

Mashreq posts a 5% y-o-y growth in Net Profit in the first nine months of 2018

Dubai, UAE; 21st October 2018: Mashreq, one of the leading financial institutions in the UAE, today has reported its financial results for the first nine months ending 30th September 2018.

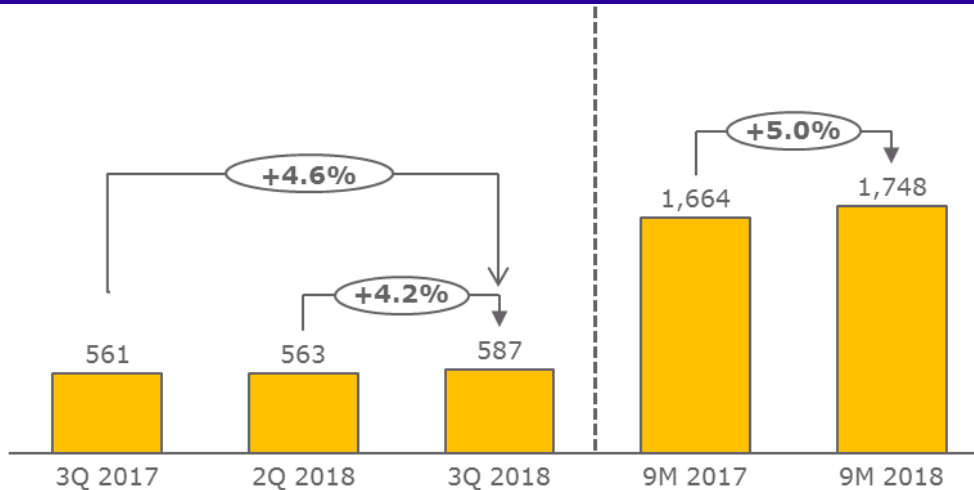
Key highlights [9M 2018 vs 9M 2017]:

- **Steady growth in Net Profit**
 - Operating Income is up by 3.6% and stands at AED 4.6 billion
 - Net profit for the first nine months stood at AED 1.7 billion - a 5.0% increase YoY
 - Impairment Allowance down by 8.6% YoY
- **Consistently high proportion of non-interest income**
 - Mashreq's best-in-class non-interest income to operating income ratio remained high at 39.2%
 - Insurance, FX & Other Income up by 47.6% year-on-year
- **Strong balance sheet growth**
 - Total Assets increased by 9.8% in the year to AED 137.4 billion whereas Loans and Advances increased by 10.6% to AED 69.3 billion as compared to December 2017
 - Customer Deposits increased 8.1% YTD and are at AED 82.2 billion
 - Loan-to-Deposit ratio remained robust at 84.3% at the end of September 2018
- **Healthy liquidity and capital position**
 - Liquid Assets to Total Assets stood at 30.6% with Cash and Due from Banks at AED 39.1 billion
 - Capital adequacy ratio and Tier 1 capital ratio continue to be significantly higher than the regulatory limit and stood at 16.9% and 15.8% respectively

- **Sustained asset quality**

- Non-Performing Loans to Gross Loans ratio remained stable at 2.9% at the end of September 2018
- Total Provisions for Loans and advances reached AED 4.3 billion, constituting 183.4% coverage for Non-Performing Loans

Net Profit [AED million]



