Mashreq posts AED 2.1 Bn Net Profit for 2018

Dubai, UAE; 21st January 2019: Mashreq, one of the leading financial institutions in the UAE, today has reported its financial results for the year ending 31st December 2018.

Key highlights [2018 vs 2017]:

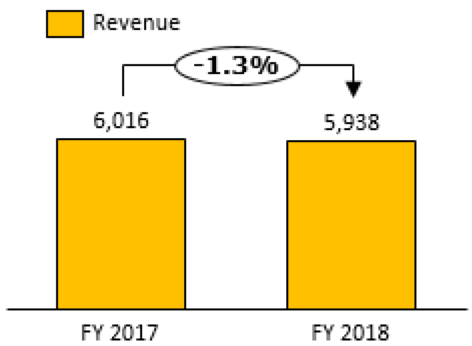
- ***Stable Net Profit***
  - Net profit for YE 2018 stood at AED 2.1 billion - a 0.4% increase YoY
  - Impairment Allowance down by 17.3% YoY
- ***High proportion of non-interest income***
  - Mashreq's best-in-class non-interest income to operating income ratio remained high at 38.7%
  - Insurance, FX & Other Income is up by 10.7% YoY
- ***Solid Balance Sheet Growth***
  - Total Assets grew by 11.8% to AED 139.9 billion while Loans and Advances increased by 10.4% to reach AED 69.3 billion as compared to December 2017
  - Customer Deposits grew by 9.4% in the year to reach AED 83.2 billion
  - Loan-to-Deposit ratio remained robust at 83.2% at the end of December 2018
- ***Strong liquidity & Capital position***
  - Liquid Assets ratio stood at 33.2% with Cash and Due from Banks at AED 43.2 billion as on December 2018
  - Capital adequacy ratio and Tier 1 capital ratio continue to be significantly higher than the regulatory limit and stood at 16.5% and 15.3% respectively
  - Conservative dividend policy, with proposed dividend of only ~34% of net profit, for internal capital generation to support business growth
- ***Sustained Asset Quality***
  - Non-Performing Loans to Gross Loans ratio increased slightly to 3.1% at the end of December 2018
  - Total Provisions for Loans and advances reached AED 3.6 billion, constituting 137.2% coverage for Non-Performing Loans

Mashreq's CEO, H.E. Abdul Aziz Al Ghurair, said: "2018 was a year of further innovation at Mashreq. We are employing the latest technology and with this digital enablement we are re-imagining customer journeys to ensure they are smoother and better than ever. Furthermore, we are well on our journey of change and our agile transformation continues; we are working to expand it across other units.

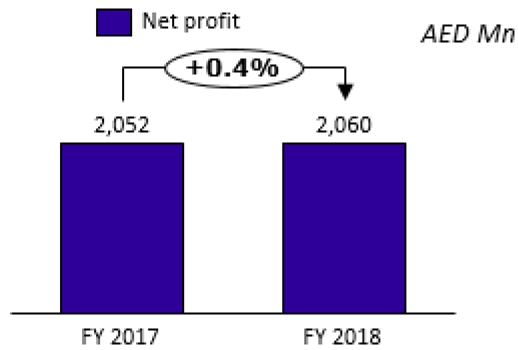
"As all of you are aware, 2018 was a difficult year due to market fluctuations, however we rose to the challenge and managed to sustain our revenues. Much of this can be attributed to the bank's focus on strategically acquiring good assets and growing the loan portfolio, whilst increasing its funding base. Improved risk management helped us reduce our Impairment Allowance by 17.3% year-on-year and what also helps is our strong liquidity and capital position, which enables us to seek and capitalize on future growth opportunities."

Al Ghurair concluded, "Finally, it gives me great pleasure to inform you that Mashreq has been awarded the Gallup Great Workplace Award for a fifth year in succession. The importance of this achievement cannot be understated as only 39 organizations across the globe received this prestigious award in 2018. This recognition makes me proud to lead a company that has firmly established itself as a truly innovative and elite workplace."

