Mashreq posts AED 1.2 Bn Net Profit for 1H 2019

Dubai, UAE; 21st July 2019: Mashreq, one of the leading financial institutions in the UAE, today has reported its financial results for the first half ending 30th June 2019.

Key highlights [1H 2019 vs 1H 2018]:

- ***Healthy Net Profit***
    - Net profit for 1H 2019 stood at AED 1.2 billion - a 5.2% increase YoY
    - Impairment Allowance down by 18.2% YoY
- ***High proportion of non-interest income***
    - Mashreq's best-in-class non-interest income to operating income ratio remained high at 39.8%
- ***Strong liquidity & Capital position***
    - Liquid Assets ratio stood at 29.2% with Cash and Due from Banks at AED 37.1 billion as on 30th June 2019
    - Capital adequacy ratio and Tier 1 capital ratio continue to be significantly higher than the regulatory limit and stood at 16.2% and 15.0% respectively
- ***Steady Loan Growth***
    - Though total assets decreased slightly by 2.5% to AED 136.4 billion, Loans and Advances increased by 2.1% during the year to reach AED 70.7 billion
    - Loan-to-Deposit ratio remained robust at 91.1% at the end of June 2019
- ***Sustained Asset Quality***
    - Non-Performing Loans to Gross Loans ratio declined slightly to 3.5% at the end of June 2019
    - Total Provisions for Loans and advances reached AED 4.0 billion, constituting 128.0% coverage for Non-Performing Loans

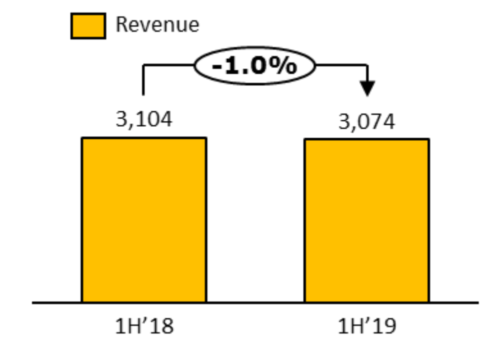
Mashreq's CEO, H.E. Abdul Aziz Al Ghurair, said: "I am delighted to announce that Mashreq Bank has yet again posted a healthy net profit at the close of 1H of 2019, and we have registered a year on year increase of 5.2% in net profits. Our impairment allowance is down and we continue to command the best-in-class non-interest income ratio. This is testament to our teams' constant drive towards innovation alongside developing new strategies and products that steadily place us at the forefront of the banking industry in the region.

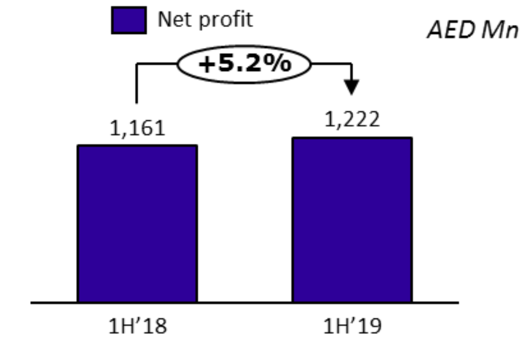
Our Loan-to-Deposit ratio remained robust as of the end of Q2 of 2019. I am confident we will maintain our strong position as long as we continue to follow our customer-centric strategy and innovate. We have made immense strides in improving the banking experience for our customers in the first half. An example is our branch transformation strategy, which is the first initiative of its kind in the region, and we strongly believe it will help to redefine banking in the Middle East. Additionally, our operations are more efficient than ever before, and we have focused on optimizing performance without compromising on our core tenet – the customer experience.

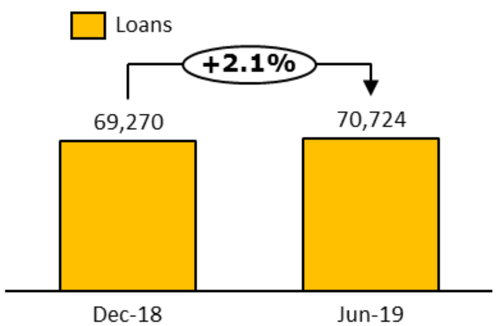
We are making rapid strides in our transformation journey with digital being the fulcrum on which we have launched multiple initiatives in both retail banking and corporate banking. We recognize that most transformations of this scale pose significant challenges, but we have managed to maintain strong financial results, thanks to the single-minded focus of our teams to deliver the best results for the bank as well as our customers. Our capital adequacy ratio, Tier 1 capital ratio and liquidity ratios are also significantly higher than the regulatory requirement."