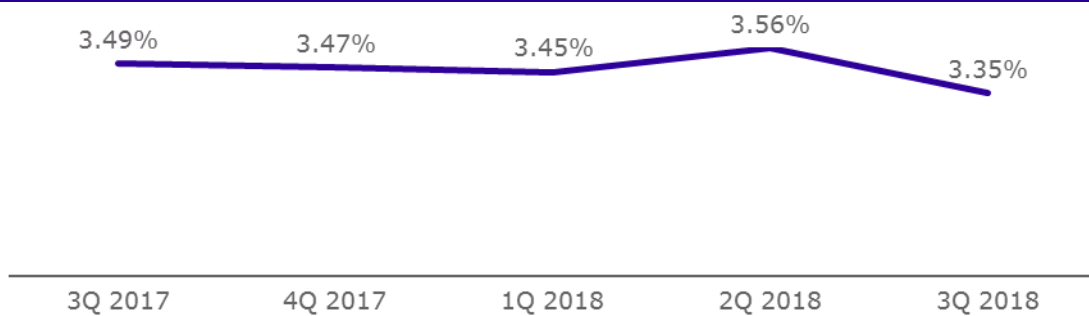
H.E. Abdul Aziz Al Ghurair, Mashreq CEO said: "With a firm focus on fostering innovation in each aspect of our business, Mashreq's third quarter results are testament to the continuing success of our transformation. We achieved solid growth in our balance sheet with a deposit growth of 8.1% year-to-date, well above market norms. This was complemented by our strong liquidity position with high liquid assets to total assets ratio of 28.4%."

"As one of the most innovative bank in the region, we remain committed to investing in state-of-the-art technology including robotics, artificial intelligence and machine learning, ensuring our customers benefit from a modern, simplified and intuitive banking experience. We have already accomplished several major milestones in transforming both our front and back-end processes, and will continue to showcase our agility and our thirst for disruption in our goal to be the region's preferred banking partner." added Al Ghurair.

Operating Income

- Total operating income for 9M 2018 was AED 4.6 billion, a year-on-year increase of 3.6% compared to 9M 2017 operating income of AED 4.4 billion. Insurance, FX and other Income contributed to AED 230 Mn of the increase; revenue from Net Interest Income and Income from Islamic Financing also saw an increase of AED 120 Mn.
- Net Interest Income and income from Islamic Financing increased by 4.5% YoY and stands at AED 2.8 billion. On a quarterly basis, it remained stable at AED 0.9 billion in 3Q 2018. 9M 2018 Net Interest Margin has decreased slightly by 10 bps compared to 9M 2017.
- Total non-interest income increased by 2.2% - the decline in fee, commission and Investment income was compensated by a 47.6% increase in FX, Insurance and other income. Net fee and commission income represented 58.9% of total non-interest income in 9M 2018 as compared to 66.7% in 9M 2017.
- Operating expenses for 9M 2018 increased by 10.9% year-on-year to reach AED 1.9 billion; Efficiency Ratio at 42.4% in 9M 2018 increased with respect to the previous year (39.6% as of 9M 2017) on the back of increased investment in technology and branch transformation project.
- Net profit for the 9M 2018 increased by 5.0% to AED 1.7 billion from AED 1.6 billion in 9M 2017 (AED 587 million in 3Q 2018 vs AED 563 million in 2Q 2018).

