions, and costs have been managed well so that we remain nimble and flexible."

"Though each business faced its own environmental and market challenges, I am delighted that we achieved several milestone wins across Global Transaction Services, Corporate Finance, Real Estate, NBFI, Retail Banking and International Banking. I am particularly excited about the upcoming launch of Mashreq Neo, a new innovative branchless digital bank, which we hope will transform the financial services landscape in the UAE."

"While staying fully abreast of the external challenges, we remain moderately optimistic for the second half of 2017. We will continue to invest strongly in digital transformation and digital capabilities, to take advantage of global trends and customer preference shifts".

Al Ghurair concluded, "In May 2017, Mashreq celebrated its 50th year of pioneering financial services in the UAE and the region. We launched our new vision for the future at a prestigious event in the presence of His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai, and our clients, business partners and industry leaders. In addition to our business achievements, I take special pride that we are a recipient of the Gallup Great Workplace Award for the fourth year in a row, and we are part of an elite set of 37 global companies to win the award this year."

Operating Income

- Total operating income for 1H 2017 was AED 3.0 billion, a year-on-year decrease of 5.5% compared to 1H 2016 operating income of AED 3.2 billion due to a fall in non-interest income.

- Net Interest Income and income from Islamic Financing[1)] remained stable at AED 1.8 billion compared to 1H 2016. On a quarterly basis, it increased by 6.7% to AED 0.9 billion in 2Q 2017 and led to a 19 bps increase in net interest margin from 3.34% in 1Q 2017 to 3.53% in 2Q 2017.

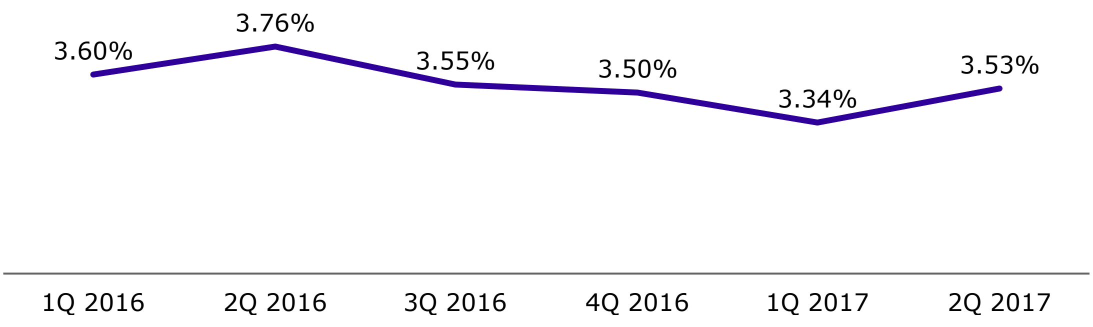
- Though Investment income increased by 52.4%, total non-interest income fell by 9.9% as Net fee and commission decreased by 14.7% year-on-year to reach AED 763 million. Net fee and commission income represented 61.9% of total non-interest income in 1H 2017 as compared to 65.4% in 1H 2016.

- Operating expenses for the first half decreased by 2.4% year-on-year to reach AED 1.2 billion; Efficiency Ratio at 39.3% in 1H 2017 increased slightly with respect to the previous year (38.0% as of 1H 2016).

- Net profit for the quarter increased by 2.1% to AED 557 million from AED 546 million in 1Q 2017 (AED 1.10 billion in 1H 2017 vs AED 1.07 billion in 1H 2016).

