

Mashreq posts a 4.1% y –o –y growth in Operating Profit in the first quarter 2016, based on growing Loans and Deposits

Dubai, UAE; 24th April 2016: Mashreq, one of the leading financial institutions in the UAE, today has reported its financial results for the first quarter ending 31st March 2016.

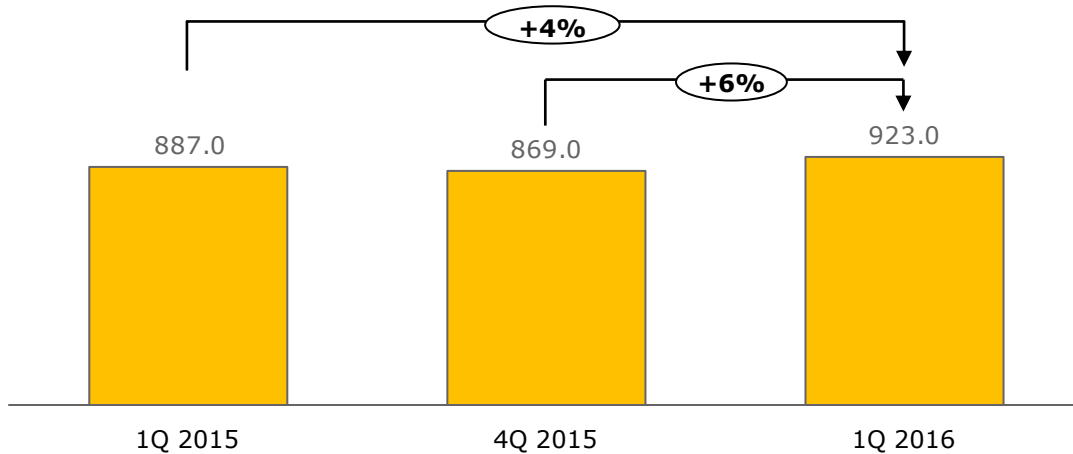
Key highlights [1Q 2016 vs 1Q 2015]:

- ***Stable growth in Operating Income***
 - Operating Income up 2.3% year-on-year to AED 1.5 billion driven by strong growth in Net Interest Income and Fee and commission income
 - Net Interest Income up by 6.4% year-on-year
 - Operating Profit increased by 4.1% year-on-year to AED 923 million
 - Net profit for the quarter stood at AED 532 million, down from AED 651 million in the first quarter last year
- ***Consistently high proportion of net fee and commission income***
 - Mashreq's best-in-class Net Fee, Commission and Other Income to operating income ratio remained high at 42.1%
 - Fee and commission income up by 4.6% year-on-year
- ***Strong balance sheet***
 - Total Assets decreased marginally by 1.2% to AED 113.7 billion while Loans and Advances increased slightly by 1.6% to AED 61.1 billion as compared to December 2015
 - Customer Deposits increased by 2.7% to reach AED 75.6 billion as compared to December 2015
 - Loan-to-Deposit ratio remained robust at 80.8% at the end of March 2016
- ***Healthy liquidity and capital position***
 - Liquid Assets to Total Assets stood at 27.7% with Cash and Due from Banks at AED 31.5 billion
 - Capital adequacy ratio and Tier 1 capital ratio continue to be significantly higher than the regulatory limit and stood at 16.8% and 15.8% respectively

- **Sustained asset quality**

- Non-Performing Loans to Gross Loans ratio remained stable at 3.2% at the end of March 2016
- Total Provisions for Loans and advances reached AED 3.0 billion, constituting 135.8% coverage for Non-Performing Loans

Operating Profit [AED million]



Mashreq's CEO, AbdulAziz Al Ghurair, said: "Given the challenging market conditions, Mashreq has approached the 2016 fiscal year with a pragmatic outlook. We responded quickly to the early signs of the market softening by deciding to moderate our growth strategy accordingly. This has resulted in a baseline performance of 4.1% increase in Operating Profit to AED 923 Million for the first Quarter. This result is driven by strong growth in Net fee and Commission income which is up by 4.6%, taking our best-in-class Net Fee, Commission and Other Income to Operating Income ratio to 42.1%. Our Loans and Advances increased by 1.6% to AED 61.1 billion and Customer Deposits increased by 2.7% to reach AED 75.6 billion as compared to December 2015, leading to a Loan-to-Deposit ratio which remained robust at 80.8% by the end of March 2016."