Net interest margin [%] – quarterly ¹⁾

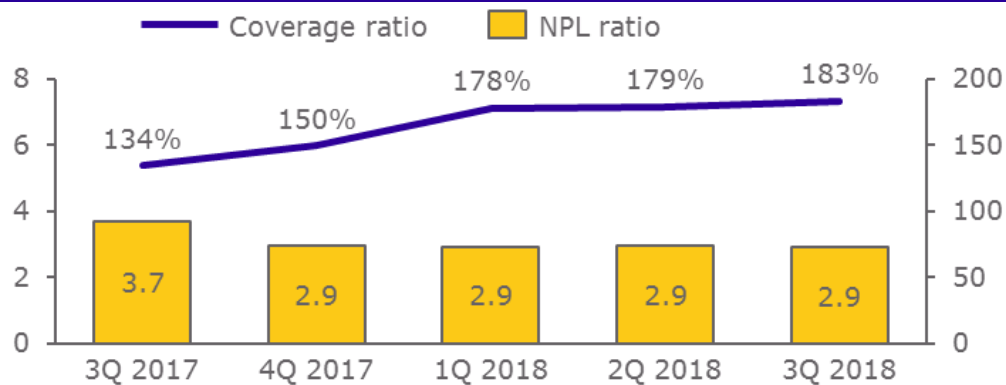


1) Annualized quarterly NIM's

Assets and Asset quality

- Mashreq's Total Assets increased by 9.8% to reach AED 137.4 billion in 9M 2018, compared to AED 125.2 billion at the end of 2017. Loans and Advances increased by 10.6% YTD to end at AED 69.4 billion driven by 7.7% growth in conventional finance. Liquidity continues to remain healthy with a high liquid asset to total assets ratio of 28.4%.
- Non-Performing Loans stood at AED 2.6 billion in September 2018 leading to a Non-Performing Loans to Gross Loans ratio of 2.9% at the end of September 2018 (2.9% in December 2017). Net Allowances for impairment for 9M 2018 was AED 838 million compared to AED 916 million in 9M 2017. Total Provisions for Loans and advances reached AED 4.3 billion, constituting 183.4% coverage for Non-Performing Loans as of September 2018.

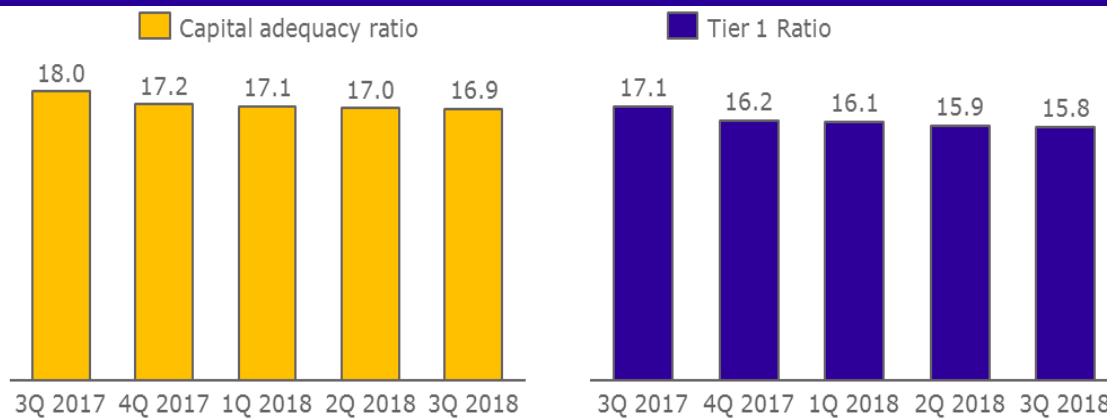
NPL and Coverage Ratio [%]



Capital and Liquidity

- Total Customer Deposits increased by 8.1% YTD to AED 82.2 billion due to an increase in both conventional deposits (6.5% YTD) & Islamic Deposits (24.6% YTD). Loan-to-Deposit ratio stood at 84.3% in September 2018 vs 82.5% in December 2017.
- Mashreq's Capital adequacy ratio as per Basel III stood at 16.9% as of September 2018 (against regulatory minimum of 12.375% for 2018 including Capital conservation buffer) compared to 17.2% as of 31 December 2017. Tier 1 capital ratio at 15.8% (16.2% as of 31 December 2017) continues to be significantly higher than the 8.5% regulatory minimum stipulated by the UAE Central Bank.

Capital Adequacy and Tier 1 Ratio [%]¹⁾



1) 4Q 2017 onwards Capital Ratios are as per Basel III

Business Unit Updates

Corporate Banking

Real Estate Finance & Advisory

The Real Estate Finance & Advisory unit continued its strong momentum witnessed during 2Q 2018 into 3Q 2018 through its significant support for UAE based real estate companies, developers and Funds. The team was successful in closing a number of high profile transactions during the quarter and have built a robust pipeline of transactions going into 4Q 2018 – which include bilateral, club and syndicated facilities in addition to its bespoke advisory mandates for some of the most prestigious and prominent names (including real estate funds) in the UAE and GCC real estate sector. The division continues its well established and market leading support for the UAE real estate industry through developing tailored debt and advisory structures.