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

Net interest margin [%] – quarterly 1)



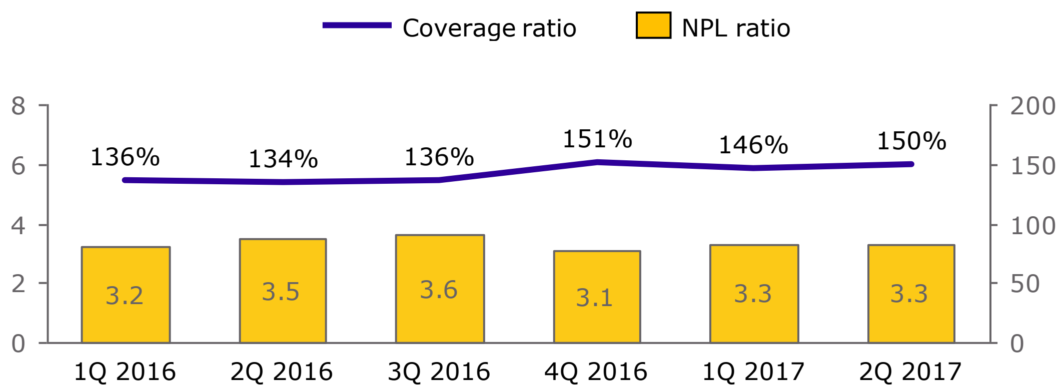
Assets and Asset quality

- Mashreq's Total Assets increased by 2.4% to reach AED 125.8 billion in 1H 2017, compared to AED 122.8 billion at the end of 2016. Loans and Advances increased by 2.4% YTD to end at AED 62.4 billion driven by 8.8% growth in Islamic finance. Liquidity continues to remain healthy with a high liquid asset to total assets ratio of 29.7%.

- Though conventional deposits increased by 1.7%, total Customer Deposits increased only by 1.1% YTD to AED 77.9 billion due to a decline in Islamic deposits. Loan-to-Deposit ratio stood at 80.2% in June 2017 vs 79.2% in December 2016.

- Non-Performing Loans stood at AED 2.6 billion in June 2017 leading to a Non-Performing Loans to Gross Loans ratio of 3.3% at the end of June 2017 (3.1% in December 2016). Net Allowances for impairment for 1H 2017 were AED 652 million compared to AED 838 million in 1H 2016. Total Provisions for Loans and advances reached AED 3.7 billion, constituting 150.1% coverage for Non-Performing Loans as of June 2017.

NPL and Coverage Ratio [%]



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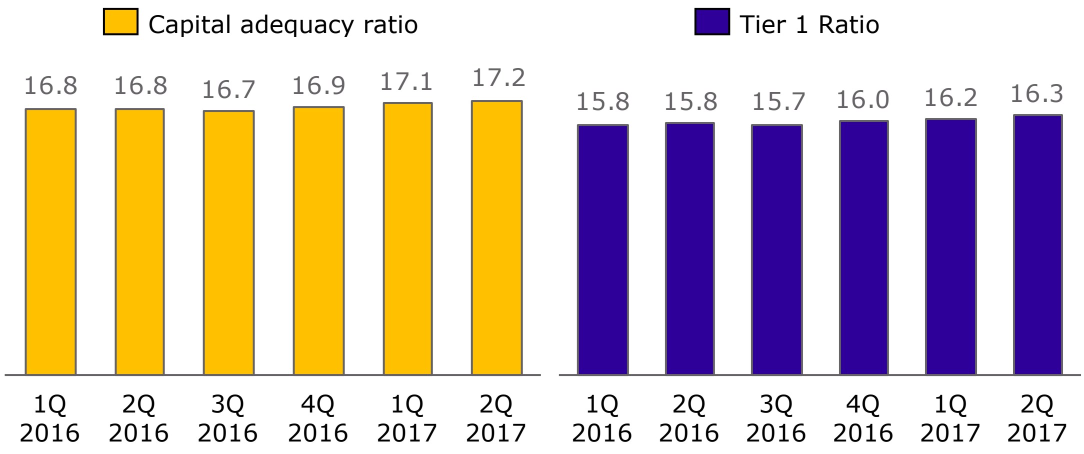
Capital and Liquidity

- Mashreq's Capital adequacy ratio stood at 17.2% (regulatory minimum of 12%) as of 30 June 2017, compared to 16.9% as of 31 December 2016. Tier 1 capital ratio at 16.3% continues to be significantly higher than the 8% regulatory minimum stipulated by the UAE Central Bank (15.9% as at 31 December 2016)

