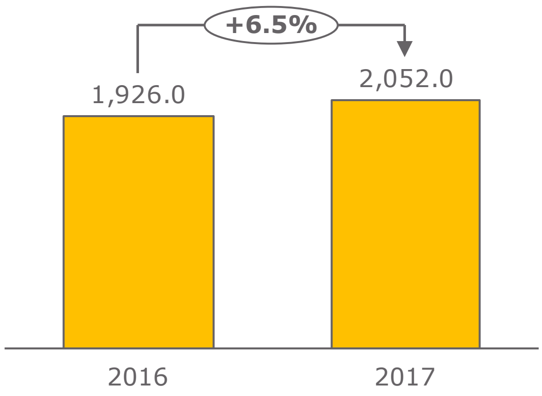
Mashreq posts a 6.5% y–o–y growth in Net Profit for 2017

Dubai, UAE; 28th January 2018: Mashreq, one of the leading financial institutions in the UAE, today has reported its financial results for the year ending 31st December 2017.

Key highlights [2017 vs 2016]:

- ***Healthy growth in Net Profit***
  - Net profit for YE 2017 stood at AED 2.1 billion - a 6.5% increase YoY
  - Impairment Allowance down by 14.2% YoY; Operating expenses lower by almost 2% on the back of effective cost management
- ***High proportion of non-interest income***
  - Mashreq's best-in-class non-interest income to operating income ratio remained high above 40%
  - Investment income up by 84.9% YoY
- ***Strong balance sheet***
  - Total Assets increased by 1.9% and stood at AED 125.2 billion while Loans and Advances grew by 2.9% in the year to reach AED 62.7 billion
  - Customer Deposits reduced marginally to AED 76.1 billion as on December 2017
  - Loan-to-Deposit ratio remained robust at 82.5% at the end of December 2017
- ***High liquidity and capital position***
  - Liquid Assets to Total Assets stood at 29.6% with Cash and Due from Banks at AED 37.0 billion as on December 2017
  - Capital adequacy ratio and Tier 1 capital ratio continue to be significantly higher than the regulatory limit and stood at 18.3% and 17.4% respectively
- ***Sustained asset quality***
  - Non-Performing Loans to Gross Loans ratio reduced to 2.94% at the end of December 2017 (3.06% in December 2016)
  - Total Provisions for Loans and advances reached AED 3.2 billion, constituting 149.7% coverage for Non-Performing Loans

Net Profit [AED million]



Mashreq's CEO, Abdul Aziz Al Ghurair commented, "We are pleased to report the financial results for Mashreq Bank in 2017. Despite global economic uncertainty and the slight slowdown in the GCC region, we saw steady growth across all divisions of the Bank, and our net profit stood at AED 2.1 billion, up by 6.5% compared to last year."

He added, "2017 was a milestone year for Mashreq Bank. In addition to consistently reporting strong financial results and continuing to grow our business, we also celebrated our 50 Year Anniversary in the UAE. 2017 also saw the official launch of Mashreq Neo, our full-service digital bank and the first digital bank in the region. We will continue to focus on providing innovative products and services and strengthening our digital capabilities to meet the evolving demands of our customers and maintain our leadership position in the market. Innovation has been at the heart of the Bank for the past 50 years and this will continue well into the future."

Al Ghurair concluded, "Moving forward, we will also continue to support the ongoing economic agenda of the UAE. While there may be challenges ahead, I am confident that we are well-positioned to capitalize on the improving economic backdrop in the UAE. I look forward to seizing these opportunities and continuing this momentum into 2018."

Operating Income

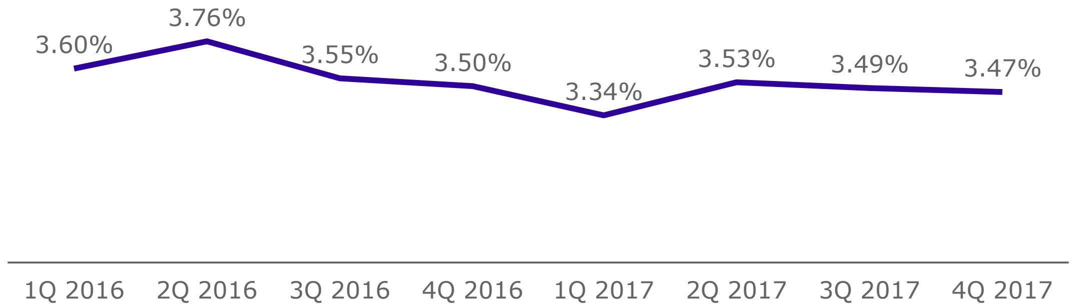
- Total operating income for FY 2017 was AED 6.0 billion, down by 2.5% compared to FY 2016 due to a fall in non-interest income.

