MASHREQBANK PSC GROUP

Review report and interim financial information for the period from 1 January 2013 to 30 June 2013

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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 June 2013 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-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
25 July 2013

MASHREQBANK PSC GROUP

Condensed consolidated statement of financial position as at 30 June 2013

	Note	30 June 2013 (un-audited) AED '000	31 December 2012 (audited) AED '000
ASSETS			
Cash and balances with central banks		8,169,803	10,767,087
Deposits and balances due from banks		9,928,855	10,176,676
Other financial assets measured at fair value	5	2,955,586	2,759,439
Loans and advances measured at amortised cost	6	41,499,586	36,183,916
Islamic financing and investment products measured at amortised cost	7	5,941,977	5,224,028
Other financial assets measured at amortised cost	5	5,792,460	4,387,590
Interest receivable and other assets		5,337,720	5,336,691
Goodwill		26,588	26,588
Investment properties	8	431,045	364,245
Property and equipment	9	1,143,071	1,157,040
Total assets		81,226,691	76,383,300
LIABILITIES AND EQUITY			
Liabilities			
Deposits and balances due to banks		6,063,123	5,982,708
Repurchase agreements with banks		1,104,388	1,155,369
Customers' deposits		48,193,127	42,430,655
Islamic customers' deposits		2,788,231	5,021,915
Insurance and life assurance funds		1,429,362	1,228,896
Interest payable and other liabilities		5,870,630	5,248,958
Medium-term loans	10	1,770,019	1,494,544
Total liabilities		67,218,880	62,563,045
Equity			
Issued and paid up capital	11	1,690,770	1,690,770
Statutory and legal reserves		850,211	848,385
General reserve		312,000	312,000
Cumulative translation adjustment		(44,241)	(32,076)
Investments revaluation reserve		(211,896)	(163,794)
Retained earnings		10,823,822	10,579,527
Equity attributable to shareholders of the Parent		13,420,666	13,234,812
Non-controlling interests		587,145	585,443
Total equity		14,007,811	13,820,255
Total liabilities and equity		81,226,691	76,383,300

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 2013 to 30 June 2013

	Note	3 months ended 30 June		6 months ended 30 June	
		2013	2012	**2013**	2012
		(un-audited) AED '000	(un-audited) AED '000	**(un-audited) AED '000**	(un-audited) AED '000
Interest income		**711,277**	718,054	**1,372,082**	1,434,061
Income from Islamic financing and investment products		**65,330**	54,493	**125,714**	108,641
Total interest income and income from Islamic financing and investment products		**776,607**	772,547	**1,497,796**	1,542,702
Interest expense		**(208,796)**	(277,887)	**(425,003)**	(570,153)
Distribution to depositors – Islamic products		**(11,405)**	(26,610)	**(30,172)**	(64,683)
Net interest income and income from Islamic products net of distribution to depositors		**556,406**	468,050	**1,042,621**	907,866
Fee and commission income		**692,921**	608,978	**1,345,007**	1,237,966
Fee and commission expense		**(338,354)**	(320,966)	**(662,539)**	(667,328)
Net fee and commission income		**354,567**	288,012	**682,468**	570,638
Net investment income		**33,665**	48,228	**85,586**	108,556
Other income, net		**195,509**	153,309	**447,092**	307,948
Operating income		**1,140,147**	957,599	**2,257,767**	1,895,008
General and administrative expenses	12	**(520,712)**	(449,570)	**(1,007,398)**	(905,977)
Allowances for impairment		**(213,609)**	(176,741)	**(384,337)**	(352,380)
Profit before taxes		**405,826**	331,288	**866,032**	636,651
Overseas income tax expense		**(11,754)**	(6,482)	**(23,744)**	(11,939)
Profit for the period		**394,072**	324,806	**842,288**	624,712
Attributed to:					
Shareholders of the parent		**402,593**	320,348	**827,914**	591,170
Non-controlling interests		**(8,521)**	4,458	**14,374**	33,542
		394,072	324,806	**842,288**	624,712
Basic and diluted earnings per share (AED)	13	**2.38**	1.89	**4.90**	3.50

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 2013 to 30 June 2013

	3 months ended 30 June		6 months ended 30 June	
	2013	2012	**2013**	2012
	(un-audited)	(un-audited)	**(un-audited)**	(un-audited)
	AED '000	AED '000	**AED '000**	AED '000
Profit for the period	**394,072**	324,806	**842,288**	624,712
Other comprehensive income items				
Items that will not be reclassified subsequently to profit or loss:				
Changes in fair value of financial assets measured at FVTOCI, net	**16,045**	(62,122)	**8,321**	(61,148)
Items that may be reclassified subsequently to profit or loss:				
Cumulative translation adjustment	**(7,366)**	(9,463)	**(12,165)**	(4,743)
Total other comprehensive income/(loss) for the period	**8,679**	(71,585)	**(3,844)**	(65,891)
Total comprehensive income for the period	**402,751**	253,221	**838,444**	558,821
Attributed to:				
Shareholders of the parent	**409,425**	270,944	**828,347**	557,780
Non-controlling interests	**(6,674)**	(17,723)	**10,097**	1,041
	402,751	253,221	**838,444**	558,821