Capital Adequacy and Tier 1 Ratio [%]



Business Unit Updates

Corporate Banking

Global Transaction Services

In the second quarter, Mashreq's Global Transaction Services (GTS) team won the prestigious "The Innovators 2017 - Transaction Services" award by Global Finance for its transformative product - Cardless Cash Services for Corporate Customers. Mashreq is the only bank in the MENA region to be named in the Innovators list. Continuing with its quest for innovation, Mashreq became the first bank in the region to sign-up for the SWIFT Global Payment Innovation program, which aims to dramatically improve the customer experience in cross-border payments by increasing the speed, transparency and end-to-end tracking of transactions. These all point to the continuous effort by Mashreq in building a digital ecosystem to maintain its leadership position in offering innovative transaction banking solutions to meet and exceed its customers' expectations.

Corporate Finance

Corporate Finance remained completely engaged during the second quarter having fully underwritten and prefunded the USD 0.5 billion acquisition finance facility for acquiring partial ownership in the UAE franchisee of a large European auto dealer. Corporate Finance was also involved in the execution of an AED 1,513 million Club Term Loan for a leading district cooling company in the region (closed in June 2017) – this is the 3rd deal successfully undertaken by Mashreq in recent years (after 2014 and 2015 deals) for this important relationship. The transaction was a hybrid of corporate lending and project specific finance, based on a tailored Islamic structure. In addition, an Islamic structured AED 370 million financing facility for Saudi German Hospital Group was successfully concluded.

The team continued to build on its transaction pipeline including pitching aggressively for a strategic mandate for a large local family business conglomerate having regional interests amidst a challenging regional landscape and economic environment.

Contracting Finance

The division continued to maintain its competitive edge in the UAE market and has further demonstrated and leveraged upon its decade old relationships in Mashreq's presence countries by successfully providing finance to contractors for projects across Bahrain, Qatar, Kuwait, Egypt and Oman thereby capitalizing on the bank's strong regional presence.

Mashreq continues to demonstrate its expertise in Contracting Finance through successful execution of several high-value projects within the Oil & Gas, Petrochemical, Civil, Infrastructure and Power & Water Industries.

During 1H 2017, Mashreq supported prominent local and international contractors executing several strategic projects across the region. New projects worth AED 13.1 billion were supported during 1H 2017 and projects financed in 1H 2017 will enhance the regions strategic reserves support the infrastructure development of the region and diversify the economy along with enriching the cultural outlook.

Real Estate Finance & Advisory

The Real Estate Finance & Advisory successfully executed over AED 1.5 billion worth of transactions during the first half of 2017 and have a strong pipeline of transactions totaling over AED 5 billion for the remainder of the year. These include bilateral, club and syndicated facilities 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.

NBFI

The NBFI team made a breakthrough in Kuwait by initiating a new to bank relationship with the market leader in the Finance segment – in addition to building an active pipeline in Kuwait for 2H 2017. The team looked at two regional acquisition finance transactions and has built up a pipeline of new to bank transactions for closure in 3Q. Under product initiatives the team has commenced conversion of a working capital facility, for a service organization, under a trade structure to achieve operational efficiencies for the Relationship team.

Retail Banking

In the second quarter, the business units within Retail witnessed significant achievements. Our Personal Banking segment saw good growth in Deposits of 6% year-on-year. Our increased focus on working professionals and mass affluent segments has borne results, with premium cards sourcing rising from 25% to 31%, and 20% year-on-year growth in salary transfer accounts.

We invested to grow our ability to meet our customers' Wealth Management needs by hiring 24 new relationship managers across Private Bank and Mashreq Gold, and simplifying operational processes. Assets in this segment grew by 10%, Deposits by 2%, with a resultant revenue increase of 4% year-on-year.

