MASHREQBANK PSC GROUP

Review report and interim
financial information for the period
from 1 January 2012 to 30 September 2012

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Deloitte.

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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 30 September 2012 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine-month period then ended. 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 October 2012

Condensed consolidated statement of financial position as at 30 September 2012

	Note	30 September 2012 (un-audited) AED '000	31 December 2011 (audited) AED '000
ASSETS			
Cash and balances with central banks		10,497,263	14,731,800
Deposits and balances due from banks		9,930,398	10,147,675
Other financial assets measured at fair value	3	3,063,220	2,552,788
Loans and advances measured at amortised cost	4	35,726,294	32,665,962
Islamic financing and investment products measured at amortised cost	5	4,807,605	5,028,547
Other financial assets measured at amortised cost	3	5,093,399	7,181,593
Interest receivable and other assets		5,787,907	5,417,102
Goodwill	6	26,588	-
Investment properties	7	288,028	318,028
Property and equipment	8	1,136,858	1,197,827
Total assets		76,357,560	79,241,322
LIABILITIES AND EQUITY			
Liabilities			
Deposits and balances due to banks		5,587,058	7,223,370
Repurchase agreements with banks		1,310,148	2,505,165
Customers' deposits		39,105,617	40,177,020
Islamic customers' deposits		4,427,019	5,239,863
Insurance and life assurance funds		1,276,911	972,867
Interest payable and other liabilities		6,194,303	5,676,168
Medium-term loans	9	4,980,376	4,634,012
Long-term loans		-	9,007
Total liabilities		62,881,432	66,437,472
Equity			
Issued and paid up capital	10	1,690,770	1,690,770
Statutory and legal reserves		846,745	846,745
General reserve		312,000	312,000
Cumulative translation adjustment		(29,785)	(33,022)
Investments revaluation reserve		(173,979)	(346,145)
Retained earnings		10,245,474	9,792,462
Equity attributable to shareholders of the Parent		12,891,225	12,262,810
Non-controlling interests		584,903	541,040
Total equity		13,476,128	12,803,850
Total liabilities and equity		76,357,560	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 30 September 2012

		3 months ended 30 September		9 months ended 30 September	
		2012	2011	**2012**	2011
	Note	**(un-audited) AED '000**	(un-audited) AED '000	**(un-audited) AED '000**	(un-audited) AED '000
Interest income		**708,683**	726,062	**2,142,744**	2,431,598
Income from Islamic financing and investment products		**66,529**	56,949	**175,170**	189,014
Total interest income and income from Islamic financing and investment products		**775,212**	783,011	**2,317,914**	2,620,612
Interest expense		**(250,811)**	(320,984)	**(820,964)**	(1,058,301)
Distribution to depositors – Islamic products		**(25,664)**	(18,693)	**(90,347)**	(83,461)
Net interest income and income from Islamic products net of distribution to depositors		**498,737**	443,334	**1,406,603**	1,478,850
Fee and commission income		**576,554**	441,470	**1,814,520**	1,454,067
Fee and commission expense		**(263,887)**	(193,917)	**(931,215)**	(649,922)
Net fee and commission income		**312,667**	247,553	**883,305**	804,145
Net investment income		**84,789**	4,360	**193,345**	116,379
Other income, net		**145,798**	128,289	**453,746**	586,193
Operating income		**1,041,991**	823,536	**2,936,999**	2,985,567
General and administrative expenses	11	**(456,073)**	(396,682)	**(1,362,050)**	(1,310,847)
Allowances for impairment		**(180,841)**	(209,289)	**(533,221)**	(846,698)
Profit before taxes		**405,077**	217,565	**1,041,728**	828,022
Overseas income tax expense		**(8,396)**	(5,697)	**(20,335)**	(16,919)
Profit for the period		**396,681**	211,868	**1,021,393**	811,103
Attributed to:					
Shareholders of the parent		**379,141**	204,875	**970,311**	756,451
Non-controlling interests		**17,540**	6,993	**51,082**	54,652
		396,681	211,868	**1,021,393**	811,103
Earnings per share (AED)	12	**2.24**	1.21	**5.74**	4.47