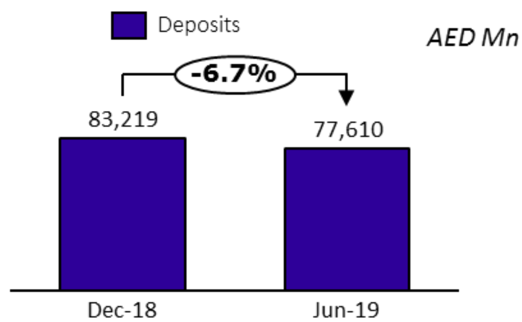
Al Ghurair concluded, "The banking landscape in the region is changing at a rapid pace where having a sound digital infrastructure is a pre-requisite for any bank to succeed. Mashreq has been at the forefront of embracing technology and will continue to introduce innovative services and products to meet the ever evolving customer needs".

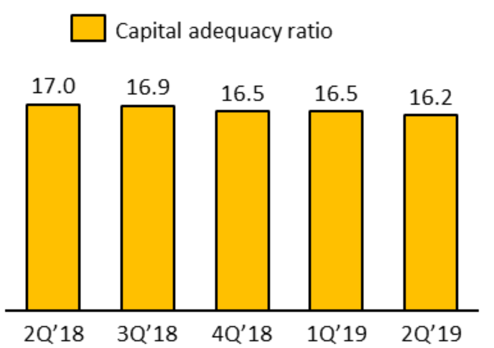
Exhibits:

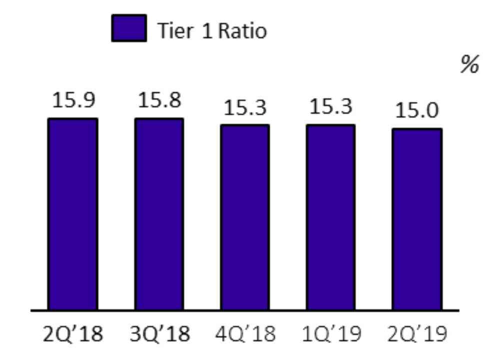

Revenue
-1.0%
3,104
3,074
1H'18
1H'19

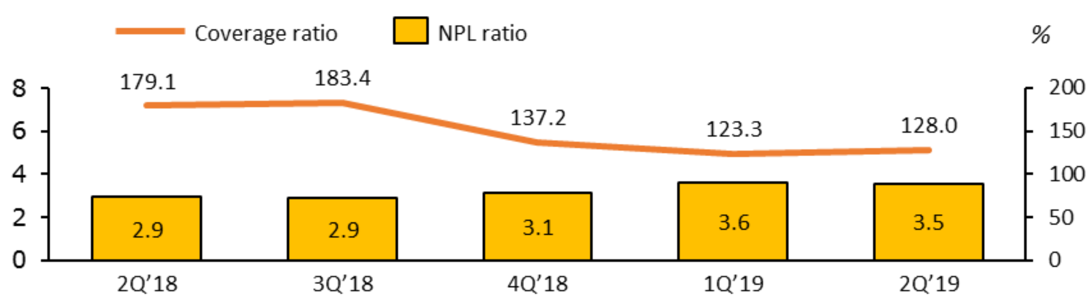

Net profit
AED Mn
+5.2%
1,161
1,222
1H'18
1H'19


Loans
+2.1%
69,270
70,724
Dec-18
Jun-19


Deposits
AED Mn
-6.7%
83,219
77,610
Dec-18
Jun-19


Capital adequacy ratio
17.0
16.9
16.5
16.5
16.2
2Q'18
3Q'18
4Q'18
1Q'19
2Q'19


Tier 1 Ratio
%
15.9
15.8
15.3
15.3
15.0
2Q'18
3Q'18
4Q'18
1Q'19
2Q'19


Coverage ratio
NPL ratio
%
179.1
183.4
137.2
123.3
128.0
2.9
2.9
3.1
3.6
3.5
2Q'18
3Q'18
4Q'18
1Q'19
2Q'19
0
2
4
6
8
0
50
100
150
200

1H 2019 Awards:

- World Finance Digital Banking Awards 2019
  - Best Consumer Digital Bank - 2019 - UAE
  - Best Mobile Banking App - 2019 - UAE
- World's Best Bank Awards from Global Finance
  - Best Bank in the UAE for 2019
- The Banker
  - Deal of the Year - Africa - Loans (Telecom Egypt USD 500 Million Syndicated Loan Facility) Also entered by First Abu Dhabi Bank
  - Deal of the Year - Asia Pacific - Loans (Bank of Ceylon $100m syndicated facility with accordeon tranche)
  - Deal of the Year- Middle East- Islamic Finance (VIP Investments $109m Islamic acquisition facility)
- The Asian Banker Award
  - Best Process Automation Initiative in the Middle East
- Business Leader of the Year Award
  - Most Admired Financial Services Provider
  - Organization with Best Employee Relations Practices
- CXO 50 2019
  - IT pioneer in the Middle East
- CIO 100 Award 2019
  - CIO 100 Award in recognition of the excellence and achievement in shaping the regional IT landscape
- UAE Innovation Award
- EMEA Finance
  - Best structured finance house in the Middle East: Mashreq Bank
  - Most innovative structured finance deal in EMEA: Shorouq
  - Best syndicated Murabaha facility: United Eastern Medical Services
  - Best Islamic facility (financial institution): Al Baraka Bank
  - Best structured finance deal in North Africa: Telecom Egypt
  - Best Local Currency Loan in the Middle East: Abdul Latif Galadari
- IFN Awards
  - Best Cross Border Deal of the Year

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Financial Highlights:

1H 2019 Financial Highlights	Half Yearly Trend							
	1H		Δ %	2Q	1Q	2Q	Δ %	
Income statement (AED mn)	**2019**	**2018**	**YoY**	**2019**	**2019**	**2018**	**QoQ**	**YoY**
Net Interest Income & Income from Islamic Financing	**1,850**	1,854	(0.2)	**913**	936	945	(2.4)	(3.3)
Fee and commision	**710**	739	(4.0)	**349**	361	383	(3.2)	(8.8)
Investment Income	**54**	18	196.8	**7**	48	5	(86.0)	32.2
Insurance,FX & Other Income	**460**	493	(6.6)	**235**	225	254	4.7	(7.3)
Total Operating Income	**3,074**	3,104	(1.0)	**1,505**	1,569	1,586	(4.1)	(5.2)
Operating Expenses	**(1,316)**	(1,310)	0.5	**(665)**	(651)	(718)	2.1	(7.3)
Operating Profit	**1,758**	1,794	(2.0)	**840**	918	869	(8.6)	(3.4)
Impairment Allowance	**(482)**	(589)	(18.2)	**(221)**	(261)	(287)	(15.5)	(23.1)
Tax Expense	**(14)**	(21)	(36.1)	**(6)**	(8)	(7)	(24.1)	(18.1)
Non-Controlling Interest	**(41)**	(22)	81.3	**(20)**	(21)	(11)	(7.2)	71.8
Net Profit for the Period	**1,222**	1,161	5.2	**593**	628	563	(5.5)	5.4
EPS [AED]	***6.88***	*6.54*	*5.2*	***3.34***	*3.54*	*3.17*	*(5.5)*	*5.4*
	Jun	**Jun**	**Δ %**	**Jun**	**Mar**	**Dec**	**Δ %**	
Balance Sheet (AED mn)	**2019**	**2018**	**YoY**	**2019**	**2019**	**2018**	**QoQ**	**YTD**
Total Assets	**136,428**	126,997	7.4	**136,428**	141,667	139,932	(3.7)	(2.5)
Loans and Advances	**70,724**	67,686	4.5	**70,724**	69,859	69,270	1.2	2.1
Customer Deposits	**77,610**	77,791	(0.2)	**77,610**	80,646	83,219	(3.8)	(6.7)
Shareholder's Funds	**20,718**	19,412	6.7	**20,718**	20,080	20,144	3.2	2.8
	Jun	**Jun**	**Δ bps**	**Jun**	**Mar**	**Dec**	**Δ bps**	
Key Ratios (%)	**2019**	**2018**	**YoY**	**2019**	**2019**	**2018**	**QoQ**	**YTD**
CAR (Capital Adequacy ratio)	***16.16***	*16.97*	*(81)*	***16.16***	*16.47*	*16.45*	*(31)*	*(29)*
Tier 1 Ratio	***15.03***	*15.85*	*(82)*	***15.03***	*15.35*	*15.33*	*(32)*	*(30)*
Loan-to-Deposits	***91.13***	*87.01*	*412*	***91.13***	*86.62*	*83.24*	*450*	*789*
*Return-on Assets**	***1.77***	*1.84*	*(7)*	***1.77***	*1.78*	*1.55*	*(2)*	*21*
*Return-on-Equity**	***11.96***	*11.68*	*28*	***11.96***	*12.49*	*10.17*	*(53)*	*179*

*Annualized

-ENDS-

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