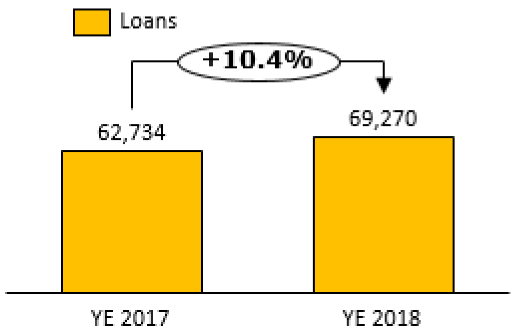
Exhibits:



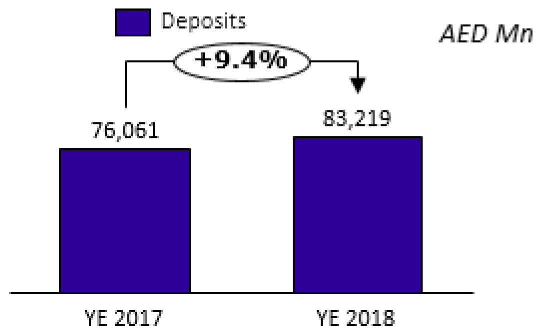
Revenue
-1.3%
6,016
5,938
FY 2017
FY 2018



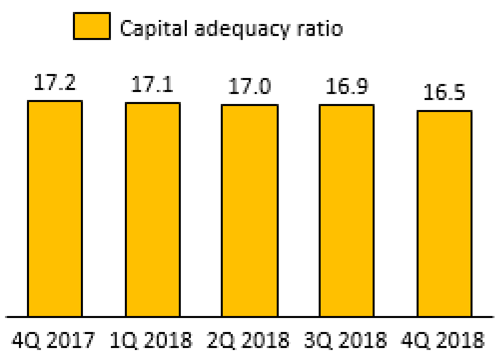
Net profit
AED Mn
+0.4%
2,052
2,060
FY 2017
FY 2018



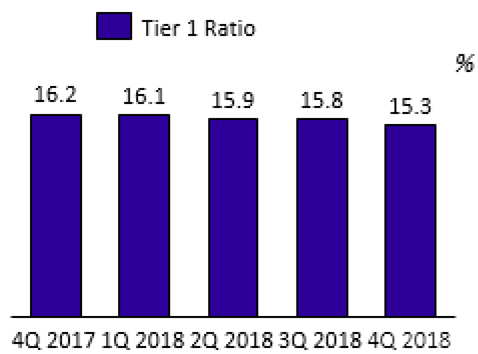
Loans
+10.4%
62,734
69,270
YE 2017
YE 2018



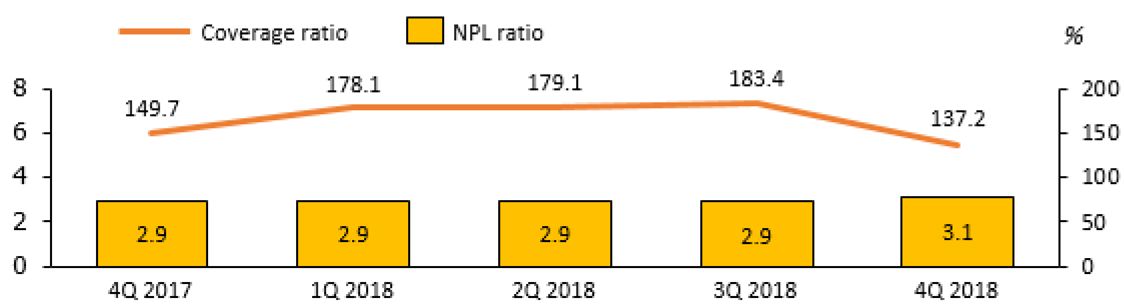
Deposits
AED Mn
+9.4%
76,061
83,219
YE 2017
YE 2018



Capital adequacy ratio
17.2
17.1
17.0
16.9
16.5
4Q 2017
1Q 2018
2Q 2018
3Q 2018
4Q 2018



Tier 1 Ratio
%
16.2
16.1
15.9
15.8
15.3
4Q 2017
1Q 2018
2Q 2018
3Q 2018
4Q 2018



Coverage ratio
NPL ratio
%
8
6
4
2
0
200
150
100
50
0
149.7
178.1
179.1
183.4
137.2
2.9
2.9
2.9
2.9
3.1
4Q 2017
1Q 2018
2Q 2018
3Q 2018
4Q 2018

