MASHREQBANK PSC GROUP

Review report and interim financial information for the period from 1 January 2012 to 31 March 2012

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of
Mashreqbank psc
Dubai
United Arab Emirates

We have reviewed the accompanying condensed consolidated statement of financial position of **Mashreqbank psc and its Subsidiaries** (the "Group") as at 31 March 2012 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended. The management of the Group is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard 34 - *'Interim Financial Reporting'* ("IAS 34"). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects in accordance with IAS 34.

Deloitte & Touche (M.E.)

Anis F. Sadek
Partner
Registration No. 521
24 April 2012

Condensed consolidated statement of financial position as at 31 March 2012

	Note	31 March 2012 (un-audited) AED '000	31 December 2011 (audited) AED '000
ASSETS			
Cash and balances with central banks		12,089,328	14,731,800
Deposits and balances due from banks		10,349,026	10,147,675
Other financial assets measured at fair value	3	3,074,176	2,552,788
Loans and advances measured at amortised cost	4	33,134,011	32,665,962
Islamic financing and investment products measured at amortised cost	5	4,024,844	5,028,547
Other financial assets measured at amortised cost	3	6,750,676	7,181,593
Interest receivable and other assets		5,737,069	5,417,102
Investment properties		303,028	318,028
Property and equipment	6	1,168,661	1,197,827
Total assets		76,630,819	79,241,322
LIABILITIES AND EQUITY			
Liabilities			
Deposits and balances due to banks		6,828,982	7,223,370
Repurchase agreements with banks		807,367	2,505,165
Customers' deposits		37,939,834	40,177,020
Islamic customers' deposits		6,481,218	5,239,863
Insurance and life assurance funds		1,145,912	972,867
Interest payable and other liabilities		5,859,264	5,676,168
Medium-term loans	7	4,796,726	4,634,012
Long-term loans		220	9,007
Total liabilities		63,859,523	66,437,472
Equity			
Issued and paid up capital	8	1,690,770	1,690,770
Statutory and legal reserves		846,745	846,745
General reserve		312,000	312,000
Cumulative translation adjustment		(28,302)	(33,022)
Investments revaluation reserve		(296,859)	(346,145)
Retained earnings		9,687,138	9,792,462
Equity attributable to shareholders of the Parent		12,211,492	12,262,810
Non-controlling interests		559,804	541,040
Total equity		12,771,296	12,803,850
Total liabilities and equity		76,630,819	79,241,322

The accompanying notes form an integral part of these condensed consolidated financial statements.

Abdulla Ahmad Al Ghurair
Chairman

Abdul Aziz Abdulla Al Ghurair
Chief Executive Officer

Condensed consolidated income statement (un-audited) for the period from 1 January 2012 to 31 March 2012

	Note	3 months ended 31 March 2012 (un-audited) AED '000	3 months ended 31 March 2011 (un-audited) AED '000
Interest income		**716,007**	914,055
Income from Islamic financing and investment products		**54,148**	65,630
Total interest income and income from Islamic financing and investment products		**770,155**	979,685
Interest expense		**(292,266)**	(386,522)
Distribution to depositors – Islamic products		**(38,073)**	(35,102)
Net interest income and income from Islamic products net of distribution to depositors		**439,816**	558,061
Fee and commission income		**628,988**	476,002
Fee and commission expenses		**(346,362)**	(215,871)
Net fee and commission income		**282,626**	260,131
Net investment income		**60,328**	42,825
Other income, net		**154,639**	232,243
Operating income		**937,409**	1,093,260
General and administrative expenses	9	**(456,409)**	(455,913)
Allowances for impairment		**(175,637)**	(325,366)
Profit before taxes		**305,363**	311,981
Overseas income tax expense		**(5,457)**	(7,257)
Profit for the period		**299,906**	304,724
Attributed to:			
Shareholders of the parent		**270,822**	265,304
Non-controlling interests		**29,084**	39,420
		299,906	304,724
Earnings per share	10	**AED 1.60**	AED 1.57

The accompanying notes form an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of comprehensive income (un-audited) for the period from 1 January 2012 to 31 March 2012

	3 months ended 31 March 2012 (un-audited) AED '000	3 months ended 31 March 2011 (un-audited) AED '000
Profit for the period	**299,906**	304,724
Other comprehensive income		
Changes in fair value of financial assets measured at FVTOCI, net	**974**	(49,388)
Cumulative translation adjustment	**4,720**	4,037
Total other comprehensive income/(loss) for the period	**5,694**	(45,351)
Total comprehensive income for the period	**305,600**	259,373
Attributed to:		
Shareholders of the parent	**286,836**	238,230
Non-controlling interests	**18,764**	21,143
	305,600	259,373

The accompanying notes form an integral part of these condensed consolidated financial statements.