"We continue to benefit from an ongoing strong balance sheet and healthy liquidity: our capital adequacy ratio and Tier 1 capital ratio continue to be significantly higher than the regulatory limit and stood at 16.8% and 15.8% respectively, at the end of March, 2016. The importance of these fundamentals cannot be overstated. They give Mashreq its strong, beating heart and enable us to put substantial resources into innovating and perfecting the market-leading products which our name is now synonymous with."

He added: "The Bank will continue to focus on its policy of placing its customers at the forefront of all its decisions, and we will proceed with determination to make banking easy and efficient for all our clients and customers. The most recent launch of the path breaking Happiness Salary Transfer account has energized the retail banking segment and we are seeing a very enthusiastic customer response to it."

Operating Income

- Total operating income for 1Q 2016 was AED 1.52 billion, a year-on-year increase of 2.3% compared to 1Q 2015 operating income of AED 1.49 billion.
- Net Interest Income at AED 884 million was up by 6.4% compared to 1Q 2015, driven by 7.9% year-on-year increase in loan volume. There has been a slight decline in net interest margin from 3.12% as of March 2015 to 3.09% as of March 2016. On a quarterly basis, Net Interest Income has moderately increased by 1.5% compared to AED 871 million in 4Q 2015.
- Net fee and commission increased by 4.6% year-on-year to reach AED 447 million. Net fee and commission income represented 69.5% of total non-interest income in 1Q 2016 as compared to 64.7% in 1Q 2015.
- Operating expenses decreased by 0.2% year-on-year and by 7.1% quarter-on-quarter to reach AED 604 million; Efficiency Ratio at 39.5% in 1Q 2016 decreased with respect to last quarter (42.8% as of 4Q 2015).
- Net profit for the quarter declined to AED 532 million from AED 651 million in 1Q 2015 and AED 556 million in 4Q 2015. Adjusting for impact of recoveries in 1Q 2015, normalized net profit stood flat on a year on year basis

Net interest margin [%]

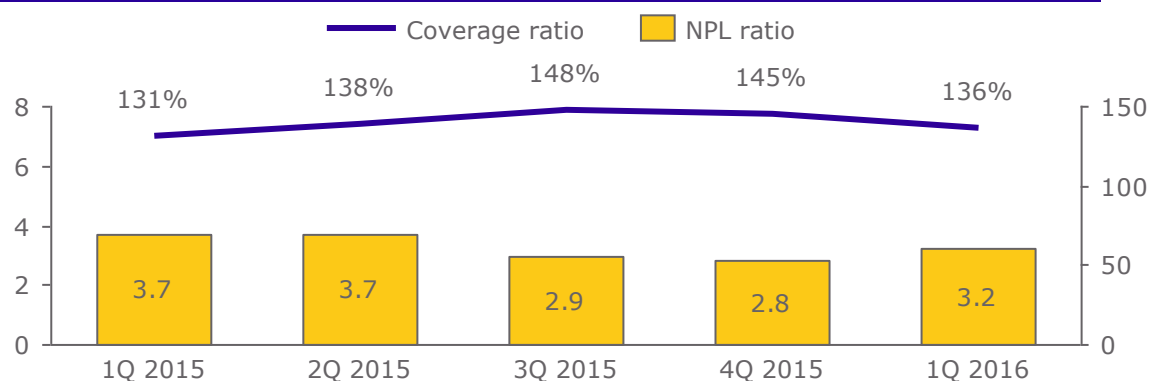


1Q 2015 1H 2015 9M 2015 FY 2015 1Q 2016
Note: NII component booked under Investment income as per IFRS, has been reclassified under NII