Business Banking continued to show solid growth on the back of our increased focus on serving the transactional needs of our customers. This segment witnessed 18% growth in deposits, 14% growth in fees income, and 24% revenue in non-lending income.

Mashreq Branches has seen an increase in loans volumes by 10% from last year, and concurrently our migration of teller transactions to digital channels reached an unprecedented 91% of all such transactions.

In our continuous effort to support Emirati talent, Mashreq participated in several Careers Fairs in UAE, including the Fujairah International Career and Education Fair. We participated in 29 Open Days across many universities in the Northern Emirates.

Mashreq also inaugurated a brand new call centre in Ras Al Khaimah, the first of its kind in the emirates. This call centre will be manned by 70 staff, majority of whom are fresh Emirati graduates with Higher Diploma/Bachelor degrees from local institutions.

Continuing its long-held belief in the importance of innovation, Mashreq introduced Quick Remit services to Pakistan in 2Q. Quick Remit services enable our customers to transfer Pakistani rupees free of charge either via MashreqOnline or Snapp and enjoy instant credit to any bank account in Pakistan.

The bank received several awards throughout 2Q. It is the first bank in the region to be recognized as the 'Best Contact Centre' in Europe, Middle East and Africa by the world's largest Contact Center Association in London, and in addition to being awarded 'Best Contact Centre Middle East' by Insights Middle East in Dubai. EFMA has also awarded the Distribution and Marketing Innovation Award to Mashreq for our extensive use of Facebook Live sessions to engage customers, and our Innovation of using ChatBot technology for customer service.

Looking ahead, Mashreq's strategy is to continue to digitize the bank, making customer experience seamless, personalized and omni-channel, and to lead into the future, where banking goes entirely branchless. In this regard, H.E. Abdul Aziz Al Ghurair unveiled a new milestone commemorating the 50th anniversary of the bank – we will be launching Mashreq Neo in 3Q 2017, a full service digital bank aimed at the growing genre of digitally savvy customers and delivering a branchless banking experience.

International Banking

An improving macro outlook for Asia, Europe and African trade has contributed to IBG's robust performance in the first half of the financial year.

At Mashreq, digitization is considered key to providing our clients with the very best customer experience possible. Recently we launched the Mashreq Corporate Mobile Banking solution in Bahrain and Qatar and in the coming months will also be extending this service to our corporate clients across Egypt.

Treasury and Capital Market:

FX

Though corporate FX flows have been weighed down, the retail space continues to perform in line with expectations. Trading revenue has picked up pace amidst increased market volatility.

Rates & Fixed Income

Corporate interest rate hedging business picked up as the US Federal Reserve continued to hike rates. The team executed hedging transactions for various corporate banking clients. Regional credit markets witnessed another strong quarter in terms of primary bond and sukuk issuance, based on which bond trading volumes picked up pace. The interest in equity and interest rate linked structured investment products also picked up and the team managed to expand the reverse repo offering by adding new relationships.

Equities

Volumes in the local market were flat YoY in 1H 2017. However, with improved product design and by offering diversification options to our clientele the team was able to grow the bottom line on increased customer flows and higher market share. Saudi Arabia was added to MSCI's watch list for a potential upgrade to EM status in 2018 in June, which could trigger the flow of foreign funds in the region provided there are further positive developments.

Asset Management

Business has been stable, driven in particular by fixed income (comprising the majority of assets under management). Both the Makaseb Income Fund and Mashreq Al Islami Income Fund have outperformed their respective benchmarks and rank as best and second best among their peers. With new products and mandates in the pipeline 2H 2017 should continue to contribute to the growth of the business.

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.