- Net Interest Income and income from Islamic Financing[1] remained stable at AED 3.6 billion compared to FY 2016. Net Interest Margin for 4Q 2017 has decreased marginally to 3.47% compared to 3.49% for 3Q 2017. Full year NIMs saw a slight decline from 3.52% in FY 2016 to 3.41% in FY 2017.

- Though Investment income increased by 84.9%, total non-interest income fell by 6.3% as Net fee and commission decreased by 7.5% YoY to reach AED 1.6 billion. Net fee and commission income represented 63.9% of total non-interest income in FY 2017 as compared to 64.8% in FY 2016.

- Operating expenses decreased by 1.9% YoY to reach AED 2.4 billion; Efficiency Ratio at 39.2% in FY 2017 remained broadly stable with respect to the previous year (39.0% as of FY 2016).

Net interest margin [%] – quarterly [1]



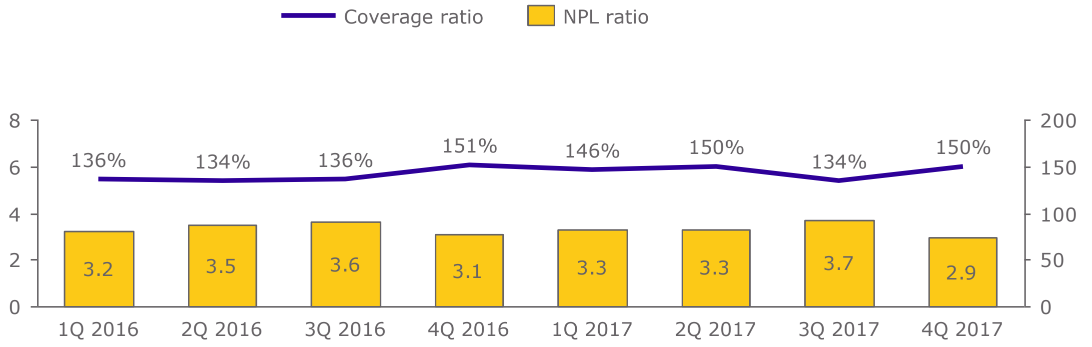
- Mashreq's Total Assets increased by 1.9% to AED 125.2 billion as of December 2017, compared to AED 122.8 billion at the end of 2016. Loans and Advances increased by 2.9% YTD to end at AED 62.7 billion driven by 23.5% growth in Islamic finance. Liquidity continues to remain healthy with a high liquid asset to total assets ratio of 29.6%.

- Total Customer Deposits decreased marginally by 1.3% YTD to AED 76.1 billion due to a decline in both Islamic and conventional deposits. Loan-to-Deposit ratio stood at 82.5% in December 2017 vs 79.2% in December 2016.

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

- Non-Performing Loans stood at AED 2.2 billion in December 2017 leading to a Non-Performing Loans to Gross Loans ratio of 2.9% at the end of December 2017 (3.1% in December 2016). Net Allowances for impairment for FY 2017 were AED 1.5 billion compared to AED 1.7 billion in FY 2016, a 14.2% YoY decrease. Total Provisions for Loans and advances reached AED 3.2 billion, constituting 149.7% coverage for Non-Performing Loans as of December 2017.

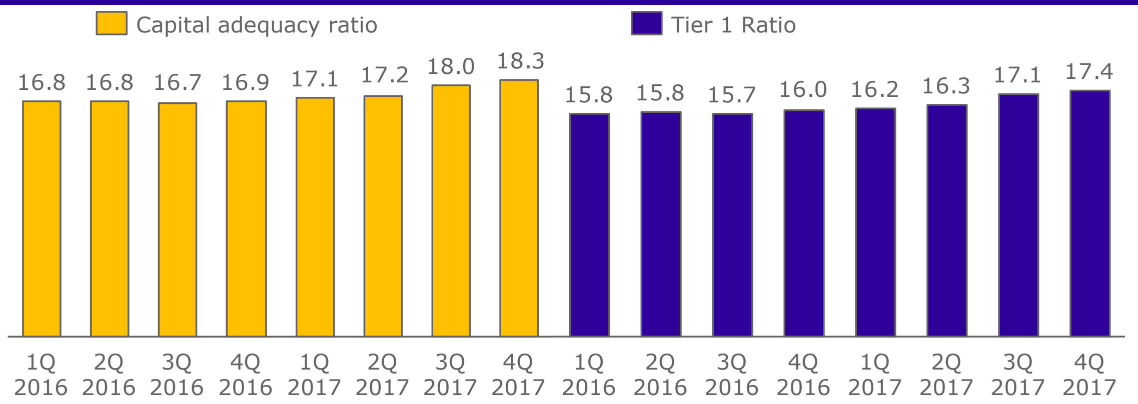
NPL and Coverage Ratio [%]