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 30 September 2012

	3 months ended 30 September		9 months ended 30 September	
	2012	2011	**2012**	2011
	(un-audited) AED '000	(un-audited) AED '000	**(un-audited) AED '000**	(un-audited) AED '000
Profit for the period	**396,681**	211,868	**1,021,393**	811,103
Other comprehensive income				
Changes in fair value of financial assets measured at FVTOCI, net of profit on sale of investments	**27,969**	13,272	**(33,179)**	(15,984)
Cumulative translation adjustment	**7,980**	(9,127)	**3,237**	(3,865)
Total other comprehensive income/(loss) for the period	**35,949**	4,145	**(29,942)**	(19,849)
Total comprehensive income for the period	**432,630**	216,013	**991,451**	791,254
Attributed to:				
Shareholders of the parent	**408,789**	206,426	**966,569**	748,497
Non-controlling interests	**23,841**	9,587	**24,882**	42,757
	432,630	216,013	**991,451**	791,254

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

Condensed consolidated statement of changes in equity (un-audited) for the period from 1 January 2012 to 30 September 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 1 January 2011 (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	-	-	-	-	-	756,451	756,451	54,652	811,103
Other comprehensive loss	-	-	-	(3,865)	(4,089)	-	(7,954)	(11,895)	(19,849)
Total comprehensive (loss)/income for the period	-	-	-	(3,865)	(4,089)	756,451	748,497	42,757	791,254
Transfer from investments revaluation reserve to retained earnings	-	-	-	-	2,489	(2,489)	-	-	-
Transfer to statutory and legal reserves	-	1,475	-	-	-	(1,475)	-	-	-
Payment of dividends (Note 10)	-	-	-	-	-	(338,154)	(338,154)	-	(338,154)
Balance at 30 September 2011 (un-audited)	1,690,770	846,860	312,000	(23,348)	(285,720)	9,714,524	12,255,086	582,996	12,838,082
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		-	-	-	-	**970,311**	**970,311**	**51,082**	**1,021,393**
Other comprehensive income/(loss)	-	-	-	**3,237**	**(6,979)**	-	**(3,742)**	**(26,200)**	**(29,942)**
Total comprehensive income for the period	-	-	-	**3,237**	**(6,979)**	**970,311**	**966,569**	**24,882**	**991,451**
Transfer from investments revaluation reserve to retained earnings	-	-	-	-	**179,145**	**(179,145)**	-	-	-
Payment of dividends (Note 10)	-	-	-	-	-	**(338,154)**	**(338,154)**	-	**(338,154)**
Non-controlling interests arising on acquisition of a subsidiary (Note 6)	-	-	-	-	-	-	-	**(25,545)**	**(25,545)**
Additional contribution attributable to the new non- controlling interest shareholders arising on acquisition	-	-	-	-	-	-	-	**44,526**	**44,526**
Balance at 30 September 2012 (un-audited)	**1,690,770**	**846,745**	**312,000**	**(29,785)**	**(173,979)**	**10,245,474**	**12,891,225**	**584,903**	**13,476,128**