Assets and Asset quality

- Mashreq's Total Assets decreased by 1.2% to reach AED 113.7 billion in 1Q 2016, compared to AED 115.2 billion at the end of 2015. Loans and Advances increased by 1.6% in the quarter to end at AED 61.1 billion. On a year-on-year basis, Loans and Advances grew by 7.9% driven by 32.9% growth in Islamic finance. Liquidity continues to remain healthy with a high liquid asset to total assets ratio of 27.7%. Loan-to-Total Assets Ratio at 53.8% increased slightly as compared to 53.0% at the end of March 2015 (52.2% in December 2015).
- Customer Deposits at AED 75.6 billion, increased by 2.7% as compared to December 2015, driven by 2.7% growth in conventional deposits and 2.4% growth in Islamic deposits. Loan-to-Deposit ratio stood at 80.8% vs 81.7% in December 2015.
- Non-Performing Loans stood at AED 2.3 billion in March 2016 leading to a Non-Performing Loans to Gross Loans ratio of 3.2% at the end of March 2016 (2.8% in December 2015). Net Allowances for impairment for 1Q 2016 were AED 366 million compared to AED 196 million in 1Q 2015. Total Provisions for Loans and advances reached AED 3.0 billion, constituting 135.8% coverage for Non-Performing Loans as of March 2016.

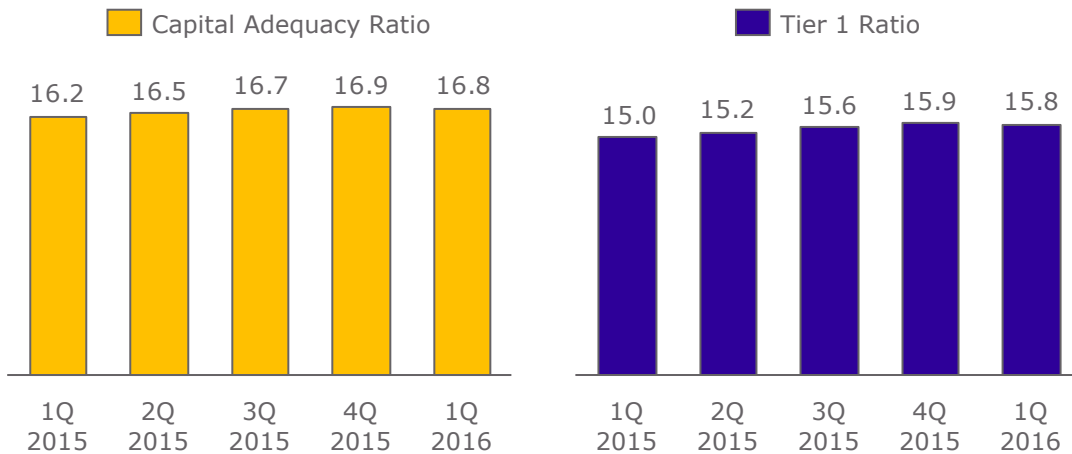
NPL and Coverage Ratio [%]



Capital and Liquidity

- Mashreq's Capital adequacy ratio stood at 16.8% (regulatory minimum of 12%) as of 31 March 2016, compared to 16.9% as of 31 December 2015. Tier 1 capital ratio at 15.8% continues to be significantly higher than the 8% regulatory minimum stipulated by the UAE Central Bank (15.9% as at 31 December 2015)

Capital Adequacy and Tier 1 Ratio [%]



Business Unit Updates:

Corporate Banking:

Mashreq Corporate Banking has moved to a best-in-class, expertise-led coverage model for clients. The relationship teams have been realigned into industry verticals that best serve the corporate financial needs. Our diverse industry coverage includes among others: Contracting Finance, Education, Emerging Corporates, Government, Manufacturing, Multinational Corporates, Non-Banking Financial Institutions, Real Estate, Services and Trading Companies.

