

Mashreq 2008 financial results showing core revenue growth of 28.5%

Al Ghurair: “2009 to be the year of efficiency improvement and risk management”

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Mashreqbank Group, one of the UAE's leading financial institutions, reported Operating Income of AED 3.98 Billion for the full year 2008, a 3.5% increase over 2007, achieved during challenging global banking conditions. The growth in revenue reflects the strength of the bank, soundness of its core banking operations and the ability of the management to guide the Bank through the current slowdown, ensuring it is in a solid position when the economic tide turns.

Mashreq's Net Interest Income went up by 39%, Fee and Other Income, excluding Investment Income, grew by 19% further representing the strength of the core business model. The Bank did not have any exposure to either Lehman Brother or Madoff, however, due to exceptional stress on valuations and lack of liquidity in the capital markets (particularly for the GCC names) investment activity fell from a profit of AED 488 Million in 2007 to a loss of AED 335 million in 2008. However, Mashreq has made further provisions for the uncertain conditions ahead in 2009 by adding a further AED 107 Million to general provisions, bringing the total to AED 762 Million. This is the equivalent of 1.36% of the Performing Loans and Advances Portfolio and continues to be the highest among UAE banks.

The total Assets of the Bank rose by 6.4% compared to 2007, reaching AED 93 Billion, while Net Profit of the bank declined by 13.6% compared to 2007, to AED 1.64 Billion. Growth in Net Customer Advances, including Islamic financing, was significant at 55.8% to reach AED 55 Billion. Mashreq's Loan portfolio quality, despite the pace of growth, continues to remain exceptionally strong. The Non-performing loans marginally declined to AED 364 Million and NPL to Gross Loans ratio further improved to 0.6% in 2008 compared to 1% in 2007.

"A revamp of the retail strategy with renewed focus on select customer segments and products, resulted in further diversification and enhancement of our market share in 2008," commented Abdul-Aziz Al-Ghurair, CEO of Mashreq. "Our objectives for the coming year are to ensure that our customers and employees are part of a solid institution that can provide credit and services in the short, medium and long term. The 2008 results demonstrate that Mashreq has solid financial foundations, as well as a dedicated Board that is carefully steering it through current economic slowdown. We're looking to the long-term to ensure that when the slowdown recedes the Bank will be in a strong position to take advantage of opportunities as they arise."

The Bank has a conservative policy for early recognition of impairment and towards building a sufficient cushion of provisions for Non-performing assets. Accordingly, Provisions held for impaired specific Advances along with General Provision for Performing Advances reached AED 1.12 Billion in 2008 which provides a 307% coverage to Non-Performing portfolio, the highest seen in the market.

The 6.6% growth in Customer Deposits reflects the tight liquidity conditions and the reduced level of market activity. Due to high growth of Advances, our Advances to Customer Deposits ratio went up from 73.2% to 106.9%. However, Advances to Customer Deposits and medium-term loans ratio remained comfortable at 97%.

The Capital Adequacy ratio calculated as per Central Bank guidelines remained robust at 14.1% which is significantly higher than the mandatory required level of 10%.

"Our corporate and commercial business extended its penetration across all customer segments and product lines, while private banking was repositioned for growth. Badr, our Islamic banking arm firmly established itself as a premium brand for Islamic banking needs. Risk Management systems' upgrades ensured that our risk management capabilities maintain cutting edge standards and practices," further commented Abdul-Aziz Al-Ghurair, CEO of Mashreq.

Despite a very difficult year in the global fixed income markets, MashreqCapital successfully established a secondary bond trading desk which generated major volumes and profits in its first year. A Shariah compliant fixed income fund in the DIFC is scheduled to be launched in 2009 in coordination with Badr-Al-Islami.

MashreqSecurities, the equities brokerage arm of Mashreq grew number of trades executed by 22% while overall trading volumes increased by 60% leading to revenue growth of 18.3% compared to last year. It increased its online trading market share by 44% whereas its market share of Dubai Financial Market and Abu Dhabi Securities Exchange increased by 11% compared to 2007.

“As a leading UAE National Bank we take our commitment to Emiratization very seriously. During the year, we again exceeded our target by hiring over 400 Nationals to take our UAE National percentage of the bank to 37%.

“The strong growth of the UAE banking sector during the last three years increased the cost of operations across the industry. In the current climate, it is more important than ever to ensure that the Bank operates at optimum efficiency and productivity.

“The market conditions indicate that 2009 will be a challenging year for the UAE banking sector. While the liquidity crunch is expected to continue for most part of the year, we expect the banking sector to resume normal growth levels as the global economy stabilizes”

“Liquidity and capital management will be our top priority. Soundness, not revenue growth, will be the key theme for Mashreq in 2009 as we invest to further fortify our foundation. This will therefore position us for sustained long-term growth, as the slowdown recedes and new opportunities open up once more” concludes Abdul-Aziz Al-Ghurair.

These results are subject to approval by Central Bank of the UAE and Shareholders in Annual General Meeting.

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