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 30 September 2012

	9 months ended 30 September 2012 (un-audited) AED '000	9 months ended 30 September 2011 (un-audited) AED '000
Cash flows from operating activities		
Profit before taxes	1,021,393	811,103
Adjustments for:		
Depreciation of property and equipment	95,715	118,316
Allowances for impairment	533,223	846,698
Loss/(gain) on sale of property and equipment	1,298	(16,129)
Gain from redemption of medium term notes	(3,986)	(24,919)
Fair value adjustment of other financial assets measured at FVTPL	(28,902)	11,923
Fair value adjustment of derivatives	2,060	17,445
Fair value adjustment of investment properties	30,000	35,000
Changes in operating assets and liabilities		
Decrease/(increase) in deposits with central banks for regulatory purposes and certificate of deposits with the central banks	6,029,665	(4,617,269)
(Increase)/decrease in deposits and balances due from banks maturing after three months	(418,980)	1,200,414
(Increase)/decrease in loans and advances measured at amortized cost	(3,555,119)	2,070,443
Decrease in Islamic financing and investment products measured at amortized cost	211,621	384,438
Increase in interest receivable and other assets	(299,119)	(566,638)
(Decrease)/increase in deposits and balances due to banks	(1,636,312)	4,601,881
Decrease in customers' deposits	(1,071,403)	(7,334,505)
Increase in other financial assets carried at FVTPL	(877,146)	(17,634)
Decrease in Islamic customers' deposits	(812,844)	(291,535)
Increase in insurance and life assurance funds	127,230	76,792
Increase in interest payable and other liabilities	493,293	585,463
Increase/(decrease) in medium-term loans	350,350	(1,205,536)
Decrease in long-term loans	(9,007)	(183)
Decrease in repurchase agreements with banks	(1,195,017)	(1,749,506)
Net cash used in operating activities	(1,011,987)	(5,063,938)
Cash flows from investing activities		
Purchase of property and equipment	(52,872)	(281,638)
Proceeds from sale of property and equipment	19,560	38,619
Net cash inflow on acquisition of a subsidiary (Note 6)	71,930	-
Net decrease in non-trading investments	2,450,631	976,628
Net cash generated from investing activities	2,489,249	733,609
Cash flows from financing activities		
Dividend paid	(338,154)	(338,154)
Additional contribution by non-controlling interests	44,526	-
Net cash used in financing activities	(293,628)	(338,154)
Net increase/(decrease) in cash and cash equivalents	1,183,634	(4,668,483)
Net foreign exchange difference	3,237	(3,865)
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 13)	11,972,529	9,755,338

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 2012 to 30 September 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 30 September 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
NextEdge Software Solution Private Limited	India	96.47	96.47	Software/Application provider
Equator Trading Enterprises LLC	United Arab Emirates	63.63	63.63	Trading in quoted securities
Dubai Group Sigorta A.Ş. **	Turkey	32.46	32.46	Insurance

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

** During the period, Oman Insurance Company P.S.C. (Subsidiary of the Bank) acquired 51% interest in Dubai Group Sigorta A.Ş. The Group's effective proportion of ownership interest in Dubai Group Sigorta A.S. is 32.46% (Note 6).

Notes to the condensed consolidated financial statements for the period from 1 January 2012 to 30 September 2012 (continued)

1. **General information** (continued)

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.

New and revised IFRSs in issue but are 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 for the period from 1 January 2012 to 30 September 2012 (continued)

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 30 September 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 for the period from 1 January 2012 to 30 September 2012 (continued)

3. Other financial assets

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

	30 September 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	**1,128,421**	540,009
Equities	**46,281**	40,351
Mutual and other funds	**745,370**	433,664
	1,920,072	1,014,024
(ii) **Investments measured at fair value through other comprehensive income (FVTOCI)**		
Equities	**830,964**	1,262,566
Mutual and other funds	**312,184**	276,198
	1,143,148	1,538,764
Total other financial assets measured at fair value	**3,063,220**	2,552,788
(iii) **Other financial assets measured at amortised cost**		
Debt securities	**5,093,399**	7,181,593
Total other financial assets	**8,156,619**	9,734,381

(b) The geographical analysis of other financial assets is as follows:

	30 September 2012 (un-audited) AED'000	31 December 2011 (audited) AED'000
Balances within the U.A.E.	**4,614,061**	6,051,962
Balances outside the U.A.E.	**3,542,558**	3,682,419
	8,156,619	9,734,381

3. Other financial assets (continued)

(c) During the period from 1 January 2012 to 30 September 2012, dividends received from financial assets measured at FVTOCI amounting to AED 47 million (period ended 30 September 2011: AED 43 million) were recognized as investment income in the condensed consolidated income statement.