Capital and Liquidity

- Mashreq's Capital adequacy ratio stood at 18.3% (regulatory minimum of 12%) as of 31 December 2017, compared to 16.9% as of 31 December 2016. Tier 1 capital ratio at 17.4% continues to be significantly higher than the 8% regulatory minimum stipulated by the UAE Central Bank (16.0% as at 31 December 2016)

Capital Adequacy and Tier 1 Ratio [%]



Business Unit Updates

Corporate Banking

Global Transaction Services

Global Transaction Services has maintained the momentum built up in the first three quarters of the year in the last quarter with continued growth in corporate transaction volumes routed through electronic and alternate channels. The rollout of Virtual Account solution for corporate customers completed yet another milestone in Mashreq's journey of digitalization of corporate banking services. Continuing its customer focus, Mashreq launched the Buyer Led Supplier Finance Program to augment the support for the customers' working capital requirements. The launch of these products and services reinforces Mashreq's position as a customer centric bank having deep rooted industry knowledge to support end to end customer value chain.

Corporate Finance

Corporate Finance was able to achieve a strong close to FY17 and build a strong pipeline of deals for FY18. Amidst the challenging regional landscape and economic environment in 2017, Corporate Finance managed to close twenty deals with aggregate deal value of AED 20 billion, notable amongst which being the successful execution and funding of a fully underwritten AED 4.6 billion strategic finance facility for a UAE headquartered global education service provider. The deal was underwritten by Mashreq along with four other regional and international banks.

Outside the UAE, the team continued to lead and maintain its competitive edge in the FI space and in providing structured financing for the airline industry. In the FI space, the team closed three deals for African banks in the last quarter and a total of seven FI deals during the year. Corporate finance continued to showcase its expertise in structuring transactions for the airline industry by concluding its second transaction for Air India during the year. Mashreq successfully underwrote a USD 210 million bridge finance facility for the acquisition of two B-787 aircraft and has been mandated by Air India to underwrite a further USD 535 million for the acquisition of another 3 aircraft.

Corporate Finance has been able to build a strong pipeline of transactions and mandates providing good visibility on fee generation for 1Q 2018.

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 2017, Mashreq supported prominent local and international contractors and executed several strategic projects across the region. New projects in excess of AED 25.7 billion were financed during 2017 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 twelve 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.

Real Estate Finance & Advisory

The Real Estate Finance & Advisory unit continued its strong momentum into 4Q 2017 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 last quarter of 2017 and has 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.

NBFI

The NBFI team closed the year on a strong momentum with its debut NBFI transaction for both Kuwait & India. In India, it executed with TCM, an inaugural INR denominated ECB loan for the first time in Mashreq, for an Abu Dhabi Sovereign backed NBFC. Further, the Division supported a Latin America based fund (Private Equity backed) in facilitating a bridge facility supported by an equity commitment letter. The fourth quarter performance tops up a successful 2017 for NBFI characterized by NTB relationships, spreading the NBFI client base across IBG network adding Kuwait & India, new product initiatives (migrated a loan facility to enable end to end servicing of a customer over Matrix to improve operational efficiency & Real Time USD transfers including weekend for a pre-eminent client) and building on an active pipeline of NTBs and transactions for 2018.

Retail Banking

The banks retail segment witnessed significant achievements over the period from October to the end of December 2017. The largest launch to date in the personal banking segment saw the introduction of the newest and boldest branchless bank – Neo. The first full service digital bank in the GCC region to provide access to international markets for investment opportunities including foreign equities, gold trading and foreign currency accounts. Mashreq Neo goes beyond just what meets the customer's eyes and fingers - in order to deliver the immersive digital experience expected by today's connected generation Neo leverages big data, new technologies and advanced analytics to offer a 360-degree view of the customer and personalized engagement.

Mashreq and the Dubai Government signed an Agreement for Payment Collection via Smart Dubai Portal in collaboration with Dubai DOF and Smart Dubai. Under the agreement, Mashreq Bank became an acquirer of payments made with credit and debit cards issued by banks in or outside the UAE. The move in turn ensures a strong bond between public and private sectors to promote the seamless digital lifestyle of the 21st century.

