Mashreq posts a 9.5% increase in Net Profit for first quarter 2018

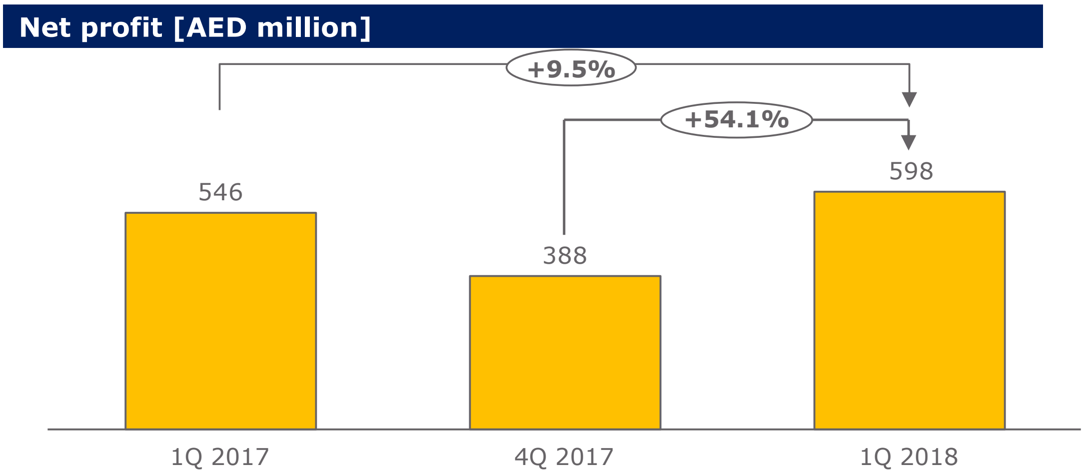
Dubai, UAE; 23th April 2018: Mashreq, one of the leading financial institutions in the UAE, today has reported its financial results for the first quarter ending 31st March 2018.

Key highlights [1Q 2018 vs 1Q 2017]:

- ***Good growth in Net Profit***
  - Net profit increased by 9.5% year-on-year to AED 598 million primarily due to a 4% increase in operating income
  - Net Interest Income & Net Income from Islamic Products is up by 6.7% year-on-year, on the back of a 3.9% loan growth in the first quarter
- ***Consistently high proportion of net fee and commission income***
  - Mashreq's best-in-class non-interest income to operating income ratio remained high at 40%
  - Insurance income, FX & Other income increased by 21.6% YoY
- ***Healthy balance sheet composition***
  - Total Assets decreased by 1.4% YTD to reach AED 123.4 billion; Customer Deposits increased slightly by 0.6% YTD to reach AED 76.5 billion
  - Loan-to-Deposit ratio remained healthy at 85.2% at the end of March 2018
- ***Strong liquidity and capital position***
  - Liquid Assets to Total Assets stood at 26.5% with Cash and Due from Banks at AED 32.7 billion
  - As per Basel III, Capital adequacy ratio and Tier 1 capital ratio continue to be significantly higher than the regulatory limit and stood at 17.1% and 16.1% respectively

- ***Maintained asset quality***
  - Non-Performing Loans to Gross Loans ratio remained relatively steady at 2.9% at the end of March 2018.
  - The risk charge for the quarter decreased from AED 571 million in 4Q 2017 to AED 302 million in 1Q 2018 and Total Provisions for Loans and advances reached AED 4.2 billion, constituting 192.7% coverage for Non-Performing Loans

Mashreq delivered good financial results for the quarter ending March 2018, reporting a net profit of AED 598 million. Earnings per share are strong at AED 3.37 as of March 2018.



Mashreq's CEO, Abdul Aziz Al Ghurair commented, "We are pleased to report strong financial results for Mashreq Bank in the first quarter of 2018. As the economic climate in the UAE continues to improve on the back of stabilizing oil prices, our net profit increased by 9.5% year-on-year driven by a 4% increase in operating income. Our earnings per share remain robust and we continue to maintain a strong liquidity position, as evidenced by our healthy loan-to-deposit ratio of 85%."