(d) Other financial assets measured at FVTOCI includes AED 247 million (31 December 2011: AED 218 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:

	30 September 2012 (un-audited) AED'000	31 December 2011 (audited) AED'000
Loans	**32,977,112**	29,577,932
Overdrafts	**4,051,483**	4,037,985
Credit cards	**1,615,724**	1,482,708
Other	**145,149**	161,743
	38,789,468	35,260,368
Less: Allowance for impairment	**(3,063,174)**	(2,594,406)
	35,726,294	32,665,962

Notes to the condensed consolidated financial statements for the period from 1 January 2012 to 30 September 2012 (continued)

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:

	30 September 2012 (un-audited) AED'000	31 December 2011 (audited) AED'000
Manufacturing	**2,690,741**	2,805,029
Construction	**2,757,597**	2,566,833
Trade	**8,719,209**	6,479,620
Transport and communication	**970,647**	1,092,463
Services	**4,575,869**	4,624,304
Financial institutions	**2,862,678**	2,823,938
Personal	**10,183,689**	9,442,197
Government and public sector	**6,020,658**	5,383,134
Other	**8,380**	42,850
	38,789,468	35,260,368
Less: Allowance for impairment	**(3,063,174)**	(2,594,406)
	35,726,294	32,665,962

(c) The movement in the allowance for impairment of loans and advances measured at amortised cost during the period was as follows:

	9 months ended 30 September 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	**363,149**	640,286
Interest in suspense	**132,395**	220,476
Recoveries during the period/year	**(26,776)**	(50,715)
Written off during the period/year	**-**	(1,315,355)
Balance at the end of the period/year	**3,063,174**	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 measurement and Central Bank of the U.A.E. guidelines.

Notes to the condensed consolidated financial statements
for the period from 1 January 2012 to 30 September 2012 (continued)

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:

	30 September 2012 (un-audited) AED'000	31 December 2011 (audited) AED'000
Financing		
Murabaha	**2,406,829**	2,614,266
Ijara	**1,086,756**	1,417,406
	3,493,585	4,031,672
Investment		
Musharakah	**489,791**	807,876
Mudaraba	**386,331**	363,230
Wakala	**632,275**	-
	1,508,397	1,171,106
Total	**5,001,982**	5,202,778
Less: Unearned income	**(116,969)**	(108,940)
Allowance for impairment	**(77,408)**	(65,291)
	4,807,605	5,028,547

Notes to the condensed consolidated financial statements for the period from 1 January 2012 to 30 September 2012 (continued)

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:

	30 September 2012 (un-audited) AED'000	31 December 2011 (audited) AED'000
Government and public sector	**1,357,672**	1,211,744
Construction	**385,225**	1,228,353
Services	**1,597,507**	1,374,607
Financial institutions	**602,881**	257,361
Personal	**610,519**	923,281
Transport and communication	**7,684**	9,016
Trade	**257,901**	172,738
Manufacturing	**182,593**	25,678
Total	**5,001,982**	5,202,778
Less: Unearned income	**(116,969)**	(108,940)
Allowance for impairment	**(77,408)**	(65,291)
	4,807,605	5,028,547

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

	9 months ended 30 September 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	**9,321**	30,980
Profit in suspense	**2,796**	1,916
Written off during the period/year	**-**	(103,698)
Balance at the end of the period/year	**77,408**	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 measurement and Central Bank of the U.A.E. guidelines.

6. Goodwill

On 13 August 2012, Oman Insurance Company P.S.C, a subsidiary of the Bank acquired 51% interest in Dubai Group Sigorta A.Ş. a company established and registered in Istanbul, Turkey. Dubai Group Sigorta A.Ş. is engaged in the business of issuing short term and long term insurance contracts relating to general insurance. Dubai Group Sigorta A.Ş. was acquired by the Group with the objective of improving its overall geographical spread.

The interim condensed consolidated financial statements include the results of Dubai Group Sigorta A.Ş from the acquisition date to the period ended 30 September, 2012.

a) Consideration transferred

A nominal amount of AED 1 has been paid as purchase consideration to the previous shareholders of Dubai Group Sigorta A.Ş.

b) Assets acquired and liabilities assumed at the date of acquisition

The fair values of the identifiable assets and liabilities of Dubai Group Sigorta A.Ş. as at the date of acquisition were:

	AED '000
Assets	
Property and equipment	**2,732**
Insurance receivables	**42,217**
Other receivables	**17,677**
Reinsurance contract assets	**14,967**
Cash and bank balances	**71,930**
Liabilities	
Insurance contract liabilities	**(176,814)**
Insurance payables	**(11,391)**
Other payables and accruals	**(13,451)**
Net liabilities assumed	**(52,133)**

The assets and liabilities presented above have been measured by management at their respective carrying values which approximate their fair values at the date of acquisition.

c) Non-controlling interests

Non-controlling interests (49%) that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, are initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's net assets.