Global Transaction Banking

During 3Q Global Transaction Banking (GTB) division once again demonstrated its dominance in the transaction banking space in Middle East by winning five awards: EMEA Finance – Best Cash Management Services in Middle East, Best Treasury Management Services in Middle East, Best Payment Services in the Middle East, Best Factoring Services in Middle East & Global Finance – Digital Bank of Distinction: Best local Corporate/Institutional Digital Bank in UAE. These awards validate our continuous efforts and commitment to provide high quality of service and tailor made solutions to our corporate customers.

In 3Q, GTB successfully completed pilot transaction under the Buyer Led Supplier Finance Program for a leading MNC customer. This is a key Supply Chain Finance product to support the suppliers of major Buyers, in their working capital requirements.

Contracting Finance

The division continued to maintain its competitive edge in the UAE market and further demonstrated and leveraged upon its decade old relationships in Mashreq's presence countries by successfully providing finance to contractors for

projects across Bahrain, Kuwait, Egypt, KSA and Oman thereby capitalizing on the bank's strong regional presence. Mashreq continues to demonstrate its expertise in Contracting Finance through successful execution of several high-value projects within the Oil & Gas, Petrochemical, Civil, Infrastructure and Power & Water Industries.

During 3Q 2018, Mashreq supported prominent local and international contractors and executed several strategic projects across the region. New projects for AED 43.5 billion were financed during 2018 and these projects will enhance the region's strategic reserves, support their infrastructure development and diversify the economy along with enrichment of the cultural outlook.

In addition to the above, the division has partnered with industry experts as part of Mashreq's strategic focus on industry specialization. It aims at adding value to the Contracting Industry through in-depth knowledge sharing, insights and interactions through a rich mix of events, research and reports of high value content, which are shared with the wider community in partnership with industry experts. Mashreq Construction Hub was created and is designed to be a go-to digital space for the Contracting Industry for openly discussing key issues, challenges and opportunities in the construction industry.

NBFI

NBFI Team continues to be encouraged by the growing demand in the Asian markets. The division closed a USD 50 Mn, 5 Years ECB Loan with Altico Capital India Limited during 3Q 2018, paving the path to do more in the SWF space.

Focus continues to be on the GCC region and making inroads into the NBFI space in Oman. Further, Kuwait continues to remain an active market for pipeline of transactions, with closures expected during end of 2018/start of 2019.

Corporate Origination and Business Development ("COBD")

The COBD team was constituted earlier this year with a mandate to originate and develop new to bank business – this team remains unique in its remit across competition and continues to leverage pan industry experience/expertise in collaboration with sectors & corporate finance teams to cater to client requirements and build long term banking relationships.

The team has successfully closed transactions to the tune of AED 800 Mn in funded limits to date in addition to securing credit approvals for AED 1.8 Bn covering various industry sectors which are at advanced stages of documentation. In parallel to teams contributing to the growth of our corporate loan book, efforts are underway for the revival of our “Direct Sales” franchise to accelerate acquisition of liabilities in coordination with our “Emerging Corporates” team with focus on sustainable growth driven by high value and risk efficient New to Bank relationships.

From a strategic standpoint, the team is fully aligned to key strategic priorities such as:

- balanced pan-emirate focus and penetration
- healthy mix of large and mid-sized clientele and transactions by virtue of balanced segmental focus
- growth appetite cognizant of sovereign priorities and strategic agenda, and
- cross-product collaboration to deliver the full spectrum of Mashreq capabilities to clients

Clearly the significant efforts of the COBD team continue to bear fruit as evidenced by wins to date and a healthy pipeline of active opportunities notably in the Healthcare, Real Estate, Manufacturing and Financial Services space – outlook for 4Q is quite optimistic despite the challenging market dynamics.

Corporate Finance

Corporate Finance continued its strong run by playing a lead role in arranging and closing 5 transactions within 3Q, 2018 aggregating c. AED 5,500 Mn.

