

Mashreq reports net Profit of AED 919 Million for the first half of 2009

Capital adequacy ratio at 20%

Q2 revenues maintained at AED 1.2 Billion

Dubai – UAE, 29th July 2009: Mashreq, one of the UAE's leading financial institutions, reported a 3% year on year increase in operating revenues for the first six months of 2009. In spite of challenging market conditions, revenue for the second quarter of 2009 remained strong at AED 1.2 Billion, equal to the first quarter's revenue of the year. The operating expenses went down to AED 440 million, a reduction of 8% quarter on quarter.

Impairment provisions for the quarter were enhanced to AED 319 million. This measure has led to a 10% decline in quarter on quarter profit to AED 435 million as compared to AED 484 million in Q1 2009. However as compared to Q2 of 2008 profit declined by 38%, due to primarily higher provisioning as mentioned earlier. Higher provisions have resulted in a 22% decline in net profits to AED 919 million year on year (2008: AED 1.17 billion)

The net interest income and income from Islamic products, net of distribution to depositors, for the six months ended 30 June 2009 grew by 5.2% from AED 1.01 billion to AED 1.06 billion (including NII earned on trading investments). Commission and other income excluding investment income also recorded an impressive growth of 16.4% year on year and operating income increased by 3% to reach AED 2.45 billion against AED 2.38 billion for the same period last year.

Continuing with its prudent provisioning policy, Mashreq has set aside AED 551.4 million for Impaired Assets in the first six month of 2009 as against AED 200.3 million for the same period last year.

Due to the aggressive expense management undertaken by the Bank, the operating expenses growth during the first six months was restricted to 5.4% over same period last year.

The period under review has been important for the continued strategic repositioning of Mashreq's assets and liabilities as a result of the prevailing economic climate. Customer deposits during the period reached AED 56.8 billion, a rise of 10.3% over 31st December 2008 figure of AED 51.5 billion. Customer advances during the same period have reduced by 6% to AED 51.7 billion from AED 55 billion. Total assets for the first six months of 2009 rose 3.7% to AED 96.7 billion.

Mashreq converted the deposit from The Ministry of Finance to a subordinated loan under Tier 2 capital. The result is a Capital Adequacy Ratio of 20% compared to the 14.1% posted last year. The Tier one capital ratio of the bank also strengthened from 12.9% in December 2009 to 14.8% as of 30 June 2009. This improvement was achieved by reducing Risk Weighted Assets from AED 88.9 billion in December 2008 to AED 82.3 billion in June 2009 and also by increase in Tier one capital due to current year profit accumulation.

Mashreq's strong liquidity position is reflected in the key ratio of Advances to Customer Deposits, improving to 91% as against 106.9% last year and a significant increase of 61% in the Due from Banks and Central Bank during the first six month of 2009 resultantly liquid Assets to total assets ratio improved from 16.5% in December 2008 to 25.6% in June 2009. The Advances to Deposits and Medium Term Borrowing ratio has significantly improved from 97% at year end 2008 to 81% as of 30 June 2009, indicating the Bank's strengthening liquidity position.

Commenting on the half yearly results, Abdul Aziz Al Ghurair, CEO of Mashreq, said, "We are pleased to be able to report our results during a period largely overshadowed by the issues facing the global financial community; Mashreq has been able to operate prudently and profitably.

"Mashreq's team has worked efficiently to ensure that capital adequacy and liquidity are at levels appropriate for operating a responsible National bank, delivering both shareholder value and peace of mind for clients". Al Ghurair assures.

"Whilst there has been a fall in net profits for the first half of 2009 compared to 2008, there are two points to raise in this regard; firstly, Mashreq remains a profitable institution and secondly this reduction is a result of prudent management intervention to make higher provisions against probable impairment of Assets. These provisions are key to ensuring that the Bank operates in a sustainable manner while the ups and downs of the current crisis play out".

"Mashreq's strong liquidity and capital strength positions the bank well to continue with its strategic growth plans once the economy recovers."

On the retail side Mashreq, in collaboration with Visa International, added another compelling offering to its range of top class products with the launch of Mashreq Business Platinum Debit card for Small and Medium Enterprises (SME), the first of its kind in the UAE.

In response to the growing demand for Shariah compliant financial instruments, Mashreq Capital DIFC Ltd, which is regulated by the DFSA, launched the Badr Al-Islami Income Fund in partnership with Badr Al-Islami, the Islamic banking division of Mashreqbank psc. The Mashreq Makaseb Emirates Opportunities Fund (MEOF) was also awarded the Lipper Fund Award 2009, for the best fund over three years in the Equity United Arab Emirates category.

Building on its commitment to expanding within the region, Mashreq announced in April the official launch of its retail operations at its new Office in Cairo with a capital of 100 Million USD.

Also in April this year, Mashreq managed to strengthen the UAE's relationship with China by signing up with China UnionPay (CUP) offering their 1.8 billion UnionPay Card Holders acceptance in Mashreq ATM's and POS as they came together to build a new business model of cooperation, uniting the two leading financial institutions and strengthening the economic ties between the People's Republic of China and the United Arab Emirates.