	AED '000
Net liabilities assumed	**(52,133)**
Proportionate share attributable to non-controlling interests to Oman Insurance Company PSC (49%)	**(25,545)**

Notes to the condensed consolidated financial statements for the period from 1 January 2012 to 30 September 2012 (continued)

6. Goodwill (continued)

d) Goodwill arising on acquisition

	AED '000
Consideration transferred	-
Less: Non-controlling interests (at proportionate share)	**(25,545)**
Add: Fair value of identifiable net liabilities assumed	**52,133**
Goodwill arising on acquisition	**26,588**

e) Net cash inflow on acquisition

	AED '000
Consideration paid in cash	-
Cash and cash equivalent balances acquired	**71,930**
Net cash inflow from the acquisition	**71,930**

f) Impact of acquisition on the results of the Group

Included in the profit for the interim period is a loss of AED 8.6 million which has derived from the subsidiary, Dubai Group Sigorta A.Ş out of which, loss attributable to the shareholders of the parent is AED 2.8 million. Revenue for the period includes AED 6.1 million in respect of the subsidiary, Dubai Group Sigorta A.Ş, out of which revenue attributable to the shareholers of the parent is AED 1.9 million.

Had the acquisition of the subsidiary Dubai Group Sigorta A.Ş. been effected at 1 January 2012, the operating income of the Group for the nine months period ended 30 September 2012 would have been AED 3.03 billion, and the profit for the same period would have been AED 978.4 million.

The Group's management will reassess the purchase price allocation within the twelve months grace period from the date of acquisition as allowed by IFRS.

7. Investment properties

	30 September 2012 (un-audited) AED '000	31 December 2011 (audited) AED '000
At fair value		
Balance at beginning of the period/year	**318,028**	172,320
Purchases during the period/year	-	93,105
Transfers from other assets during the period/year	-	113,791
Change in fair value during the period/year reflected in other income	**(30,000)**	(61,188)
	288,028	318,028

7. Investment properties (continued)

The fair value of investment properties as of 31 December 2011 has been arrived at on the basis of a valuation carried out in December 2011 by independent professionally qualified valuers. The valuation, which conforms to international valuation standards, was arrived at by reference to market comparable evidence of transaction prices for similar properties.

In addition to this, the fair value of investment properties as of 30 September 2012 is further adjusted by AED 30 million impairment charge which is based on an internal valuation carried out by management due to change in market conditions.

All of the Group's investment properties are held under free hold interest and located in the U.A.E.

8. Property and equipment

During the period from 1 January 2012 to 30 September 2012, the Group purchased approximately AED 67.9 million (period ended 30 September 2011: AED 281.6 million) of various types of property and equipment and disposed of property and equipment with a net book value of AED 20.9 million (period ended 30 September 2011: AED 22.4 million) for proceeds of AED 19.6 million (period ended 30 September 2011: AED 38.6 million).

9. Medium-term loans

	30 September 2012 (un-audited) AED'000	31 December 2011 (audited) AED'000
Tier 2 loan from the Ministry of Finance of the U.A.E. (a)	**3,443,593**	3,443,593
Medium term floating rate notes (b)	**1,536,783**	1,190,419
	4,980,376	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.

Notes to the condensed consolidated financial statements for the period from 1 January 2012 to 30 September 2012 (continued)

9. Medium-term loans (continued)

(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	30 September 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
2 May 2014	3 months Libor + 1.80%	**183,650**	-
12 March 2014	3 months Libor + 1.70%	**183,650**	-
		1,536,783	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).

Medium term floating rate notes includes AED 1.17 billion (31 December 2011: AED 1.19 billion) of subordinated floating rate note ("FRN") which 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.

10. Issued and paid up capital

As at 30 September 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 nine months ended 30 September 2012, a 20% cash dividend amounting to AED 338 million was approved by the Board of Directors and ratified by the shareholders at the Annual General Meeting conducted on 28 February 2012.