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 2013 to 30 June 2013

	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 2012 (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	-	-	-	-	-	591,170	591,170	33,542	624,712
Other comprehensive loss	-	-	-	(4,743)	(28,647)	-	(33,390)	(32,501)	(65,891)
Total comprehensive income for the period	-	-	-	(4,743)	(28,647)	591,170	557,780	1,041	558,821
Transfer from investments revaluation reserve to retained earnings	-	-	-	-	49,430	(49,430)	-	-	-
Payment of dividends	-	-	-	-	-	(338,154)	(338,154)	-	(338,154)
Balance at 30 June 2012(un-audited)	1,690,770	846,745	312,000	(37,765)	(325,362)	9,996,048	12,482,436	542,081	13,024,517
Balance at 1 January 2013 (audited)	**1,690,770**	**848,385**	**312,000**	**(32,076)**	**(163,794)**	**10,579,527**	**13,234,812**	**585,443**	**13,820,255**
Profit for the period	-	-	-	-	-	**827,914**	**827,914**	**14,374**	**842,288**
Other comprehensive income/(loss)	-	-	-	**(12,165)**	**12,598**	-	**433**	**(4,277)**	**(3,844)**
Total comprehensive income for the period	-	-	-	**(12,165)**	**12,598**	**827,914**	**828,347**	**10,097**	**838,444**
Transfer from investments revaluation reserve to retained earnings	-	-	-	-	**(60,700)**	**60,700**	-	-	-
Transfer to statutory and legal reserves	-	**1,826**	-	-	-	**(1,826)**	-	-	-
Payment of dividends (Note 11)	-	-	-	-	-	**(642,493)**	**(642,493)**	**(8,395)**	**(650,888)**
Balance at 30 June 2013 (un-audited)	**1,690,770**	**850,211**	**312,000**	**(44,241)**	**(211,896)**	**10,823,822**	**13,420,666**	**587,145**	**14,007,811**

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 2013 to 30 June 2013

	6 months ended 30 June 2013 (un-audited) AED '000	6 months ended 30 June 2012 (un-audited) AED '000
Cash flows from operating activities		
Profit for the period	**842,288**	624,712
Adjustments for:		
Depreciation of property and equipment	**71,199**	79,723
Impairment charges for the period	**384,337**	352,380
Loss on sale of property and equipment	**1,751**	2,481
Gain from redemption of medium term notes	**-**	(3,986)
Fair value adjustment of other financial assets measured at FVTPL	**1,134**	(17,347)
Fair value adjustment of derivatives	**(3,598)**	(24,088)
Fair value adjustment of investment properties	**(62,680)**	30,000
Changes in operating assets and liabilities		
Decrease in deposits with central banks for regulatory purposes and certificate of deposits with the central banks	**968,992**	7,150,234
Decrease in deposits and balances due from banks maturing after three months	**(581,341)**	(34,851)
Increase in other financial assets carried at FVTPL	**(439,850)**	(693,561)
Increase in loans and advances measured at amortized cost	**(5,669,912)**	(2,693,708)
(Increase)/decrease in Islamic financing and investment products measured at amortized cost	**(713,479)**	453,408
Increase in interest receivable and other assets	**(24,296)**	(13,815)
Increase/(decrease) in deposits and balances due to banks	**80,415**	(56,502)
Increase/(decrease) in customers' deposits	**5,762,472**	(921,693)
Decrease in Islamic customers' deposits	**(2,233,684)**	(818,513)
Increase in insurance and life assurance funds	**200,466**	160,118
Increase in interest payable and other liabilities	**621,672**	44,928
Increase in medium-term loans	**275,475**	350,350
Decrease in repurchase agreements with banks	**(50,981)**	(1,777,602)
Net cash (used in)/generated from operating activities	**(569,620)**	2,192,668
Cash flows from investing activities		
Purchase of property and equipment	**(62,392)**	(45,301)
Proceeds from sale of property and equipment	**3,411**	7,894
Net (increase)/decrease in non-trading investments	**(1,158,100)**	1,115,066
Net cash (used in)/generated from investing activities	**(1,217,081)**	1,077,659
Cash flows from financing activities		
Dividend paid	**(650,888)**	(338,154)
Net cash used in financing activities	**(650,888)**	(338,154)
Net (decrease)/increase in cash and cash equivalents	**(2,437,589)**	2,932,173
Net foreign exchange difference	**(12,165)**	(4,743)
Cash and cash equivalents at beginning of the period (Note 14)	**12,509,079**	10,785,658
Cash and cash equivalents at end of the period (Note 14)	**10,059,325**	13,713,088

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 2013 to 30 June 2013

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 June 2013, Mashreqbank psc Group (the "Group") comprises of the Bank and the following direct 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 entities are considered to be subsidiaries by virtue of effective control.

