

Mashreq reports net profit of AED 1 billion for 2009

Operating income up 25% to AED 4.9 billion

Liquid Assets increased by 84% from AED 15.4 Billion to AED28.4 Billion

Capital Adequacy improved from 13.5% to 20.2%

Dubai – UAE, 4th February 2010: Mashreq, one of the UAE's leading financial institutions, reported net profits of AED 1 billion for the year ended 31 December on operating income of AED 4.9 billion. Prudent financial management has seen Mashreq increase its provisioning and strengthen its liquidity position.

The growth in Mashreq's operating income has been largely driven by increases in Fee, Commission and other income recording 30% year on year growth. This growth has been complemented by a significant growth in investment income.

Mashreq very prudently managed its assets and liabilities to ensure high liquidity at all times which resulted to strengthening its cash position in 2009, with cash and balances with central banks standing at AED 20 billion, a 221% increase year on year. This high liquidity was achieved by keeping advances under control which declined by 13% to reach 47 Billion whereas deposits were increased by 4% to reach 53.6 Billion. Thus Advances to Customer Deposits ratio improved from 107% in December 2008 to 89% in 2009. The liquid assets to total assets ratio which indicates bank's healthy liquidity position improved from 16% in 2008 to 30% in 2009. Following aggressive risk recognition and provisioning policy bank made allowances for impairment of AED 2.1 billion for the year 2009.

Mashreq enters the current financial year in a strong position with total assets standing at AED 94.6 billion and a total capital adequacy ratio of 20.2%. Tier 1 ratio to Risk weighted assets also improved from 11.5% to 14.02%. Further to this,

effective cost management has allowed the bank to increase its operational efficiency with a year on year operating cost reduction of 5.5% and expenses to income ratio improving from 47% in 2008 to 36% in 2009. Bank's board has recommended a cash dividend of 15% and stock dividend of 5% subject to Central Bank clearance.

Commenting on Mashreq's financial performance for the twelve months to 31st December 2009, Abdul Aziz Al Ghurair, CEO of Mashreq said:

"Mashreq continues to operate profitably at both an operational and net level. 2009 was in many ways a challenging year for the financial services industry, and I am pleased to enter 2010 with our growth plans intact.

"Our customers and shareholders interests are paramount to us and as a result in 2009 we ensured that we took a proactive approach to maintaining our strong financial position. Our operational efficiency has increased year on year, in addition to significantly raising our cash balances with central banks improving liquidity. We have had to take a long term view with regards to allowances for impairment, and whilst this has had an impact on our net profits for the year, we believe that it is of paramount importance to prepare against all eventualities.

"Operationally 2009 has been a successful year for Mashreq, with regional expansion underway, new products and partnerships that will lay the foundations for the year ahead."

In 2009 Mashreq expanded its regional footprint, opening offices and branches in Cairo and Kuwait, in addition to opening four new branches in Abu Dhabi and Al Ain taking the total number of branches in the UAE to 59 branches along with three Mashreq Gold Centers and two Mashreq SME Centers. As part of its UAE expansion plans, Mashreq entered into strategic partnerships with Tourism Development and Investment Company (TDIC), Aldar and Surouh to increase access to home financing for customers wishing to invest in Abu Dhabi real estate.

Mashreq this year expanded its credit card offering by teaming up with Air Arabia to offer a unique combination of premium banking services and Air Arabia's wide range of travel services. Continuing this theme, Mashreq unveiled its Business Platinum

debit card aimed at small to medium sized enterprises – the first of its kind in the UAE.

Also in April last 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.

In response to the growing demand for Shariah compliant financial products, Mashreq Capital DIFC Ltd, which is regulated by Dubai Financial Services Authority (DFSA), launched the Badr Al-Islami Income Fund, in partnership with Badr Al-Islami the Islamic banking division of Mashreq. The division won the award for sukuk deal of the year 2008 at the Islamic Finance News Awards for its role as Joint Lead Manager and Bookrunner in the AED 1.1 billion Tamweel sukuk.

At a corporate level Mashreq Capital continues to be a strong player in the regional bond and sukuk markets, having recently been one of the ten savings banks working alongside Qatar National Bank as part of the Vodafone Qatar IPO.

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About Mashreq

Mashreq is the largest private bank in the UAE and also 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, 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 the Best Bank in the UAE 2008, from Euromoney.

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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