11. General and administrative expenses

General and administrative expenses include senior management remuneration of AED 62.77 million for the period from 1 January 2012 to 30 September 2012 (period ended 30 September 2011: AED 51.14 million).

Notes to the condensed consolidated financial statements
for the period from 1 January 2012 to 30 September 2012 (continued)

12. 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:

	9 months ended 30 September 2012 (un-audited)	9 months ended 30 September 2011 (un-audited)
Profit for the period (AED'000) (Attributed to shareholders of the parent)	**970,311**	756,451
Number of ordinary shares outstanding	**169,076,975**	169,076,975
Earnings per share (AED)	**5.74**	4.47
Diluted earnings per share (AED)	**5.74**	4.47

13. 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:

	30 September 2012 (un-audited) AED'000	31 December 2011 (audited) AED'000	30 September 2011 (un-audited) AED'000
Cash and balances with central banks maturing within 3 months:			
Cash on hand	**535,122**	491,159	624,599
Balances with central banks:			
Current accounts and other balances with central banks	**3,408,391**	1,957,226	1,259,354
Certificate of deposits with Central Bank	**300,000**	-	-
Deposits and balances due from banks maturing within 3 months	**7,729,016**	8,337,273	7,871,385
	11,972,529	10,785,658	9,755,338

Notes to the condensed consolidated financial statements
for the period from 1 January 2012 to 30 September 2012 (continued)

14. Contra accounts

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

	30 September 2012 (un-audited) AED'000	31 December 2011 (audited) AED'000
Contra accounts (memoranda)		
Guarantees	37,469,065	38,335,059
Letters of credit	6,601,700	6,279,121
	44,070,765	44,614,180

15. Derivative financial instruments

	30 September 2012 (un-audited)		
	Positive fair value AED'000	Negative fair value AED'000	Notional Amount AED'000
Held for Trading:			
Forward foreign exchange contract	145,137	138,116	52,495,558
Foreign exchange options (bought)	-	26,533	9,547,613
Foreign exchange options (sold)	27,356	-	9,910,369
Interest rate swaps	1,189,219	1,102,430	21,314,810
Credit default swap	282	-	73,460
Equity derivatives	1,134	69	390,610
Futures contracts purchased (Customer)	15,148	-	213,513
Futures contracts sold (Customer)	-	11,644	343,035
Futures contracts sold (Bank)	-	15,148	213,513
Futures contracts purchased (Bank)	11,644	-	343,035
	1,389,920	1,293,940	94,845,516

Notes to the condensed consolidated financial statements
for the period from 1 January 2012 to 30 September 2012 (continued)

15. Derivative financial instruments (continued)

	31 December 2011 (audited)		
	Positive fair value AED'000	Negative fair value AED'000	Notional Amount AED'000
Held for Trading:			
Forward foreign exchange contract	128,504	115,026	23,297,382
Foreign exchange options (bought)	-	31,768	5,542,410
Foreign exchange options (sold)	31,642	-	7,001,116
Interest rate swaps	1,246,603	1,220,309	22,220,366
Credit default swap	-	6,982	102,849
Equity derivatives	1,140	1,034	663,141
Futures contracts purchased (Customer)	-	6,447	172,065
Futures contracts sold (Customer)	1,241	-	178,890
Futures contracts sold (Bank)	6,447	-	172,065
Futures contracts purchased (Bank)	-	1,241	178,890
	1,415,577	1,382,807	59,529,174

Derivatives with positive fair value and negative fair value are included in "interest receivable and other assets" balance and "interest payable and other liabilities" balance respectively.

16. Seasonality of results

No income of seasonal nature was recorded in the condensed consolidated financial statements for the nine month periods ended 30 September 2012 and 2011.

17. 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 80.23% (2011: 82.27%) of the issued and paid up capital. The remaining shares are widely held by other parties.