MASHREQBANK PSC GROUP

Condensed consolidated statement of changes in equity for the period from 1 January 2012 to 31 March 2012

	Issued and paid up capital AED'000	Statutory and legal reserves AED'000	General reserve AED'000	Cumulative translation adjustment AED'000	Investments revaluation reserve AED'000	Retained earnings AED'000	Equity attributable to shareholders of the Parent AED'000	Non-controlling interests AED'000	Total AED'000
Balance at 31 December 2010 (audited)	1,690,770	845,385	312,000	(19,483)	(284,120)	9,300,191	11,844,743	540,239	12,384,982
Profit for the period	-	-	-	-	-	265,304	265,304	39,420	304,724
Other comprehensive income/(loss)	-	-	-	4,037	(31,111)	-	(27,074)	(18,277)	(45,351)
Total comprehensive income/(loss) for the period	-	-	-	4,037	(31,111)	265,304	238,230	21,143	259,373
Payment of dividends	-	-	-	-	-	(338,154)	(338,154)	-	(338,154)
Transfer from investments revaluation reserve to retained earnings	-	-	-	-	2,485	(2,485)	-	-	-
Balance at 31 March 2011(un-audited)	1,690,770	845,385	312,000	(15,446)	(312,746)	9,224,856	11,744,819	561,382	12,306,201
Balance at 31 December 2011 (audited)	**1,690,770**	**846,745**	**312,000**	**(33,022)**	**(346,145)**	**9,792,462**	**12,262,810**	**541,040**	**12,803,850**
Profit for the period	-	-	-	-	-	**270,822**	**270,822**	**29,084**	**299,906**
Other comprehensive income/(loss)	-	-	-	**4,720**	**11,294**	-	**16,014**	**(10,320)**	**5,694**
Total comprehensive income for the period	-	-	-	**4,720**	**11,294**	**270,822**	**286,836**	**18,764**	**305,600**
Payment of dividends (Note 8)	-	-	-	-	-	**(338,154)**	**(338,154)**	-	**(338,154)**
Transfer from investments revaluation reserve to retained earnings	-	-	-	-	**37,992**	**(37,992)**	-	-	-
Balance at 31 March 2012 (un-audited)	**1,690,770**	**846,745**	**312,000**	**(28,302)**	**(296,859)**	**9,687,138**	**12,211,492**	**559,804**	**12,771,296**

The accompanying notes form an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of cash flows (un-audited) for the period from 1 January 2012 to 31 March 2012

	3 months ended 31 March 2012 (un-audited) AED '000	3 months ended 31 March 2011 (un-audited) AED '000
Cash flows from operating activities		
Profit before taxes	305,363	311,981
Adjustments for:		
Depreciation of property and equipment	40,142	38,315
Allowances for impairment	175,637	325,366
Loss on sale of property and equipment	661	3,013
Gain from redemption of medium term notes	(3,986)	(13,366)
Fair value adjustment of other financial assets measured at FVTPL	(16,449)	(10,514)
Fair value adjustment of derivatives	(5,193)	(3,040)
Fair value adjustment of investment properties	15,000	-
Changes in operating assets and liabilities		
Decrease/(increase) in deposits with central banks for regulatory purposes and certificate of deposits with the central banks	2,250,344	(2,837,751)
(Increase)/decrease in deposits and balances due from banks maturing after three months	(581,265)	1,554,561
Increase in other financial assets carried at FVTPL	(532,927)	(159,663)
(Increase)/decrease in loans and advances measured at amortized cost	(608,414)	1,059,842
Decrease/(Increase) in Islamic financing and investment products measured at amortized cost	996,107	(196,713)
Increase in interest receivable and other assets	(314,450)	(515,827)
(Decrease)/increase in deposits and balances due to banks	(394,388)	333,144
Decrease in customers' deposits	(2,237,186)	(738,340)
Increase/(decrease) in Islamic customers' deposits	1,241,355	(305,188)
Increase in insurance and life assurance funds	173,045	72,723
Increase in interest payable and other liabilities	177,639	823,170
Increase/(decrease) in medium-term loans	166,700	(45,402)
Decrease in long-term loans	(8,787)	(57)
Decrease in repurchase agreements with banks	(1,697,798)	(31,561)
Net cash used in operating activities	(858,850)	(335,307)
Cash flows from investing activities		
Purchase of property and equipment	(12,279)	(224,100)
Proceeds from sale of property and equipment	642	15,411
Net decrease/(increase) in non-trading investments	459,879	(341,879)
Net cash generated from/(used in) investing activities	448,242	(550,568)
Cash flows from financing activities		
Dividend paid	(338,154)	(338,154)
Net cash used in financing activities	(338,154)	(338,154)
Net decrease in cash and cash equivalents	(748,762)	(1,224,029)
Net foreign exchange difference	4,720	4,037
Cash and cash equivalents at beginning of the period	10,785,658	14,427,686
Cash and cash equivalents at end of the period (Note 11)	10,041,616	13,207,694