Services & Manufacturing

The first quarter of 2016 heralded the creation of the new Product-led Multinational Corporates Unit, within Corporate & Investment Banking, offering dedicated relationship coverage to the regional subsidiaries/affiliates of large International companies. The unit gained both local and regional traction in a very short span of time.

The Services unit actively participated as MLA for one of the leading healthcare groups in a syndicated facility of USD 280 million to finance the Group's regional expansion plans. The team also closed one of the largest cash management mandates in the history of the group for a leading regional telecom operator leveraging on the state of the art technology platform and distinguished product expertise.

The Transport & Logistics team participated in a syndicated loan facility of USD 225 million as MLA for a global maritime services group to refinance existing debt and support global expansion.

The Energy unit originated a syndicated loan of USD 500 million where Mashreq acted as MLA & Sole Book-runner for a leading global petrochemical group. The unit also closed an acquisition finance of USD 40 million for a leading regional oil field services company.

Contracting Finance

Contracting Finance continues to maintain its competitive edge in the UAE market in terms of segment specialization and has successfully been involved in projects across Bahrain, Qatar, Kuwait, Egypt and Oman, capitalizing on the bank's strong regional presence. Mashreq has delivered its expertise in contracting finance through successful execution of several high-value projects within the Oil & Gas, Civil, Infrastructure and Power Generation industries. During 1Q 2016 alone, Mashreq has successfully commenced leading major projects like Expansion of Bahrain International Airport and the Cairo Festival City Apartments in Egypt amongst others.

Real Estate Finance & Advisory

Real Estate Finance & Advisory successfully deployed over AED 2.5 billion of the bank's capital across the commercial, industrial, hospitality and residential sectors during the final four months of last year, and originated deal flow of more than AED 3 billion heading into 2Q 2016. In addition, the division has also signed a sell side mandate for a real estate asset in Abu Dhabi. The team has also been successful in obtaining approvals from the DIFC to launch UAE's first DIFC-based real estate Qualified Investor Fund ("QIF") in partnership with a prominent real estate private equity firm in Abu Dhabi. The QIF will have an equity size of USD 300 million and will also raise debt for Shariah-compliant investments in high-yielding assets.

Emerging Corporates Division

The ECD at Mashreq has become a leader in providing solutions to a wide range of customers in the segment through our broad spectrum of products.

On the lending side, in addition to working capital financing, in the first quarter the bank has focused on structured lending mainly backed by mortgage over real estate (based on lease rental securitization). Being a local bank, Mashreq has always been in the forefront to support the businesses run by Emiratis, and has a renewed focus on standing up to this commitment and support to deserving local businessmen.

Non-Banking Financial Institutions

NBFI segment was established with a specific focus on 4 industry verticals comprising Sovereign Wealth Funds & Multilateral Financial Institutions, Alternate Investment Managers, Insurance & Pension Funds and Finance & Exchange companies.

With the backing of significant experience in dealing with regional players, 1Q 2016 witnessed the team facilitating a significant acquisition for a Private Equity major combining a Capital- Call facility with a Non-recourse Acquisition Financing

facility. The team has also successfully completed Mashreq bank's empanelment at Lloyds of London positioning the bank as one of the select UAE based banks to issue an SBLC for regulatory capital purposes on behalf of a lead regional insurer. Additionally, the team has structured inaugural working capital facilities for the largest regional insurer.

Corporate Finance

Corporate Finance opened FY16's innings by closing a lucrative US\$ 45 million limited recourse Acquisition Finance facility in the healthcare sector in India by one of the largest PE players in the region. This was followed by a 135% oversubscription of a US\$ 135 million syndicated facility for CfC Stanbic Bank Limited (Kenya), a subsidiary of the Standard Bank Group. The team then wrapped up the financing in relation to the non-recourse term loan that helped finance an acquisition in the Far East by a UAE-based oil services company operating under the fold of a regional PE fund.

