

Mashreq reports net profit of AED 803 Million for 2010

- ***Operating income at AED 4.4 billion***
- ***Liquid Assets at AED 27 billion***
- ***Capital Adequacy ratio at 22%***
- ***Provisions decrease by 16.4%***

Dubai – UAE, 8th February 2011: Mashreq, one of the UAE's leading national financial institutions reported a net profit of AED 803 million for the year ended 31st December on operating income of AED 4.4 billion over the same period.

Net interest income and income from Islamic products net of distribution to depositors for the year rose by 9% over last year to AED 2.3 billion. Net fee, commission and other income stood at AED 2.1 billion, against AED 2.9 billion for the previous year, a reduction of around 27% owing to economic slowdown. However, other income to gross income ratio at 48% is one of the best in its class.

Despite difficult market conditions provisions for loan losses declined by 16% to AED 1.76 Billion. Impairment charge includes a significant provision for collective impairment. Due to close monitoring of assets quality, non-performing assets increased only marginally from AED 3.6 Billion to AED 3.9 Billion. In line with Central Bank instructions, Mashreq has taken 80% provisions for loans made to Saad Group and Al Gosaibi Group in addition to provisions taken against its Dubai World loans in compliance with International Accounting Standards guidelines.

Commenting on the financial results, H.E. Abdul Aziz Al Ghurair, Chief Executive Officer at Mashreq, said: "The results achieved highlight our strategy to continue operating prudently and profitably. As a leading financial institution in the UAE we are committed to the region which is our home base and which will continue to represent a major market for Mashreq, despite the difficulties it has endured."

Al Ghurair continued, "The banking industry in the UAE continues to be one of the most successful in the region. While 2010 has been a year of steady recovery, we anticipate further improvement in 2011."

Maintaining a cautious approach towards liquidity management, credit expansion and capital management, in the uncertain economic climate, Mashreq strengthened its balance sheet with stronger capital adequacy, higher liquidity and lower advances to deposits ratio. Mashreq reduced Customer advances by 13.6% to AED 41.2 billion from AED 47.7 billion last year as against a reduction in Customer Deposits by 4.5% to AED 51.2 billion from AED 53.6 billion. As a result Mashreq achieved an improvement in Advances to customer deposits Ratio from 88.95% last year to 80.4%. The total assets reduced from AED 94.6 Billion in 2009 to AED 84.8 Billion in 2010. However percentage of Liquid assets to Total assets improved from 30% to 32% with Cash and due from banks at AED 27 Billion. Mashreq's capital adequacy ratio improved to 22.7% from 20.2% with its tier one ratio rising to 15.9% from 14% last year.

Al Ghurair added, "As we continue to monitor market conditions, Mashreq remains committed to its strategic objective of delivering robust and sustainable financial results. The successful implementation of Mashreq's strategy across the range of business activities will ensure its continued profitability and financial strength while meeting the growing banking needs of our customers."

Effective cost management ensured no increase in operating expenses which remained flat at around same level as last year.

Operational update

During 2010, Mashreq re-launched its Islamic Banking Division, Mashreq Al Islami (MAI). It has since introduced a range of specialist Islamic Personal Finance products that are tailored to suit the needs of its customers who are looking for Sharia'h compliant financial solutions. These new products are available as part of three Islamic concepts; Murabaha, Ijarah, and Tawarruq.

Commenting on the operational success of Mashreq during 2010, Al Ghurair also added, "The growth in our Islamic offering is of real importance to us as it reflects our ability to respond to the needs of a core customer segment. This also demonstrates Mashreq's continuous growth and capability to accommodate market requirements."

The Corporate and Investment Banking Group of the bank has made significant investments in developing Advanced Cash Management and Transaction Banking Services. Mashreq was also the Lead Receiving Bank for the highly successful rights issue of EITC (Du).

During 2010, Mashreq launched a refurbishment plan across its branch network. In line with its commitment to offer a unique customer experience, Mashreq has now upgraded nearly 70% of the entire network including branches in Dubai, Al Ain, Abu Dhabi and Sharjah.

Some of the strategic new locations opened in 2010, are at the Mall of the Emirates new "Fashion Dome", Al Riqqa Head Office, Khalifa (A) City in Abu Dhabi and at the Entrepreneur Business Village (EBV). EBV was launched as part of an initiative under the Sheikh Mohammed bin Rashid Establishment for Young Business Leaders, and includes Mashreq Gold for affluent customers in some of these locations. In addition, there are plans to open new branches across UAE, more specifically in Abu Dhabi.

Reaffirming its commitment to meeting customer's banking requirements, Mashreq announced the launch of the iPhone and Arabic language services applications to compliment its unmatched mobile banking service. This fully transactional service allows Mashreq customers to check their accounts, make payments and transfer funds anywhere in the world through their mobile phones at anytime, from anywhere.

Awards

Mashreq continued to be recognized as a leading financial institution as it picked up a number of awards during 2010. MAI won the 'Best Islamic Window' award and the 'Best Advertising Campaign' award at the Islamic Business and Finance Awards 2010.

In addition to winning 'Middle East Best Large Call Centre', awarded by INSIGHTS, the Middle East's Leading Contact Centre Educator, Mashreq won four top awards at Dubai Quality Group's Continual Improvement Symposium Competition 2010. Among these awards were a Gold Award in the Breakthrough Improvement Category and Silver in the Innovation Category. The Bank also picked up Global Finance Magazine's award for 'Best Trade Finance Bank in the UAE'.

For its Treasury and Capital Market Business, Mashreq has won 3 top awards by The MENA Fund Manager Magazine. The bank was awarded Newcomer Fund of the Year award for Mashreq Al Islami Income Fund, Fixed Income Fund of the Year award, and UAE Asset Manager of the Year award.

Mashreq maintained to focus on productivity improvement and re-engineering of its operational process as the Operations Group was awarded the ISO 9001:2008 Certification by the British Standards Institute (BSI).

The Bank also introduced Mashreq Al Mustaqbal, a management trainee program to bring on board talented UAE nationals and fast track their growth into top managerial positions. To date, Mashreq has achieved 41 per cent Emiratisation and the bank's efforts were recognized at the 27th GCC Ministers of Labour Council Summit in Kuwait where Mashreq was awarded as the leading organization in Emiratisation segment for 2010.

Commenting on plans for 2011, Al Ghurair said: "In line with our strategy to expand both locally and regionally and offer our products and services to meet market requirements, we will continue to look at other regions to further leverage on our strong network of branches and offices.

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About Mashreq:

Mashreq is one of the UAE's leading National Financial institutions and the second oldest. Founded in 1967 as Bank of Oman, the bank has played a pioneering role in the industry, particularly in retail banking. Among its many firsts, it was the first to launch such products as travelers' cheques, credit cards and ATMs.

Mashreq has received numerous international awards such as the Best Bank in the UAE in 2008 from Euro money and various awards particularly for quality management. According to

independent research it has more ISO certifications than any bank in the region by a wide margin. It's most recent acknowledgement was Best Consumer Internet Bank in Qatar and Best Consumer Internet Bank regionally by Global Finance Awards 2009.

As a leading financial Institution in the UAE Mashreq aims to be world class in every facet of its business, including its social responsibility to the community it serves. Towards this goal the bank pays particular attention to recruiting, training, developing and retaining UAE National employees.

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