He added, "As customer demand begins to shift, technological innovation emerges as a key focus area for banks in the Middle East. I am proud to say that Mashreq is committed to maintaining its leadership position in digital banking across the region. With over 85% of our transactions happening through digital channels already today, we are committed to developing new and innovative products to cater to the ever-evolving requirements of our customers. We will continue to pioneer financial solutions targeted at making the banking experience exceptional to our customers."

Al Ghurair concluded, "As we draw closer to EXPO 2020, we are excited to witness a period of accelerated growth in the nation, and we are fully dedicated to supporting H.H Sheikh Mohammed bin Rashid Al Maktoum's vision for the UAE. Our solid financial performance puts us at the forefront of the banking industry not only locally, but also regionally, and I am confident we will be able capitalize on upcoming opportunities and maintain our momentum for the remainder of 2018."

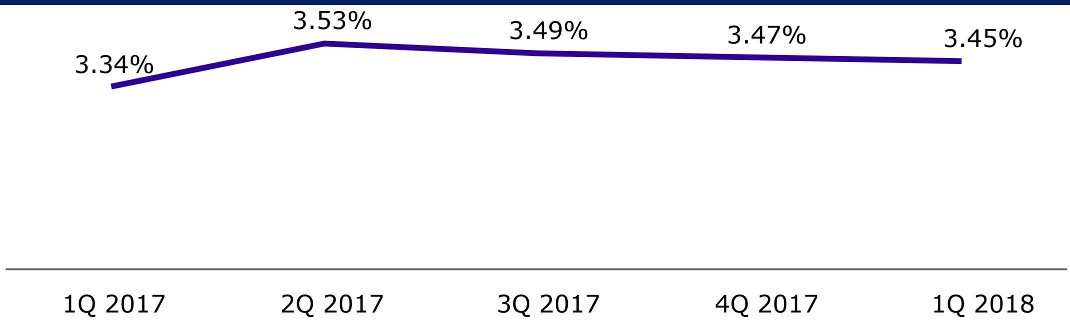
Operating Income

- Net Interest Income & Net Income from Islamic Products at AED 909 million was up by 6.7% compared to 1Q 2017. There has been an increase in net interest margin from 3.34% as of March 2017 to 3.45% as of March 2018. Net Interest Income & Net Income from Islamic Products has increased by 0.2% as compared to AED 908 million in 4Q 2017.

- Total Non-Interest Income increased by 0.2% year-on-year to reach AED 609 million. Net fee and commission income represented 58.6% of total non-interest income in 1Q 2018 as compared to 61.9% in 1Q 2017.

- Total operating income for 1Q 2018 stood at AED 1.5 billion, a year-on-year increase of 4.0%. Though Operating expenses have increased by 4.1% the Efficiency Ratio in 1Q 2018 has remained stable at 39.0% compared to last year.

Net interest margin [%] [1)]



1) Annualized quarterly NIM's

Assets and Asset quality

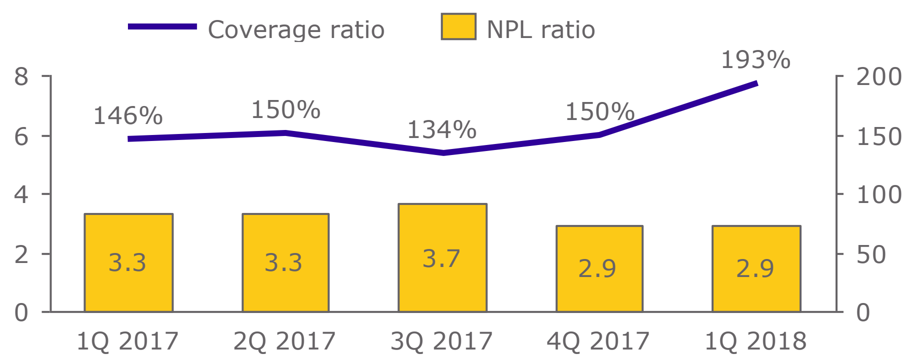
- Mashreq's Total Assets decreased by 1.4% to reach AED 123.4 billion in 1Q 2018, compared to AED 125.2 billion at the end of 2017. Loans and Advances grew by 3.9% YTD to end at AED 65.2 billion driven by a 4.8% growth in conventional finance. Liquid Assets to Total Assets stood at 26.6% with Cash and Due from Banks at AED 32.7 billion as of March 2018. Loan-to-Total Assets Ratio at 52.8% increased slightly as compared to 50.1% at the end of 2017.