With VAT implemented in the UAE as of January 1st, Mashreq hosted the first VAT awareness seminar for its SME clients in collaboration with Morison MJS Tax Consultancy. The VAT awareness campaign set out to educate SME customers on how VAT would affect their businesses - this campaign consisted of a series of Seminar and Webinars starting October 2017.

Mashreq introduced Apple Pay, a mobile payment solution that aims to provide an easy, secure and private way to pay that is both fast and convenient. As a key focus for the bank, Apple Pay makes payment easier for its customers by providing online shopping in apps and on websites, along with removing the need to manually fill out account forms or repeatedly typing in shipping and billing information.

Mashreq partnered with Union Pay to increase online card acceptance in the UAE. This agreement ensured that UnionPay cardholders have the ability to access a wide network of online payments and enhance their shopping experience in the UAE. The newly launched UPOP (UnionPay Online Payment) service provides UnionPay's existing customers with an online payment solution in line with the company's vision to increase global connectivity.

Mashreq was the official partner for the Dubai Property Show in Mumbai. The bank facilitated purchases for Indian investors looking to invest in real-estate in Dubai by offering them a wide spectrum of financing options for both residential and commercial properties. The event allowed the bank to showcase its smart financial solutions as part of the ongoing commitment to fulfilling investor and customer needs.

In the spirit of celebrating the Flag Day in the UAE and to raise it as a symbol of tolerance and expression, three Emirati employees from Mashreq embarked on a grueling seven-day climb to the top of Africa's tallest mountain, Mt. Kilimanjaro to express their love for their country by proudly raising the UAE flag upon reaching the 5,895-metre summit.

The UAEs 46th National Day saw Mashreq Bank, celebrate with a host of activities. Bank employees enjoyed the festivities in celebration of over four decades of diversity, tolerance and development in the United Arab Emirates.

Mashreq announced the launch of 'How will #YOUAE celebrate' campaign to commemorate the country's 46th National Day. Celebrating #YOUAE presented a wide variety of promotions for the bank's customers, residents and citizens including exclusive offers for opening new bank accounts, remitting money worldwide, starting savings plans, applying for mortgages, or merely for using their Mashreq debit and credit cards at their favorite local restaurants.

This quarter also saw Mashreq recognized for global mobile banking excellence. The bank was presented with the Best Consumer Mobile Banking Global award at the Digital Bank Conference and Awards event hosted by Global Finance magazine in London, England. The award was recognition of Mashreq bank's development of its mobile banking app, Snapp. and its efforts in enhancing its customers' experiences through the digital medium in recent years.

International Banking

Mashreq's International Business has continued to deliver consistent high performance across all parameters. Nearly a quarter of Mashreq's revenue/ net profit is being contributed by its International Business.

While South Asia continues to be the key market for FI Business, a large and growing chunk of Net Interest and Fee Income is now coming from business in Africa and Europe. We were at the heart of many landmark corporate deals in the region which included acting as mandated lead arrangers to finance Air India as well as Pakistan International Airlines besides acting as lead arrangers to finance Oman Telecommunications Company.

Our new Wholesale branch in Bahrain has started booking business and our corporate banking strategy in India has started showing good results with a healthy pipeline of large corporate clients.

Innovation and a superior customer experience are at the very heart of Mashreq's values and in keeping with this spirit, Mashreq implemented the new SWIFT gpi (Global Payment Innovation) across all of its International branches – Mashreq is the first bank in the UAE to do so. SWIFT gpi dramatically improves the customer experience in cross-border payments by increasing the speed, transparency and end-to-end tracking of transactions. Customers at Mashreq will be able to track their cross-border payments via Mashreq's online & mobile channels, leveraging SWIFT Global Payments Innovation (gpi).

Going forward, the International Business will continue to push ahead and seek out new avenues of business opportunities and explore opportunities to grow the international footprint in 2018.

Treasury and Capital Market:

FX

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

Rates & Fixed Income

The last quarter of 2017 witnessed a revival of interest in liability hedging as the U.S. Federal Reserve confirmed plans of gradual rate hikes in the next two years. The pipeline for interest rate hedging business grew as the year came to a close. The December rate hike, and further hikes on the cards on 2018, are expected to drive interest rate hedging deals going forward. Regional credit markets witnessed a slow quarter as sovereign issuance took a back seat, resulting in lower bond trading volumes. Interest in structured investment products picked up during the quarter.

Equities

Mashreq was able to offer international equity offerings which helped increase customer flow. Looking ahead we expect a better 2018 as regional growth is likely to pick up on the back of expansionary state budgets, the partial rebound of oil prices in late 2017 giving Saudi Arabia and Abu Dhabi room to loosen austerity policies, and as Dubai increases spending to prepare for Expo 2020.