Amidst the challenging regional landscape, Corporate Finance continued to focus on deals beyond its conventional syndication markets. Notable amongst these, is the successful origination and execution of the first ever Islamic syndicate loan for Doosan Heavy Industries, Korea’s 11th largest conglomerate, where Mashreq facilitated the client by prefunding USD 125 Mn. Corporate Finance aggressively pursued bank’s India strategy by closing Mashreq’s 3rd pre-export finance facility of the year (for USD 240 Mn) for India’s largest private company. In 3Q, 2018, Corporate Finance continued its leading position in the syndicated FI loan space by successfully closing two (02) more syndicated loans for Fidelity Bank plc Nigeria as the sole Bookrunner and for Eastern and Southern African

Development Bank (TDB) as one of the 10 global and regional Bookrunners; the deal was oversubscribed 1.43x and saw participation from 18 banks.

Closer to home, Corporate Finance continued to leverage its expertise in structured transactions by undertaking an AED 2,100 Mn transaction for re-profiling and upsizing of a sole bank acquisition finance facility that it undertook last year, amongst tough competition from local banks. Moreover, Mashreq also upsized another acquisition finance facility by USD 30 Mn in support of a local acquisition by a consortium of local and Chinese sponsors.

Corporate Finance continues to have a strong pipeline of mandates under execution for the remaining of 2018, by maintaining its competitive edge in the FI space and executing syndication loans within UAE and the international markets.

Retail Banking

The bank's retail banking division continued to implement an innovation-led approach over the third quarter of the year, focusing on enhancing customer experience by introducing simpler and more convenient digital solutions.

Mashreq's widely popular Quick Remit service, a service that enables UAE expatriates' to transfer money back home, witnessed an increase of 106% in the number of transactions and an increase of 82% in volumes.

In line with the strategy of using smart technology to make financial decisions quicker and more convenient, Mashreq's pre-loan approval facility for home buyers has become popular among customers. The facility provides customers with competitive rates in as little as 10 minutes.

Mashreq Neo continued to focus on customer acquisition during the third quarter of 2018, and has achieved an astounding quarter-on-quarter increase of 21% in the customer base. Mashreq aims to expand Neo's capabilities in the coming months to other segments.

Mashreq Payments had a successful third quarter this year, expanding its recently launched Alipay service to 530 merchant locations and witnessing a 10x growth in transaction volumes -since the month of launch. The bank also became the first financial institution in the UAE to introduce QR code payments through an exclusive partnership with Mastercard, allowing customers to make cashless payments via Mashreq's mobile banking app, Snapp, at retail outlets across the

country. It also enabled easy access of both Apple Pay and Samsung Pay via its mobile banking platform and has pushed for the adoption of cashless payments among its customers. These efforts resulted in a transaction increase of 62% and volume increase of 46% for Mashreq's digital wallets segment in comparison to the first quarter of 2018.

The bank continued to engage its core audience with relevant marketing strategies. Mashreq's Cashback campaign was one such example, encouraging SMEs in the UAE to build up savings by offering an exclusive cashback offer directly linked to the amount saved. Building on the successful Megafans campaign that tapped the love for sport in the country, the bank was the premier sponsor of Asia Cup- one of the region's most widely attended cricket events. The campaign witnessed engagement of 280,000 social users and reached 1.5 million custom audiences.

Overall, Mashreq's retail banking division has continued to invest in specific areas that addresses the customers' needs and has leveraged technology to become the retail banker of choice for customers looking for simple, innovative and digital-first banking solutions.

International Banking

International banking continues to make a significant contribution to the banks overall revenues. The FI Business maintained its position of leadership in the South Asia region and has enjoyed continued success in important geographies.

On the corporate side the bank was Mandated Lead Arrangers and Book runners in some of the landmark deals in the region. The group is continuing its "Agile" journey and is witnessing a positive impact across its major segments through effective collaboration and an ability to respond to change rapidly. These efforts compliment the ongoing digitization initiatives as we strive to provide clients with the very highest level of customer experience.