The Division also continued building on its pipeline of mandated transactions which included a sovereign loan for a South Asian local government, GCC-owned player in the steel industry and one of the largest telecom operators in the region amongst others - which provided a good momentum to head into second quarter.

Global Transaction Services

Global Transaction Services has focused on providing value-added Industry centric solutions and advice, including innovating to help solve its customers' working capital needs in an increasingly digitized marketplace. This quarter Mashreq became only the second bank in the UAE empaneled to issue FAL (Funds at Lloyds) SBLCs. Mashreq continued its support for promoting trade in the region by being a key participant & sponsor at the GTR trade conference which was attended by over 550 business leaders.

Retail Banking:

In the first quarter of 2016, Mashreq has continued to offer a differentiated banking experience to customers. The all-new award-winning mobile banking application 'Mashreq Snapp' was launched with user friendly features. Snapp can now be accessed using the secure fingerprint login option for iPhone, and can also now sync with the Apple Watch. These two main features in the fourth edition of Snapp will allow customers to get their details in a clear, simple and intuitive interface. The authentication sign-in process with the fingerprint enhances security and makes the login process easier and faster. While the sync with the Apple Watch allows customers to get the latest updates on their account with just a glance, it also includes access to Current & Saving account balances, transaction details, card offers for dining, Zero percentage Easy Payment Plan, Privileges, Salaam Partners and offers, ATM and branches locations and Newsfeed.

The Bank also announced the launch of a new premium Corporate Credit Card tailored for corporates that enables them to streamline their business expense management, while offering unparalleled benefits to their employees. The Corporate Card caters to the needs of large corporates seeking to maximize control, drive savings and increase efficiency while providing attractive benefits to their employees. Companies may use the credit card for streamlining their centralized expenses such as municipality fees, hardware or software purchases, utility payments, stationery bills, insurance payments, import duties etc.

The card also helps streamline business expenses of employees relating to travel, hotels and business entertainment, among others. Companies can also have online control to set cardholder limits and receive SMS alerts when a card reaches 80% of credit limit utilization.

Continuing its market leading position, Mashreq is the first Bank to go live with the Al Etihad Credit Bureau advanced Application-to-Application (A2A) feature. The latest feature grants the access to the Bureau's database to extract the data and use it as direct input into decision-making systems of banks and other finance companies. The automation of internal processes will ensure a higher level of security and confidentiality as data will be extracted and analyzed with limited human intervention.

As part of its client engagement strategy, Mashreq's Wealth Management Division Mashreq Gold, held a two-day seminar exploring the topic on "Why Diversification is Important in a Volatile Market?" involving experts from the industry. Leaders of the UAE's wealth management sector spoke about today's need for greater portfolio diversification including the benefits of a dynamically managed asset allocation policy.

International Banking:

Mashreq's International business continued on the growth path despite encountering various micro and macro-economic challenges in many key overseas markets. The business has achieved its targets and beyond with the help of well-balanced approaches to markets and asset growths as well as prudent cost management policies.

The Group was mandated lead arrangers in important loan syndications in overseas markets and also consolidated our position in some of our markets as leading bank for strategic project finance.

International Banking Group also introduced the upgraded SNAPP (mobile banking app) in Qatar simultaneously with UAE and now offers customers the convenience of cardless cash withdrawals, mobile to mobile cash transfers and the Money Manager feature which allows the customer to set budgets and track expenses. Our Mashreq Privileges programme on Credit Cards is now the biggest discount programme in Qatar, offering discounts in over 300+ outlets in Qatar.