- Customer Deposits at AED 76.5 billion, increased by 0.6% as compared to December 2017, primarily due to a 13.2% increase in Islamic deposits. Loan-to-Deposit ratio stood at 85.2% vs 82.5% in December 2017.

- Non-Performing Loans increased marginally by AED 149 million in the quarter leading to a Non-Performing Loans to Gross Loans ratio of 2.9% at the end of March 2018 (2.9% in December 2017).

- Net Allowances for impairment for 1Q 2018 were AED 302 million as compared to AED 571 million in 4Q 2017 (AED 311 million in 1Q 2017). Total Provisions for Loans and advances reached AED 4.2 billion, constituting 192.7% coverage for Non-Performing Loans as on March 2018 (149.7% as on December 2017).

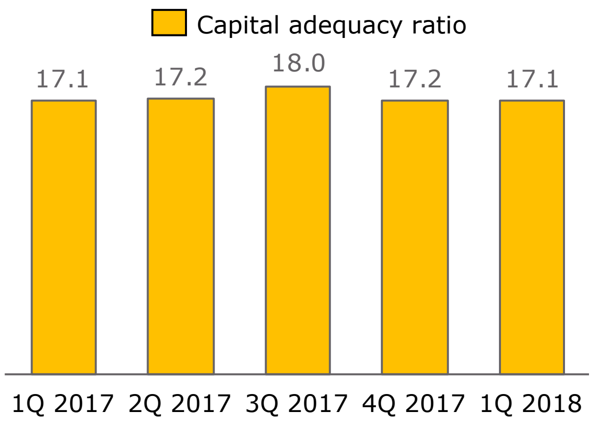
NPL and Coverage Ratio [%]

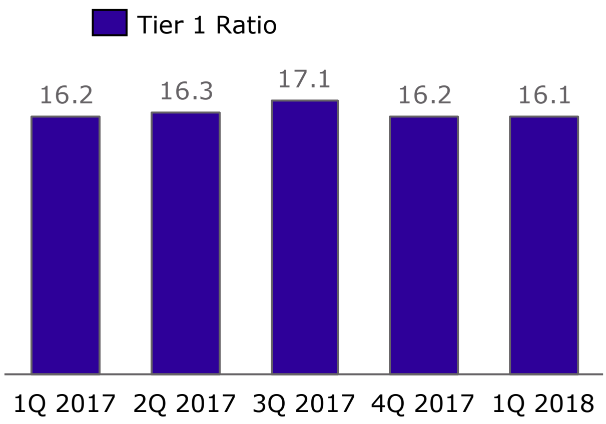


Capital and Liquidity

- Mashreq's Capital adequacy ratio as per Basel III stood at 17.1% as of March 2018 (against regulatory minimum of 12.375% for 2018 including Capital conservation buffer) compared to 17.2% as of 31 December 2017. Tier 1 capital ratio at 16.1% (16.2% as of 31 December 2017) continues to be significantly higher than the 8.5% regulatory minimum stipulated by the UAE Central Bank.

Capital Adequacy and Tier 1 Ratio [%] 1)





1) 1Q, 2Q and 3Q 2017 as per Basel II and 4Q 2017 and 1Q 2018 as per Basel III

Operational Update:

Corporate Banking

Global Transaction Services

Mashreq's Global Transaction Services (GTS) team has had a sparkling start to 2018 by winning the "Best Product Launch" at EMEA Finance Middle East Awards 2018 and "Best Bank for Factoring Services in UAE" at Global Banking & Finance Review Awards. Continuing with its quest to become the corporate digital bank of the future, the GTS team has adopted an "Agile" business model to deliver value-added Industry specific solutions and advice; innovating at every step to help solve its customers' working capital needs in an increasingly digitized marketplace.

Corporate Finance

Corporate Finance started 2018 on a strong footing, by closing a few critical transactions early on in 1Q and building a strong pipeline of deals, with added focus on broadening beyond its conventional syndication markets. Amidst the challenging regional landscape, Corporate Finance played a leading role in arranging and closing facilities aggregating around AED 2.8 billion, notable amongst which is the successful structuring and execution of a USD 370 million 10 month pre-export finance facility to India's largest company along with one other bank from the region. This deal was key for the bank's India strategy, in that it successfully implemented an innovative off-balance sheet structure that could open lending opportunities for high profile corporates in India and can also be replicated for other international corporates.