The accompanying notes form an integral part of these condensed consolidated financial statements.

Notes to the condensed consolidated financial statements for the period from 1 January 20121 to 31 March 2012

1. General information

Mashreqbank psc (the "Bank") was incorporated in the Emirate of Dubai in 1967 under a decree issued by The Ruler of Dubai. The Bank operates through its branches in the United Arab Emirates, Bahrain, Kuwait, Egypt, Hong Kong, India, Qatar, the United Kingdom and the United States of America.

The address of the Bank's registered office is P.O. Box 1250, Dubai, United Arab Emirates.

At 31 March 2012, Mashreqbank psc Group (the "Group") comprises of the Bank and the following subsidiaries:

Name of subsidiary	Place of incorporation (or registration) and operation	Proportion of ownership interest %	Proportion of voting power held %	Principal activity
Osool – a Finance Company (PJSC)	United Arab Emirates	98.00	98.00	Finance
Oman Insurance Company (PSC)	United Arab Emirates	63.65	63.65	Insurance
Mindscape Information Technology L.L.C.	United Arab Emirates	99.00	99.00	Software/Application provider
Mashreq Securities LLC	United Arab Emirates	99.98	99.98	Brokerage
Injaz Services FZ LLC	United Arab Emirates	100.00	100.00	Service provider
Mashreq Al Islami Finance Company (PJSC)	United Arab Emirates	99.80	99.80	Islamic finance company
Mashreq Capital (DIFC) Limited	United Arab Emirates	100.00	100.00	Brokerage and asset & fund management
Makaseb Funds Company BSC	Kingdom of Bahrain	99.90	99.90	Fund manager
Makaseb Funds Company BSC II	Kingdom of Bahrain	99.90	99.90	Fund manager
Bracebridge Limited	British Virgin Islands	*	100.00	Special purpose vehicle
Orriston Limited	British Virgin Islands	*	100.00	Special purpose vehicle

* Bank participation in capital is nominal, however the above subsidiaries are considered to be subsidiaries by virtue of control.

For the purpose of condensed consolidated financial statements, the results and financial position of each entity are expessed in U.A.E. Dirham (AED), which is the functional currency of the Group, and the presentation currency for the condensed consolidated financial statements.

Notes to the condensed consolidated financial statements (continued)
for the period from 1 January 2012 to 31 March 2012

1. **General information** (continued)

New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 10 Consolidated Financial Statements	1 January 2013
IFRS 11 Joint Arrangements	1 January 2013
IFRS 12 Disclosure of Interests in Other Entities	1 January 2013
IFRS 13 Fair Value Measurement	1 January 2013
Amendments to IAS 1 Presentation of Financial Statements	1 July 2012
Amendments to IAS 19 Employee Benefits	1 January 2013
IAS 27 Consolidated and Separate Financial Statements	1 January 2013
IAS 28 Investments in Associates	1 January 2013
IAS 32 Financial instruments: Presentation	1 January 2014
IFRIC 20 Stripping costs in the production phase of a surface mine	1 January 2013

Management anticipates that the adoption of these standards will have no material impact on the condensed consolidated financial statements of the Group in the period of initial application.