2017 First Half Awards:

- **Banker Middle East - 2017**

  Best Real Estate Financing

- **IFN Awards**
- Qatar Deal of the Year: Ezdan Holding US$500 million Sukuk
- **EFMA 2017**

  Distribution and Marketing Innovation Awards - extensive use of Facebook Live sessions
  Innovation of the month – ChatBot

- **Global Finance 2017**
- Innovator in Transaction Services (for the Cardless Cash Withdrawal Using Internet Banking offering in the product innovation category for 2017)
- Best Treasury & Cash Management Bank in UAE
- **Service Olympian Awards – Ethos**

  Category winner Social Media Index

- **Gallup Great Workplace Award – 4th year**
- **Contact Center World Association**

  Mashreq bank has won Best Contact Center Gold Medal (First) in Europe, Middle East & Africa

- **Insights Middle East**

  Best Middle East Call Center

- **Dubai Chamber of Commerce CSR Label**

  Mashreq is the only UAE financial institution to achieve this accreditation for the sixth consecutive year since 2011

Appendix 1: 2017 First Half Financial Highlights

2Q 2017 Financial Highlights	Half Yearly Trend			Quarterly Trend				
			Δ %				2Q'17 Δ %	
Income statement (AED mn)	**1H'17**	**1H'16**	**YoY**	**2Q'17**	**1Q'17**	**2Q'16**	**QoQ**	**YoY**
Net Interest Income & Income from Islamic Financing*	**1,762**	1,800	(2.1)	**909**	852	916	6.7	(0.7)
Fee and commision	**763**	894	(14.7)	**387**	376	447	2.8	(13.6)
Investment Income	**74**	48	52.4	**39**	35	30	10.3	27.7
Insurance,FX & Other Income	**397**	426	(6.8)	**200**	196	248	1.9	(19.2)
Total Operating Income	**2,994**	3,168	(5.5)	**1,535**	1,460	1,641	5.1	(6.5)
Operating Expenses	**(1,175)**	(1,204)	(2.4)	**(606)**	(569)	(601)	6.5	0.9
Operating Profit	**1,819**	1,964	(7.4)	**929**	891	1,041	4.3	(10.8)
Impairment Allowance	**(652)**	(838)	(22.3)	**(341)**	(311)	(472)	9.6	(27.9)
Overseas Tax Expense	**(46)**	(33)	37.4	**(22)**	(24)	(15)	(10.2)	40.8
Non-Controlling Interest	**(18)**	(21)	(14.2)	**(9)**	(10)	(14)	(7.4)	(36.0)
Net Profit for the Period	**1,104**	1,071	3.0	**557**	546	539	2.1	3.4
EPS [AED]	***6.22***	*6.03*	*3.0*	***3.14***	*3.08*	*3.04*	*2.1*	*3.4*
			Δ %				Δ %	
Balance Sheet (AED mn)	**Jun'17**	**Jun'16**	**YoY**	**Jun'17**	**Mar'17**	**Dec'16**	**QoQ**	**YTD**
Total Assets	**125,794**	114,665	9.7	**125,794**	120,708	122,814	4.2	2.4
Loans and Advances	**62,430**	61,755	1.1	**62,430**	61,516	60,994	1.5	2.4
Customer Deposits	**77,855**	73,345	6.1	**77,855**	76,410	77,041	1.9	1.1
Shareholder's Funds	**19,098**	18,104	5.5	**19,098**	18,593	18,758	2.7	1.8
Key Ratios (%)	**Jun'17**	**Jun'16**	**Δ bps**	**Jun'17**	**Mar'17**	**Dec'16**	**Δ bps**	**Δ bps**
CAR (Capital Adequacy ratio)	**17.24**	16.79	45	***17.24***	17.11	16.86	*13*	38
Tier 1 Ratio	**16.34**	15.84	50	***16.34***	16.19	15.95	*15*	39
Loan-to-Deposits	**80.19**	84.20	(401)	***80.19***	80.51	79.17	*(32)*	102
*Return-on Assets***	**1.78**	1.86	(9)	***1.78***	1.79	1.62	*(2)*	16
*Return-on-Equity***	**11.66**	11.95	(28)	***11.66***	11.70	10.55	*(4)*	111

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

** Annualized

-ENDS-

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