Corporate Finance continued to showcase its expertise in structuring transactions for the airline industry by concluding its 3rd transaction for Air India, by successfully underwriting a USD 143 million bridge finance facility for the acquisition of Boeing 777-300 aircraft, with 3 other banks. Mashreq also partnered successfully as mandated lead arranger with Credit Suisse for a USD 250 million Syndicated Finance Facility for Al Fakher Tobacco Company, providing financing solution for this new-to-bank client's ambitious GCC and US acquisitions within a challenging timeline.

Corporate Finance is engaged in converting a strong pipeline of mandates providing good visibility on fee generation for the remaining of 2018, especially by maintaining its competitive edge in the FI space with at least 4 deals under execution for Nigerian, Kenyan, and Turkish FIs. In addition to acquiring mandates within its conventional syndication market, as a first for the Corporate Finance platform, two ambitious syndications are being undertaken for Egyptian corporates.

NBFI

The NBFI team commenced the year with strong momentum- the division closed equity commitment letter backed loans to support a share stake purchase in a NASDAQ listed entity by two funds of a Regional Private Equity major. Further, Mashreq participated in a syndicated Revolving Credit Facility for Investcorp, a Bahrain based regional PE major. Looking ahead, the year looks promising with an active pipeline of NTB's and transactions for Q2 characterized by NTB relationships across IBG networks with focus on Kuwait & India.

Real Estate Finance & Advisory

The Real Estate Finance & Advisory unit continued its strong momentum from 2017 into 1Q 2018 through its significant support for UAE based real estate companies and developers. The team was successful in closing a number of large transactions during the first quarter of 2018 and have built a robust pipeline of transactions – which include bilateral, club and syndicated facilities in addition to its bespoke advisory mandates for some of the most prestigious and prominent names (including real estate funds) in the UAE and GCC real estate sector. The division continues it's well established and market leading support for the UAE real estate industry through developing tailored debt and advisory structures for its clients.

Contracting Finance

The division continued to maintain its competitive edge in the UAE market and 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 1Q 2018, Mashreq supported prominent local and international contractors and executed several strategic projects across the region. New projects in excess of AED 16.3 billion were financed during 1Q 2018 and these projects will enhance the region's strategic reserves, support their infrastructure development and diversify the economy along with enrichment of the cultural outlook.

In addition to the above, the Division has partnered with industry experts as part of Mashreq's strategic focus on industry specialization. It aims at adding value to the Contracting Industry through in-depth knowledge sharing, insights and interactions. Over the next 12 months a rich mix of events, live broadcasts, research and reports of high value content will be created and shared in partnership with industry experts. Mashreq Construction Hub was created and is dedicated to be a go-to digital space for the Contracting Industry for openly discussing key issues, and highlighting the challenges faced by the industry.

Retail Banking

The bank's retail segment witnessed significant achievements over the period from January to March. Our investment in new capabilities and product offerings in wealth management have borne results with assets growth of 7%, deposits growth of 6% and 27% growth in non-lending income 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 10% growth in deposits year on year. While in Personal Banking, continued focus on growing the working professionals segment has resulted in 32% growth in new card volumes and 22% growth in personal loan sales vs. last quarter.

We continue to lead in the market in the digital and innovation space with 44% increase in digital wallet transactions (vs. Q4'17) and a %40 increase in new account sourcing under Mashreq NEO; our migration of teller transactions to digital channels has reached an unprecedented 93% of all such transactions.

On the products side, Mashreq started the year by re-emphasizing on the wide range of credit cards that cater to the diverse passions and lifestyle of its broad range of customers. Research done by Mashreq highlighted that the majority of consumers choose a credit card based on the reward points program or based on the discounts and benefits offered by the card. With the UAE a multicultural market with residents from various walks of life, Mashreq opted to focus on UAE consumers and their passions be it dining, travel, shopping, fitness, or golf. Through the cards, Mashreq customers were able to earn Salaam Points across a wide range of lifestyle options.