Notes to the condensed consolidated financial statements (continued)
for the period from 1 January 2012 to 31 March 2012

2. Summary of significant accounting policies

2.1 Basis of preparation

The condensed consolidated financial statements of the Group are prepared under the historical cost basis except for certain financial instruments and investment properties which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

These condensed consolidated financial statements are prepared in accordance with International Accounting Standard 34: *Interim Financial Reporting* ("IAS 34"), issued by the International Accounting Standard Board (IASB) and also comply with the applicable requirements of the laws in the U.A.E.

The accounting policies used in the preparation of these condensed consolidated financial statements are consistent with those used in the audited annual consolidated financial statements for the year ended 31 December 2011.

All significant inter-group balances, income and expense items are eliminated on consolidation.

The condensed financial statements of subsidiaries are prepared using similar policies as those used by the Bank.

These condensed consolidated financial statements do not include all the information required in full consolidated financial statements and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2011. In addition, results for the period from 1 January 2012 to 31 March 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

2.2 Significant judgments and sources of estimation uncertainty

The preparation of condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements for the year ended 31 December 2011.

2.3 Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2011.

Notes to the condensed consolidated financial statements (continued)
for the period from 1 January 2012 to 31 March 2012

3. Other financial assets

(a) The analysis of the Group's other financial assets is as follows:

	31 March 2012 (un-audited) AED'000	31 December 2011 (audited) AED'000
Other financial assets measured at fair value		
(i) **Investments measured at fair value through profit and loss (FVTPL)**		
Debt securities	**1,026,537**	540,009
Equities	**34,341**	40,351
Mutual and other funds	**502,522**	433,664
	1,563,400	1,014,024
(ii) **Investments measured at fair value through other comprehensive income (FVTOCI)**		
Equities	**1,217,381**	1,262,566
Mutual and other funds	**293,395**	276,198
	1,510,776	1,538,764
Total other financial assets measured at fair value	**3,074,176**	2,552,788
(iii) **Other financial assets measured at amortised cost**		
Debt securities	**6,750,676**	7,181,593
Total other financial assets	**9,824,852**	9,734,381

Notes to the condensed consolidated financial statements (continued)
for the period from 1 January 2012 to 31 March 2012

3. Other financial assets (continued)

(b) The geographic analysis of investments is as follows:

	31 March 2012 (un-audited) AED'000	31 December 2011 (audited) AED'000
Balances within the U.A.E.	**5,702,623**	6,051,962
Balances outside the U.A.E.	**4,122,229**	3,682,419
	9,824,852	9,734,381

(c) During the period from 1 January 2012 to 31 March 2012, dividends received from financial assets measured at FVTOCI amounting to AED 22.6 million (2011: AED 30.0 million) were recognized as investment income in the condensed consolidated income statement.

(d) Other financial assets measured at FVTOCI includes AED 232.8 million (31 December 2011: AED 218.2 million) which represents investments in Emerging Markets Credit Opportunities Fund, Makaseb Income Fund, Mashreq Al Islami Income Fund, MCF Series and Mashreq Arab Tigers Fund. These funds are managed by the Group and have no fixed maturity or coupon rate. The fair value of these investments is based on quoted market prices.

4. Loans and advances measured at amortised cost

(a) The analysis of the Group's loans and advances measured at amortised cost is as follows:

	31 March 2012 (un-audited) AED'000	31 December 2011 (audited) AED'000
Loans	**30,106,528**	29,577,932
Overdrafts	**4,129,892**	4,037,985
Credit cards	**1,454,908**	1,482,708
Other	**155,482**	161,743
	35,846,810	35,260,368
Less: Allowance for impairment	**(2,712,799)**	(2,594,406)
	33,134,011	32,665,962

Notes to the condensed consolidated financial statements (continued)
for the period from 1 January 2012 to 31 March 2012

4. **Loans and advances measured at amortised cost** (continued)

(b) The analysis of loans and advances measured at amortised cost by industry sector is as follows:

	31 March 2012 (un-audited) AED'000	31 December 2011 (audited) AED'000
Manufacturing	**2,495,962**	2,805,029
Construction	**2,710,183**	2,566,833
Trade	**6,892,598**	6,479,620
Transport and communication	**1,062,876**	1,092,463
Services	**4,821,074**	4,624,304
Financial institutions	**2,816,727**	2,823,938
Personal	**9,472,085**	9,442,197
Government and public sector	**5,528,632**	5,383,134
Other	**46,673**	42,850
	35,846,810	35,260,368
Less: Allowance for impairment	**(2,712,799)**	(2,594,406)
	33,134,011	32,665,962

(c) The movements in the allowance for impairment of loans and advances measured at amortised cost during the current period and prior year were as follows:

	3 months ended 31 March 2012 (un-audited) AED '000	Year ended 31 December 2011 (audited) AED '000
Balance at the beginning of the period/year	**2,594,406**	3,099,714
Impairment allowance for the period/year	**85,641**	640,286
Interest in suspense	**38,847**	220,476
Recoveries during the period/year	**(6,095)**	(50,715)
Written off during the period/year	**-**	(1,315,355)
Balance at the end of the period/year	**2,712,799**	2,594,406

(d) Allowance for impairment is made against loans and advances when their full recovery as per contracted terms is in doubt taking into consideration IFRS requirements for fair value measurement and Central Bank of the U.A.E. guidelines.

Notes to the condensed consolidated financial statements (continued) for the period from 1 January 2012 to 31 March 2012

5. Islamic financing and investment products measured at amortised cost

(a) The analysis of the Group's Islamic financing and investment products measured at amortised cost is as follows:

	31 March 2012 (un-audited) AED'000	31 December 2011 (audited) AED'000
Financing		
Murabaha	**1,904,578**	2,614,266
Ijara	**1,402,594**	1,417,406
	3,307,172	4,031,672
Investment		
Musharakah	**524,087**	807,876
Mudaraba	**373,541**	363,230
	897,628	1,171,106
Total	**4,204,800**	5,202,778
Less: Unearned income	**(106,034)**	(108,940)
Allowance for impairment	**(73,922)**	(65,291)
	4,024,844	5,028,547

Notes to the condensed consolidated financial statements (continued)
for the period from 1 January 2012 to 31 March 2012

5. Islamic financing and investment products measured at amortised cost (continued)

(b) The analysis of Islamic financing and investment products measured at amortised cost by industry sector is as follows:

	31 March 2012 (un-audited) AED'000	31 December 2011 (audited) AED'000
Government and public sector	**1,196,307**	1,211,744
Construction	**684,407**	1,228,353
Services	**1,020,769**	1,312,529
Financial institutions	**147,410**	257,361
Personal	**880,615**	923,281
Transport and communication	**8,167**	9,016
Trade	**168,097**	172,738
Other	**99,028**	87,756
Total	**4,204,800**	5,202,778
Less: Unearned income	**(106,034)**	(108,940)
Allowance for impairment	**(73,922)**	(65,291)
	4,024,844	5,028,547

(c) The movement in the allowance for impairment of Islamic financing and investment products measured at amortised cost during the current period and prior year were as follows:

	3 months ended 31 March 2012 (un-audited) AED '000	Year ended 31 December 2011 (audited) AED '000
Balance at the beginning of the period/year	**65,291**	136,093
Impairment allowance for the period/year	**7,596**	30,980
Profit in suspense	**1,035**	1,916
Written off during the period/year	-	(103,698)
Balance at the end of the period/year	**73,922**	65,291

(d) Allowance for impairment is made against Islamic financing and investment products when their full recovery as per contracted terms is in doubt taking into consideration IFRS requirements for fair value measurement and Central Bank of the U.A.E. guidelines.

Notes to the condensed consolidated financial statements (continued)
for the period from 1 January 2012 to 31 March 2012

6. Property and equipment

During the period from 1 January 2012 to 31 March 2012, the Group purchased approximately AED 12 million (period ended 31 March 2011: AED 224 million) of various types of property and equipment and disposed of property and equipment with a net book value of AED 2 million (period ended 31 March 2011: AED 18 million) for proceeds of AED 1 million (period ended 31 March 2011: AED 15 million).

7. Medium-term loans

	31 March 2012 (un-audited) AED'000	31 December 2011 (audited) AED'000
Tier 2 loan from the Ministry of Finance of the U.A.E.	**3,443,593**	3,443,593
Medium term floating rate notes	**1,353,133**	1,190,419
	4,796,726	4,634,012

(a) Tier 2 loan from the Ministry of Finance of the U.A.E.