Treasury and Capital Market

FX

Whilst corporate and retail FX flows continue to be weighed down by regional sentiment, the Energy and NBFII segments have seen relative outperformance. Trading revenue continues to maintain its momentum amidst sustained market volatility.

Rates & Fixed Income

3Q was slow given the long summer and volatility in emerging markets. Momentum in liability hedging business slowed in July and August although interest rates maintained an upward trend. The Fed's decision to raise rates in September and confirmation of its plans to hike rates at least four more times until December 2019 will likely revive interest in liability hedging. Regional credit markets were relatively dormant during the first two months of the quarter which impacted bond trading volumes. September however, witnessed a strong rebound in primary issuance and this resulted in increased flows on the trading desk. Volumes for investment products remained sluggish during the quarter but are likely to pick up as markets witness a spike in volatility.

Equities

Leverage appetite for UAE equities stayed low as market performance remained lacklustre. The impact on business was partially reduced by growth in regional and international volumes. Upgrades for Kuwait and Saudi Arabia to Emerging Market status have been key drivers of flows in those markets. We expect this trend to continue in 4Q and will look to capitalize on our multi-market access platform.

Asset Management

3Q has been in line with the previous two quarters. Volatile markets continue to result in a general cautiousness and investment plans are under increased scrutiny. The Mashreq Al-Islami Income Fund remains one of the best performing funds among peers. It has protected its leading position in the important 3 years and 5 years' performance rankings. Discussions towards new mandates are progressing. The JP Morgan Emerging Market Bond Index inclusion decision of the

GCC will be an important factor in promoting products going forward and developing new ones.

Corporate Treasury Sales

The sales team continued its active coordination with CIBG relationship teams in 3Q to increase cross-sell business. Despite the summer slowdown, the team managed to maintain the targeted client coverage statistics and also on-boarded a few new-to-bank FX clients. A robust transaction pipeline continues to shape up for the remainder of the year.

The business continues to be supported by its comprehensive capital markets products suite across asset classes, an online trading platform and a 24 hour dealing room.

9M 2018 Awards:

- **IDC FinTech Real Results award granted by IDC Financial Insights**
Digital Trust & Stewardship category - "Mashreq BOT's Servicing Dubai Police with Virtusa"
- **Global Brand Awards 2018**
Best Customer Service Banking Brand, United Arab Emirates 2018"
- **EMEA Finance's Treasury Services Awards**
Best Cash Management Services in the Middle East
Best Factoring Services in the Middle East
Best Payment Services in the Middle East
Best Treasury Services in the Middle East
- **Global Finance**
Digital Bank of Distinction - UAE
Best Mobile Banking App for Corporates - UAE
Best Online Deposit, Credit and Investment Product Offerings - UAE
Best Mobile Banking App for consumers - UAE
Best SMS/Text Banking - UAE
Best Mobile Banking App – Middle East
Best Online Deposit, Credit and Investment Product Offerings – Middle East
Best SMS/Text Banking – Middle East
- **Global Finance 2018 The Innovators**
MEED/Mashreq Partnership
- **Gallup Great Workplace Award – 5th year**
- **Euromoney Middle East Awards**
Best Digital Bank in the Middle East
- **Insights Middle East Call Center Awards**
Best Call Center in the Middle East
Best Customer Experience

Best Contact Center Manager

Best Customer Experience Manager

Best Problem Solver

- **Banker Middle East – Industry Awards**

Best Retail Bank in the Middle East

Best Digital Bank in the UAE

- **Banker Middle East – Products Awards**

Best Credit Card - Smartsaver Global

Best Savings Product- Mashreq Millionaire

Best Premium Credit Card- Solitaire

Best Customer Loyalty Program- Salaam Rewards

- **CFI.co award**

Best Smart Retail Bank – Middle East 2018

- **MasterCard MENA Leadership Forum**

Best Converged Wallet Award

- **EMEA Finance**

The Best Bank in the UAE

The Best Product Launch

- **Dubai Chamber of Commerce CSR Label –**

Mashreq is the only UAE financial institution to achieve this accreditation for the seventh consecutive year since 2011