One of the biggest announcements in this quarter was the Mashreq partnership with **Alipay**, China's leading mobile payment platform. UAE is one of the fastest-growing tourist destinations for the Chinese, with approximately 700,000 Chinese tourists visiting the UAE in 2017. This association enables Chinese customers to make payments using their Alipay digital wallets - something they are familiar and comfortable with, on our POS network. Alipay has over 600 million active users in China and almost all Chinese tourists going overseas are Alipay users. As one of the first banks to offer this service in the UAE, we are confident that the merchant acquiring business will benefit in attracting more Chinese customers with this unique payment solution.

The bank also launched **Quick Remit** – Instant Money Transfer service to India. The digital service is designed to be secure, smart and convenient as it ensures instant account transfers at attractive exchange rates. As Mashreq spearheads smart digital banking, Quick Remit, is part of the stable of innovative products and services that are designed to offer uninterrupted digital banking to customers. Mashreq customers can avail the service round-the-clock through Mashreq's online banking platform and mobile banking application (Snapp), and transfer money to all leading banks in India that are connected to the Immediate Payment Service (IMPS) network.

Mashreq announce the launch of **MaxSaver** - an online Savings Account designed for easy saving with maximum rewards for individual customers. Customers can instantly open the MaxSaver Account easily via MashreqOnline, Snapp or through our website and they will benefit from High interest rates of up to 1.5% p.a., 24/7 access through MashreqOnline and Snapp, free insurance cover of AED 100,000 and choice of currencies in AED or USD.

Towards the end of the quarter, Mashreq announced that it successfully implemented **TSYS' PRIME** software licensing solution, to enhance its customer-centric experiences for its merchants. TSYS provided Mashreq with its core PRIMESM acquirer and issuer payments platform — and surrounding modules and services. The first phase of the implementation followed industry best practices across planning, development and solution design, resulting in the successful launch of acquiring services within eight months of contract signing.

To foster and promote Emirati talent in the workplace, March witnessed Mashreq's participation in Careers UAE 2018. The event marked the 18th consecutive year in which Mashreq participated. The bank introduced its leading training programme, Mashreq Al Mustaqbal, with the key objective of investing in the growth of high caliber UAE National graduates across different sectors of the bank over a period of one year. On top of their participation at Careers UAE, Mashreq also provided opportunities for UAE Nationals based in Northern Emirates by recruiting them in their Ras Al Khaimah Call Center.

International Banking

Mashreq's international business continues to grow across all the presence countries and is making a significant contribution to the revenues of the bank.

Our nascent corporate business in India is growing at a healthy rate. The Bank's India strategy received a major boost with Mashreq concluding a mega pre-export finance facility for one of India's largest corporates.

We have launched a USD 1 billion multi-currency Certificate of Deposit Programme in Hong Kong which will provide us access to new liquidity pools in Asia-Pacific. The launch of the programme highlights Mashreq's growth in Asian markets given the positive momentum seen in UAE-China bilateral relations as a result of China's Belt and Road initiatives.

International business is on the Agile journey in order to improve efficiencies and end to end customer experience. Our leadership position has been recognized by leading industry bodies and associations across the globe.

Treasury and Capital Market

FX

Whilst corporate and retail FX flows continue to be weighed down by regional sentiment, the NBFI space is a relative outperformer. Trading revenue continues to maintain its momentum amidst sustained market volatility.

Rates & Fixed Income

Momentum in liability hedging business that picked up in the last quarter of 2017 continued in 1Q 2018 as interest rates maintained an upward trend. This activity is expected to do well going forward on the back of the Bank's plans to expand its balance sheet amidst rising U.S. and regional interest rates. Regional credit markets witnessed a pick-up in issuance in 1Q that resulted in improved bond trading volumes. Structured investment products continue to attract interest and the leveraged products offering expanded meaningfully. The team also expanded the scope of proprietary trading by adding rates, commodities, equities and volatility.

Equities

Investors remained cautious on account of geopolitical tensions that dominated the global scene and affected both international and regional markets. Despite oil strengthening to over USD 70 per barrel, only Saudi Arabia showed strong performance as it rallied +8.9% in 1Q and was upgraded to EM status from FTSE in March. While flows in local markets saw a decline, the impact on business was partially reduced by growth in regional and international volumes.