Treasury and Capital Market:

In a challenging and volatile macro environment, Mashreq continues to manage its comprehensive Treasury product suite across asset classes, supported by an online trading platform and 24 hour dealing room. The FX & Derivatives business achieved strong results amidst continued uncertainty in underlying markets

The Rates & Fixed Income business achieved a significant increase in bond trading volumes and revenues in a volatile quarter. The team added several new institutional clients based in Asia and the USA for fixed income trading.

The Mashreq-Al-Islami Income Fund saw strong inflows and received the Best Sukuk Fund award from Mena Fund Manager Magazine.

2016 First Quarter Awards:

- **Business Vision Awards 2016**
Best Business Solution Provider
- **Banker ME Product Awards**
Best Mobile Banking Service – Snapp
Best Customer Loyalty Programme – Salaam
Best Premium Credit Card – Solitaire
Best Trade Finance Offering – Trade Finance
Best Real Estate Advisory
- **Islamic Finance News Awards**
Corporate Finance Deal of the Year – ENOC US\$ 1.5 Billion Syndicated Loan Facility
Syndicated Deal of the Year – Aujan Coca Cola Beverages AED900 Million Commodity Murabahah Financing
- **Euromoney's 13th annual private banking survey**
Best Private Bank for Super Affluent Clients in the UAE
- **Global Banking & Finance Review Awards**
Best Retail Bank UAE 2016
Best Customer Experience UAE 2016
Best Digital Bank UAE 2016

Appendix 1: 2016 First Quarter Financial Highlights

1Q 2016 Financial Highlights	Quarterly Trend				
				Q1'16 Δ %	
Income statement (AED mn)	1Q '16	4Q '15	1Q '15	QoQ	YoY
Net Interest Income	817	813	804	0.6	1.7
Fee and commission	447	427	427	4.6	4.6
Investment Income	85	52	46	64.1	85.1
Insurance, FX & Other Income	178	228	215	(22.0)	(17.4)
Total Operating Income	1,527	1,519	1,492	0.5	2.3
Operating Expenses	(604)	(650)	(605)	(7.1)	(0.2)
Operating Profit	923	869	887	6.2	4.1
Impairment Allowance	(366)	(318)	(196)	15.2	86.6
Overseas Tax Expense	(18)	(7)	(23)	140.0	(21.8)
Non-Controlling Interest	(8)	12	(17)	(163.6)	(55.2)
Net Profit for the Period	532	556	651	(4.4)	(18.3)
EPS [AED]	3.00	3.13	3.67	(4.4)	(18.3)
				Δ %	
Balance Sheet (AED mn)	Mar '16	Dec '15	Mar '15	QoQ	YoY
Total Assets	113,724	115,157	106,930	(1.2)	6.4
Loans and Advances	61,134	60,166	56,668	1.6	7.9
Customer Deposits	75,624	73,635	71,166	2.7	6.3
Shareholder's Funds	17,577	17,769	16,094	(1.1)	9.2
Key Ratios (%)	Mar '16	Dec '15	Mar '15	Δ bps	Δ bps
CAR (Capital Adequacy ratio)	16.80	16.90	16.24	(0.10)	0.56
Tier 1 Ratio	15.81	15.86	14.97	(0.05)	0.84
Loan-to-Deposits	80.84	81.71	79.63	(0.87)	1.21
Return-on Assets*	1.86	2.17	2.45	(0.32)	(0.59)
Return-on-Equity*	12.04	14.16	16.15	(2.12)	(4.11)

*Return-on-Assets & Return-on-Equity figures are annualized

-ENDS-

For media enquiries, please contact:

Huda Ismail
 Public Relations, Mashreq
 Tel: 04 -6083629
 Email: HudaI@mashreq.com

Nssrin Khalil
 Public Relations, Mashreq
 Tel: 04 - 6083836
 Email: NssrinK@mashreq.com

For investor relations enquiries, please contact:

Ali Zaigham Agha
 Investor Relations, Mashreq
 Tel: 04 -2077543
 Email: AliAgha@mashreq.com