The Tier 2 loan from the Ministry of Finance of the U.A.E. will mature on 31 December 2016 and qualifies for Tier 2 subordinated loan capital for the first 2 years and thereafter it is amortised at the rate of 20% per annum for the last five years until its maturity on 31 December 2016 for capital adequacy calculation purposes.

Interest is paid every three months and calculated at a rate of 4.50% for the year ending 31 December 2012, 5.00% for the year ending 31 December 2013 and 5.25% up to maturity.

(b) Medium term floating rate notes

The maturities of the floating rate notes (FRNs) issued under the programme are as follows:

Due date	**Interest rate**	**31 March 2012 (un-audited) AED'000**	31 December 2011 (audited) AED'000
24 January 2017	3 months Libor + 1.13%	**1,169,483**	1,190,419
12 March 2014	3 months Libor + 1.70%	**183,650**	-
		1,353,133	1,190,419

During the year ended 31 December 2004, the Bank established a Euro Medium Term Note (EMTN) programme for USD 750 million (AED 2,754 million) under an agreement dated 4 February 2004. The EMTN programme was increased to USD 2,000 million (AED 7,346 million) under agreement dated 21 March 2006. On 15 March 2010, the EMTN programme limit was further increased to USD 5,000 million (AED 18,365 million).

Notes to the condensed consolidated financial statements (continued)
for the period from 1 January 2012 to 31 March 2012

7. Medium-term loans (continued)

AED 1.17 billion (31 December 2011: AED 1.19 billion) is a subordinated floating rate note ("FRN") and qualifies for Tier 2 subordinated loan capital for first 5 years till 2012 and therafter it will be amortised at the rate of 20% per annum for next five years until 2017 for capital adequacy calculation purposes. This subordinated FRN has been approved by U.A.E. Central Bank as a Tier 2 capital.

8. Issued and paid up capital

As at 31 March 2012, 169,076,975 ordinary shares of AED 10 each (31 December 2011: 169,076,975 ordinary shares of AED 10 each) were fully issued and paid up.

During the three months ended 31 March 2012, a 20% cash dividend amounting to AED 338.15 million was approved by the Board of Directors and ratified by the shareholders at the Annual General Meeting conducted on 28 February 2012.

9. General and administrative expenses

General and administrative expenses include senior management remuneration of AED 18 million for the period from 1 January 2012 to 31 March 2012 (period ended 31 March 2011: AED 25 million).

10. Earnings per share

Earnings per share are calculated by dividing the profit for the period by the number of shares outstanding during the period as follows:

	3 months ended 31 March 2012 (un-audited)	3 months ended 31 March 2011 (un-audited)
Profit for the period (AED'000) (Attributed to shareholders of the parent)	**270,822**	265,304
Number of ordinary shares outstanding	**169,076,975**	169,076,975
Earnings per share (AED)	**1.60**	1.57
Diluted earnings per share (AED)	**1.60**	1.57

Notes to the condensed consolidated financial statements (continued)
for the period from 1 January 2012 to 31 March 2012

11. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, current accounts and other balances with central banks, balances with banks and money market placements which are maturing within three months from the date of the deposit or placement, as follows:

	31 March 2012 (un-audited) AED'000	31 March 2011 (un-audited) AED'000
Cash and balances with central banks maturing within 3 months		
Cash on hand	**491,244**	575,185
Balances with central banks:		
Current accounts and other balances with central banks	**1,565,013**	794,801
Deposits and balances due from banks maturing within 3 months	**7,985,359**	11,837,708
	10,041,616	13,207,694

12. Contra accounts

The analysis of the Group's contra accounts is as follows:

	31 March 2012 (un-audited) AED'000	31 December 2011 (audited) AED'000
Contra accounts (memoranda)		
Guarantees	**37,365,650**	38,335,059
Letters of credit	**6,189,695**	6,279,121
	43,555,345	44,614,180

Notes to the condensed consolidated financial statements (continued)
for the period from 1 January 2012 to 31 March 2012

13. Seasonality of results

No income of seasonal nature was recorded in the condensed consolidated financial statements for the three month periods ended 31 March 2012 and 2011.