Asset Management

Business had a busy first quarter with a new multi-asset product being launched and attracting new Assets Under Management. The Makaseb Income Fund and Mashreq Al-Islami Income Fund have outperformed respective benchmarks despite volatile markets and rank the best among peers. With more products coming up and being shortlisted for new mandates, business is expected to grow as the year progresses.

Corporate Treasury Sales

In line with the renewed effort on increasing cross-sell business across Mashreq's corporate franchise, a new TCM unit focused on Treasury sales across CIBG was formed in 1Q 2018. The four member TCM Corporate Sales team has been mandated to market all TCM product capabilities to CIBG clients in coordination with corporate relationship teams.

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

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1Q 2018 Awards:

- **MasterCard MENA Leadership Forum**
  - Best Converged Wallet Award
- **EMEA Finance**
  - The Best Bank in the UAE
  - The Best Product Launch
- **Dubai Chamber of Commerce CSR Label**
  - Mashreq is the only UAE financial institution to achieve this accreditation for the seventh consecutive year since 2011
- **CIO 100 Award 2018**
  - CIO 100 Award in recognition of the excellence and achievement in shaping the regional IT landscape
- **Global Banking and Finance Review**
  - Best Mobile Banking Application UAE 2018
  - Best Retail Bank UAE 2018
  - Best Bank for Factoring UAE 2018
  - Mashreq Al Islami - Most Innovative Islamic Banking Solutions Provider UAE 2018
- **Gartner Eye on Innovation Awards**
  - Most Innovative Digital Cost Saving Initiative
- **Microsoft Dynamics Digital Transformation Award**
  - Microsoft Dynamics Digital Transformation Award - Banking Industry category
- **Ethos - Service Olympian Award**
  - Best Call Center

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Appendix 1: 1Q 2018 Financial Highlights

1Q 2018 Financial Highlights	Annual Trend			Quarterly Trend				
			Δ %				1Q'18 Δ %	
Income statement (AED mn)	**1Q'18**	**1Q'17**	**YoY**	**1Q'18**	**4Q'17**	**1Q'17**	**QoQ**	**YoY**
Net Interest Income & Net Income from Islamic Products	**909**	852	6.7	**909**	908	852	0.2	6.7
Fee and commision	**357**	376	(5.2)	**357**	381	376	(6.5)	(5.2)
Investment Income	**13**	35	(62.0)	**13**	4	35	246.8	(62.0)
Insurance,FX & Other Income	**239**	196	21.6	**239**	288	196	(17.1)	21.6
Total Operating Income	**1,518**	1,460	4.0	**1,518**	1,580	1,460	(4.0)	4.0
Operating Expenses	**(592)**	(569)	4.1	**(592)**	(605)	(569)	(2.0)	4.1
Operating Profit	**925**	891	3.9	**925**	976	891	(5.2)	3.9
Impairment Allowance	**(302)**	(311)	(2.8)	**(302)**	(571)	(311)	(47.1)	(2.8)
Overseas Tax Expense	**(14)**	(24)	(40.9)	**(14)**	(8)	(24)	85.4	(40.9)
Non-Controlling Interest	**(11)**	(10)	15.9	**(11)**	(9)	(10)	22.4	15.9
Net Profit for the Period	598	546	9.5	598	388	546	54.2	9.5
EPS [AED]	***3.37***	*3.08*	*9.5*	***3.37***	*2.18*	*3.08*	*54.2*	*9.5*
			Δ %					
Balance Sheet (AED mn)	**Mar'18**	**Dec'17**						
Total Assets	**123,419**	125,188	(1.4)					
Loans and Advances	**65,193**	62,734	3.9					
Customer Deposits	**76,526**	76,061	0.6					
Shareholder's Funds	**18,872**	20,363	(7.3)					
Key Ratios (%)	**Mar'18**	**Dec'17**	**Δ bps**					
CAR (Capital Adequacy ratio)	***17.10***	*17.16*	*(0.06)*					
Tier 1 Ratio	***16.13***	*16.19*	*(0.06)*					
Loan-to-Deposits	***85.19***	*82.48*	*2.71*					
*Return-on Assets**	***1.92***	*1.66*	*0.27*					
*Return-on-Equity**	***12.20***	*10.49*	*1.70*					

*Annualized

-ENDS-

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