Asset Management

Business has been stable and continues to be driven by fixed income, which still constitutes the majority of assets under management. 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 2017 returns in excess of 9% and 4.5% respectively. With new products and mandates in the pipeline, the business is expected to experience a steeper growth trajectory in 2018 for which significant milestones have been reached in 4Q 2017.

The 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.

YE 2017 Awards:

IIA Global Affiliate / UAE Internal Auditors Association

- Best Practice Award in Internal Audit – Overall Winner 2017 (Private Sector)
- Best Practice Award in Internal Audit – IT Category Winner 2017 (Private Sector)

DAMAN MEED Corporate Health Awards

- Corporate Wellness Leader of the Year Award
- Communications Campaign of the Year Award

Enterprise Agility Awards, organized by BNC Publishing:

- Agility Achiever in the SME Banking Sector for 2017

Islamic Business and Finance Awards 2017

- Best Islamic Banking Solutions and Products at the 2017

MasterCard:

- Most Promising Cash Displacement Solution- MENA

World Finance 2017

- Best Digital Bank in the UAE for 2017
- Best Mobile Banking Application in the UAE for 2017 – Snapp

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Appendix 1: YE 2017 Financial Highlights

2017 Financial Highlights	Annual Trend			Quarterly Trend				
			Δ %				4Q'17 Δ %	
Income statement (AED mn)	**YE'17**	**YE'16**	**YoY**	**4Q'17**	**3Q'17**	**4Q'16**	**QoQ**	**YoY**
Net Interest Income & Net Income from Islamic Products*	**3,579**	3,567	0.3	**908**	910	891	(0.2)	1.8
Fee and commision	**1,558**	1,685	(7.5)	**381**	414	392	(7.9)	(2.7)
Investment Income*	**107**	58	84.9	**4**	29	(1)	(86.9)	(357.1)
Insurance,FX & Other Income	**772**	859	(10.1)	**288**	88	223	228.1	29.4
Total Operating Income	**6,016**	6,169	(2.5)	**1,580**	1,441	1,504	9.7	5.1
Operating Expenses	**(2,361)**	(2,407)	(1.9)	**(605)**	(581)	(620)	4.0	(2.5)
Operating Profit	**3,655**	3,762	(2.8)	**976**	860	884	13.5	10.4
Impairment Allowance	**(1,488)**	(1,734)	(14.2)	**(571)**	(265)	(425)	115.9	34.3
Overseas Tax Expense	**(78)**	(74)	4.5	**(8)**	(24)	(17)	(68.3)	(54.2)
Non-Controlling Interest	**(37)**	(28)	35.3	**(9)**	(10)	(2)	(9.3)	486.0
Net Profit for the Period	**2,052**	1,926	6.5	**388**	561	440	(30.8)	(11.9)
EPS [AED]	***11.56***	*10.85*	*6.5*	***2.18***	*3.16*	*2.48*	*(30.8)*	*(11.9)*
			Δ %				Δ %	
Balance Sheet (AED mn)	**Dec'17**	**Dec'16**		**Dec'17**	**Sep'17**	**Dec'16**	**QoQ**	**YTD**
Total Assets	**125,188**	122,814	1.9	**125,188**	121,753	122,814	2.8	1.9
Loans and Advances	**62,734**	60,994	2.9	**62,734**	64,645	60,994	(3.0)	2.9
Customer Deposits	**76,061**	77,041	(1.3)	**76,061**	76,099	77,041	(0.0)	(1.3)
Shareholder's Funds	**20,363**	18,758	8.6	**20,363**	19,893	18,758	2.4	8.6
Key Ratios (%)	**Dec'17**	**Dec'16**	**Δ bps**	**Dec'17**	**Sep'17**	**Dec'16**	**Δ bps**	**Δ bps**
CAR (Capital Adequacy ratio)	***18.33***	*16.86*	*1.47*	***18.33***	*18.01*	*16.86*	*0.32*	*1.47*
Tier 1 Ratio	***17.39***	*15.95*	*1.44*	***17.39***	*17.09*	*15.95*	*0.30*	*1.44*
Loan-to-Deposits	***82.48***	*79.17*	*3.31*	***82.48***	*84.95*	*79.17*	*(2.47)*	*3.31*
*Return-on Assets***	***1.66***	*1.62*	*0.04*	***1.66***	*1.81*	*1.62*	*(0.16)*	*0.04*
*Return-on-Equity***	***10.49***	*10.55*	*(0.06)*	***10.49***	*11.48*	*10.55*	*(0.99)*	*(0.06)*

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

** Annualized

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