14. Related party transactions

(a) Certain "related parties" (such as, directors and major shareholders of the Group and companies of which they are principal owners) are customers of the Group in the ordinary course of business. Transactions with such related parties are made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with external customers and parties. Such related party transactions are disclosed below.

(b) The Group is controlled by Al Ghurair Family members who own 82.27% of the issued and paid up capital. The remaining shares are widely held by other parties.

(c) Related party balances included in the condensed consolidated statement of financial position are as follows:

	31 March 2012 (un-audited) AED'000	31 December 2011 (audited) AED'000
Loans and advances measured at amortised cost	**2,088,333**	2,199,530
Customers' deposits	**933,748**	980,263
Letters of credit and guarantees	**2,220,092**	2,023,979

(d) Profit for the period includes related party transactions as follows:

	3 months ended 31 March 2012 (un-audited) AED '000	3 months ended 31 March 2011 (un-audited) AED '000
Interest income	**32,833**	30,963
Interest expense	**2,440**	5,001
Other income, net	**31,055**	28,130

Notes to the condensed consolidated financial statements (continued)
for the period from 1 January 2012 to 31 March 2012

15. Segmental information

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

Reportable segments

Operating segments are identified on the basis of internal reports about the components of the Group that are regularly reviewed by the Group's CEO (the Group's chief operating decision maker) in order to allocate resources to the segment and to assess its performance. Information reported to the Group's CEO for the purpose of resource allocation and assessment of performance is based on following strategic business units offering products and services to different markets.

The Group's reportable segments under IFRS 8 are therefore as follows:

1. The **Domestic Corporate** segment comprises of corporate and commercial banking customers in the U.A.E. Trade finance, contracting finance, project finance, investment banking, corporate advisory, cash management, wealth management, and SME & private banking are the major products and / or business lines making up this segment.

2. The **Domestic Retail** segment includes products and services offered to individuals or small businesses within U.A.E. The product offerings to customers include, current accounts, savings accounts, fixed deposits, investment products, "Mashreq Millionaire" deposits, personal loans, auto loans, mortgage loans, business loans, credit cards with unique loyalty programs, bank assurance, overdraft, priority banking and wealth management services.

3. The **Treasury & Capital Markets** segment consists of customer flow business and proprietary business. Customer flow business includes transactions for Foreign Exchange, Derivatives, Margin FX, Futures, Hedging, Investment Products, Domestic Equities (brokerage) and Asset Management undertaken on behalf of customers. The proprietary business includes trading and investing activity undertaken on behalf of the Group.

4. The **International Banking** segment consists of Retail and Corporate business for the Group's overseas banking branches in Qatar, Egypt, Bahrain & Kuwait and the Group's correspondent banking business in other overseas branches which includes trade services, reimbursements, reimbursement undertaking, reimbursement financing, export bills collection, risk participations.

5. All Islamic banking products offered to customers are included under the **Islamic Banking** segment. These products are Ijara Home Finance, Mudarabah Deposit, Mudarabah savings account, Musharaka finance, Murabaha commodity finance, Ijara Equipment Finance, Sukuk Underwriting, Musharaka LC, Murabaha LC, TR Murabaha, Kafala, Wakala Deposit, Reverse Murabaha Deposit & Sukuk Advisory.

6. The Insurance subsidiary, Oman Insurance Company (PSC) – comprises the **Insurance** segment. The product offerings to customers include life, health, motor, marine cargo and hull, aviation, fire and general accident, engineering, liability and personal lines insurance.

7. The **Head office** consists of certain investments and assets held centrally due to their strategic significance to the Group.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of general and administrative expenses, allowances for impairment and overseas income tax expenses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Notes to the condensed consolidated financial statements (continued)
for the period from 1 January 2012 to 31 March 2012

15. Segmental information (continued)

Reportable segments (continued)