- **CIO 100 Award 2018**

CIO 100 Award in recognition of the excellence and achievement in shaping the regional IT landscape

- **Global Banking and Finance Review**

Best Mobile Banking Application UAE 2018

Best Retail Bank UAE 2018

Best Bank for Factoring UAE 2018

Mashreq Al Islami - Most Innovative Islamic Banking Solutions Provider UAE 2018

- **Gartner Eye on Innovation Awards**

Most Innovative Digital Cost Saving Initiative

- **Microsoft Dynamics Digital Transformation Award**

Microsoft Dynamics Digital Transformation Award - Banking Industry category

- **Ethos - Service Olympian Award**

Best Call Center

Appendix 1: 2018 First Nine Months Financial Highlights

9M 2018 Financial Highlights	Nine Monthly Trend			Quarterly Trend				
	9M		Δ %	3Q	2Q	3Q	Δ %	
	2018	2017	YoY	2018	2018	2017	QoQ	YoY
Income statement (AED mn)								
Net Interest Income & Income from Islamic Financing	2,792	2,671	4.5	938	945	910	(0.8)	3.1
Fee and commission	1,063	1,176	(9.7)	323	383	414	(15.6)	(21.9)
Investment Income	25	103	(75.4)	7	5	29	38.2	(76.2)
Insurance, FX & Other Income	715	484	47.6	222	254	88	(12.4)	153.1
Total Operating Income	4,594	4,435	3.6	1,490	1,586	1,441	(6.1)	3.4
Operating Expenses	(1,947)	(1,756)	10.9	(637)	(718)	(581)	(11.2)	9.7
Operating Profit	2,647	2,679	(1.2)	853	869	860	(1.9)	(0.8)
Impairment Allowance	(838)	(916)	(8.6)	(249)	(287)	(265)	(13.4)	(6.1)
Tax Expense	(28)	(70)	(60.7)	(6)	(7)	(24)	(16.1)	(75.0)
Non-Controlling Interest	(34)	(28)	20.0	(11)	(11)	(10)	1.0	15.8
Net Profit for the Period	1,748	1,664	5.0	587	563	561	4.2	4.6
EPS [AED]	9.85	9.38	5.0	3.30	3.17	3.16	4.2	4.6
	Sep	Sep	Δ %	Sep	Jun	Dec	Δ %	
Balance Sheet (AED mn)	2018	2017	YoY	2018	2018	2017	QoQ	YTD
Total Assets	137,445	121,753	12.9	137,445	126,997	125,188	8.2	9.8
Loans and Advances	69,354	64,645	7.3	69,354	67,686	62,734	2.5	10.6
Customer Deposits	82,233	76,099	8.1	82,233	77,791	76,061	5.7	8.1
Shareholder's Funds	19,908	19,893	0.1	19,908	19,412	20,363	2.6	(2.2)
	Sep	Sep	Δ bps	Sep	Jun	Dec	Δ bps	
Key Ratios (%)	2018	2017	YoY	2018	2018	2017	QoQ	YTD
CAR (Capital Adequacy ratio)	16.93	18.01	(108)	16.93	16.97	17.16	(5)	(23)
Tier 1 Ratio	15.81	17.09	(128)	15.81	15.85	16.19	(4)	(38)
Loan-to-Deposits	84.34	84.95	(61)	84.34	87.01	82.48	(267)	186
Return-on Assets*	1.77	1.81	(4)	1.77	1.84	1.66	(7)	12
Return-on-Equity*	11.57	11.48	9	11.57	11.68	10.49	(10)	108

* Annualized

Note: September 2017 Capital Ratios as per Basel II and Dec 2017, June 2018 and September 2018 as per Basel III

-ENDS-

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