2018 Awards:

- **Global Banking & Finance Awards**
  Best Internet Bank Qatar 2018
- **EMEA Finance - Middle East Banking Awards 2018**
  Best product launch
- **Islamic Banking & Finance Awards 2018**
  Innovation in Islamic Banking – Mashreq Al Islami
- **Network World Innovation Award**
  Enterprise Mobility Project of the Year – Mashreq Bank
- **F5 Networks**
  Innovation in Application Security
- **FinX awards**
  Best Digital Bank MENA
- **Khaleej Times - DIGITRANS 2018**
  Iconic Digital Leader
  Digital Leader Enterprise
- **IDC FinTech Real Results award granted by IDC Financial Insights**
  Digital Trust & Stewardship category - "Mashreq BOT's Servicing Dubai Police with Virtusa"
- **Global Brand Awards 2018**
  Best Customer Service Banking Brand, United Arab Emirates 2018

2018 Financial Highlights:

YE 2018 Financial Highlights	Annual Trend			Quarterly Trend				
	YE		Δ %	4Q	3Q	4Q	Δ %	
Income statement (AED mn)	**2018**	**2017**	**YoY**	**2018**	**2018**	**2017**	**QoQ**	**YoY**
Net Interest Income & Income from Islamic Financing	**3,643**	3,579	1.8	**851**	938	908	(9.2)	(6.2)
Fee and commision	**1,413**	1,558	(9.3)	**351**	323	381	8.5	(8.0)
Investment Income	**27**	107	(75.2)	**1**	7	4	(83.0)	(69.1)
Insurance,FX & Other Income	**855**	772	10.7	**141**	222	288	(36.7)	(51.2)
Total Operating Income	**5,938**	6,016	(1.3)	**1,344**	1,490	1,580	(9.8)	(15.0)
Operating Expenses	**(2,618)**	(2,361)	10.9	**(671)**	(637)	(605)	5.3	11.0
Operating Profit	**3,320**	3,655	(9.2)	**673**	853	976	(21.1)	(31.0)
Impairment Allowance	**(1,230)**	(1,488)	(17.3)	**(393)**	(249)	(571)	57.9	(31.3)
Tax Expense	**(25)**	(78)	(68.3)	**3**	(6)	(8)	(148.1)	(137.9)
Non-Controlling Interest	**(5)**	(37)	(86.5)	**29**	(11)	(9)	(351.2)	(420.8)
Net Profit for the Period	**2,060**	2,052	0.4	**312**	587	388	(46.8)	(19.5)
EPS [AED]	***11.60***	*11.56*	*0.4*	***1.76***	*3.30*	*2.18*	*(46.8)*	*(19.5)*
	Dec	**Dec**	**Δ %**	**Dec**	**Sep**	**Dec**	**Δ %**	
Balance Sheet (AED mn)	**2018**	**2017**	**YoY**	**2018**	**2018**	**2017**	**QoQ**	**YTD**
Total Assets	**139,932**	125,188	11.8	**139,932**	137,445	125,188	1.8	11.8
Loans and Advances	**69,270**	62,734	10.4	**69,270**	69,354	62,734	(0.1)	10.4
Customer Deposits	**83,219**	76,061	9.4	**83,219**	82,233	76,061	1.2	9.4
Shareholder's Funds	**20,144**	20,363	(1.1)	**20,144**	19,908	20,363	1.2	(1.1)
	Dec	**Dec**	**Δ bps**	**Dec**	**Sep**	**Dec**	**Δ bps**	
Key Ratios (%)	**2018**	**2017**	**YoY**	**2018**	**2018**	**2017**	**QoQ**	**YTD**
CAR (Capital Adequacy ratio)	***16.45***	*17.16*	*(71)*	***16.45***	*16.93*	*17.16*	*(47)*	*(71)*
Tier 1 Ratio	***15.33***	*16.19*	*(86)*	***15.33***	*15.81*	*16.19*	*(48)*	*(86)*
Loan-to-Deposits	***83.24***	*82.48*	*76*	***83.24***	*84.34*	*82.48*	*(110)*	*76*
*Return-on Assets**	***1.55***	*1.66*	*(10)*	***1.55***	*1.77*	*1.66*	*(22)*	*(10)*
*Return-on-Equity**	***10.17***	*10.49*	*(32)*	***10.17***	*11.57*	*10.49*	*(140)*	*(32)*

**Annualized*

-ENDS-

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