Notes to the condensed consolidated financial statements for the period from 1 January 2012 to 30 September 2012 (continued)

17. **Related party transactions** (continued)

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

	30 September 2012 (un-audited) AED'000	31 December 2011 (audited) AED'000
Loans and advances measured at amortised cost	**2,134,768**	2,199,530
Customers' deposits	**688,050**	980,263
Letters of credit and guarantees	**2,752,873**	2,023,979

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

	9 months ended 30 September 2012 (un-audited) AED '000	9 months ended 30 September 2011 (un-audited) AED '000
Interest income	**90,581**	93,001
Interest expense	**12,048**	16,500
Other income, net	**62,318**	77,066

Notes to the condensed consolidated financial statements for the period from 1 January 2012 to 30 September 2012 (continued)

18. 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 for the period from 1 January 2012 to 30 September 2012 (continued)

18. Segmental information (continued)

Reportable segments (continued)

	Period from 1 January 2012 to 30 September 2012 (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	477,974	567,112	(120,977)	212,194	84,824	5,886	179,590	1,406,603
Other income, net	325,515	242,174	312,586	259,074	43,472	325,329	22,246	1,530,396
Total operating income	803,489	809,286	191,609	471,268	128,296	331,215	201,836	2,936,999
General and administrative expenses								(1,362,050)
Allowances for impairment								(533,221)
Profit before taxes								1,041,728
Overseas income tax expense								(20,335)
Profit for the period								1,021,393
Attributed to:								
Shareholders of the parent								970,311
Non-controlling interests								51,082
								1,021,393
	30 September 2012 (un-audited)							
Segment Assets	21,658,926	7,996,690	14,398,933	16,211,596	5,508,854	3,306,083	7,276,478	76,357,560
Segment Liabilities	21,628,118	11,761,100	10,686,562	9,139,700	4,479,189	2,187,337	2,999,426	62,881,432

Notes to the condensed consolidated financial statements for the period from 1 January 2012 to 30 September 2012 (continued)

18. Segmental information (continued)

Reportable segments (continued)

	Period from 1 January 2011 to 30 September 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	569,644	659,646	(93,054)	161,766	105,554	(4,258)	79,552	1,478,850
Other income, net	301,040	271,919	236,054	224,657	43,335	386,224	43,488	1,506,717
Total operating income	870,684	931,565	143,000	386,423	148,889	381,966	123,040	2,985,567
General and administrative expenses								(1,310,847)
Allowances for impairment								(846,698)
Profit before taxes								828,022
Overseas income tax expense								(16,919)
Profit for the period								811,103
Attributed to:								
Shareholders of the parent								756,451
Non-controlling interests								54,652
								811,103
	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 for the period from 1 January 2012 to 30 September 2012 (continued)

18. 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 ****	
	9 months ended 30 September 2012 (un-audited) AED'000	9 months ended 30 September 2011 (un-audited) AED'000	**30 September 2012 (un-audited) AED'000**	31 December 2011 (audited) AED'000
U.A.E.	**2,582,188**	2,724,998	**1,369,911**	1,240,549
Other Middle East countries	**243,531**	171,182	**50,260**	303,246
O.E.C.D.	**80,827**	59,866	**3,595**	2,664
Other countries	**30,453**	29,521	**1,120**	547
	2,936,999	2,985,567	**1,424,886**	1,547,006

* 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 for the period from 1 January 2012 to 30 September 2012 (continued)

19. Capital adequacy ratio

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

		30 September 2012 (un-audited) AED'000	31 December 2011 (audited) AED'000
Capital base			
Tier 1		13,055,776	12,614,226
Tier 2*		4,650,872	5,055,506
Deduction from capital		(31,825)	(31,825)
Total capital base	(A)	17,674,823	17,637,907
Risk-weighted assets			
Credit risk		69,919,146	71,108,245
Market risk		810,589	309,477
Operational risk		5,950,585	6,472,458
Total risk-weighted assets	(B)	76,680,320	77,890,180
Risk asset ratio (%) [(A)/(B) x 100]		23.05%	22.64%

* Tier 2 capital base as at 30 September 2012 and 31 December 2011 includes qualifying subordinated medium-term loans (Note 9).

20. Approval of condensed consolidated financial statements

The condensed consolidated financial statements on pages 2 to 27 were approved by the Board of Directors on 24 October 2012.