	Domestic corporate AED'000	Domestic retail AED'000	Treasury & capital markets AED'000	International banking AED'000	Islamic banking AED'000	Insurance AED'000	Head office AED'000	Total AED'000
Period from 1 January 2012 to 31 March 2012 (un-audited)								
Net interest income and earnings from Islamic products	147,915	183,825	(5,808)	67,036	16,073	2,785	27,990	439,816
Other income, net	93,040	69,901	84,903	86,119	11,445	138,405	13,780	497,593
Total operating income	240,955	253,726	79,095	153,155	27,518	141,190	41,770	937,409
General and administrative expenses								(456,409)
Allowances for impairment								(175,637)
Profit before taxes								305,363
Overseas income tax expense								(5,457)
Profit for the period								299,906
Attributed to:								
Shareholders of the parent								270,822
Non-controlling interests								29,084
								299,906
31 March 2012 (un-audited)								
Segment Assets	19,094,323	7,478,267	20,887,228	13,808,639	4,965,961	3,411,964	6,984,437	76,630,819
Segment Liabilities	21,379,235	10,913,200	12,135,411	8,055,399	6,531,172	2,273,564	2,571,542	63,859,523

Notes to the condensed consolidated financial statements (continued)
for the period from 1 January 2012 to 31 March 2012

15. Segmental information (continued)

Reportable segments (continued)

	Period from 1 January 2011 to 31 March 2011 (un-audited)							
	Domestic corporate AED'000	Domestic retail AED'000	Treasury & capital markets AED'000	International banking AED'000	Islamic banking AED'000	Insurance AED'000	Head office AED'000	Total AED'000
Net interest income and earnings from Islamic products	190,885	239,521	(5,051)	50,991	30,528	6,871	44,316	558,061
Other income, net	99,981	105,962	70,147	69,213	8,065	158,931	22,900	535,199
Total operating income	290,866	345,483	65,096	120,204	38,593	165,802	67,216	1,093,260
General and administrative expenses								(455,913)
Allowances for impairment								(325,366)
Profit before taxes								311,981
Overseas income tax expense								(7,257)
Profit for the period								304,724
Attributed to:								
Shareholders of the parent								265,304
Non-controlling interests								39,420
								304,724
	31 December 2011 (audited)							
Segment Assets	18,986,258	7,168,489	22,384,443	14,420,975	5,951,210	3,278,274	7,051,673	79,241,322
Segment Liabilities	23,582,382	8,792,900	11,209,000	11,478,905	5,280,891	1,882,036	4,211,358	66,437,472

Notes to the condensed consolidated financial statements (continued)
for the period from 1 January 2012 to 31 March 2012

15. Segmental information (continued)

Geographical information

The Group operates in four principal geographical areas – U.A.E. (country of domicile), other Middle East Countries (Kuwait, Bahrain, Egypt and Qatar), O.E.C.D. (USA and UK) and other countries (India and Hong Kong).

The Group's revenue from continuing operations from external customers and information about its non-current assets by geographical location are detailed below:

	Operating income external customers *		**Non-current assets ****	
	3 month ended 31 March 2012 (un-audited) AED'000	3 month Ended 31 March 2011 (un-audited) AED'000	**31 March 2012 (un-audited) AED'000**	31 December 2011 (audited) AED'000
U.A.E.	**824,317**	1,005,934	**1,403,884**	1,448,165
Other Middle East countries	**77,847**	61,405	**62,260**	62,245
O.E.C.D.	**25,560**	17,476	**4,139**	4,367
Other countries	**9,685**	8,445	**1,406**	1,078
	937,409	1,093,260	**1,471,689**	1,515,855

* Operating income from external customers is based on the Group's operational centres.

** Non-current assets excluding financial instruments, deferred tax assets (if any), and assets arising from insurance contracts.

Notes to the condensed consolidated financial statements (continued)
for the period from 1 January 2012 to 31 March 2012

16. Capital adequacy ratio

The capital adequacy ratio is computed based on circulars issued by the U.A.E. Central Bank.

		31 March 2012 (un-audited) AED'000	31 December 2011 (audited) AED'000
Capital base			
Tier 1		**12,513,743**	12,614,226
Tier 2		**4,934,149**	5,055,506
Deduction from capital		**(31,825)**	(31,825)
Total capital base	**(A)**	**17,416,067**	17,637,907
Risk-weighted assets			
Credit risk		**67,937,984**	71,108,245
Market risk		**632,236**	309,477
Operational risk		**5,806,956**	6,472,458
Total risk-weighted assets	**(B)**	**74,377,176**	77,890,180
Risk asset ratio (%) [(A)/(B) x 100]		**23.42%**	22.64%

17. Approval of condensed consolidated financnial statements

The condensed consolidated financial statements on pages 2 to 23 were approved by the Board of Directors on 24 April 2012.