2. Application of new and revised International Financial Reporting Standards (IFRSs)

2.1 Amendments to IFRSs affecting presentation and disclosure only

The following revised IFRSs have been adopted in these condensed consolidated financial statements. The application of these revised IFRSs has affected the presentation and disclosure only and did not result in any impact on the reported amounts.

- Amendments to IAS 1 *Presentation of Financial Statements*

The amendments require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

- Amendments to IAS 34 *Interim Financial Reporting*

The amendments require additional disclosures for the fair value of the financial instruments as required by IFRS 13 *Fair Value Measurement* and IFRS 7 *Financial Instruments.*

2.2 New and revised IFRSs applied with no material effect on the condensed consolidated financial statements

The following revised IFRSs have been adopted in these condensed consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

- Amendments to IFRS 7 *Financial Instruments : Disclosure - Enhancing Disclosures about Offsetting of Financial Assets and Financial Liabilities*
- IFRS 10 *Consolidated Financial Statements*
- IFRS 11 *Joint Arrangements*
- IFRS 12 *Disclosure of interests in other entities*
- IFRS 13 *Fair Value Measurement*
- IAS 19 (as amended in 2011) *Employee Benefits*
- IAS 27 (as revised in 2011) *Separate Financial Statements*
- IAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*
- Amendments to IAS 32 *Financial Instruments : Presentation - Offsetting of Financial Assets and Financial Liabilities*
- Amendments to IAS 1 *Presentation of Financial Statements - comparative information*
- Amendments to IAS 16 *Property, Plant and Equipment - servicing equipment*
- Amendments to IAS 32 *Financial Instruments - Presentation - tax effect of equity distribution*

2. Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

2.3 New and revised IFRSs is 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
• Amendments to IFRS 10 *Consolidated Financial Statements - amendments for investment entities*	1 January 2014
• Amendments to IFRS 12 *Disclosure of interests in Other Entities - amendments for investment entities*	1 January 2014
• Amendments to IAS 27 *Separate Financial Statements (as amended in 2011) - amendments for investment entities*	1 January 2014
• Amendments to IAS 32 *Financial instruments: Presentation - amendments relating to the offsetting of assets and liabilities*	1 January 2014

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

3. Summary of significant accounting policies

3.1 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.

Notes to the condensed consolidated financial statements for the period from 1 January 2013 to 30 June 2013 (continued)

3. Summary of significant accounting policies (continued)

3.1 Basis of preparation (continued)

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 2012.

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

The accounting policies of subsidiaries are similar to those used by the Bank.

These condensed consolidated financial statements do not include all the information and disclosure required in a full set of consolidated financial statements and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2012. In addition, results for the period from 1 January 2013 to 30 June 2013 are not necessarily indicative of the results that may be expected for the full financial year ending 31 December 2013.

3.2 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 2012.

4. Critical accounting judgements and key sources of estimation of uncertainty

The preparation of condensed consolidated financial statements requires management to make judgements, 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 judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied in the preparation of the condensed consolidated financial statements for the year ended 31 December 2012 except for the change in accounting estimate described below;

4.1 Change in accounting estimate

Management of one of the subsidiaries has changed the basis adopted for calculating the additional insurance reserve with effect from 1 January 2013 from the 1/8th method to an actuarial assessment to assess the potential shortfall in the unearned premium reserve, taking into account the historical data of the claims reported and settlement pattern. This reserve is for the estimated excess of potential claims over unearned premiums as well as for claims incurred but not reported at the end of the reporting period.

Notes to the condensed consolidated financial statements
for the period from 1 January 2013 to 30 June 2013 (continued)

5. Other financial assets

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

	30 June 2013 (un-audited) AED'000	31 December 2012 (audited) AED'000
Other financial assets measured at fair value		
(i) **Investments measured at fair value through profit and loss (FVTPL)**		
Debt securities	**1,587,648**	999,343
Equities	**33,452**	33,486
Mutual and other funds	**611,691**	761,246
	2,232,791	1,794,075
(ii) **Investments measured at fair value through other comprehensive income (FVTOCI)**		
Equities	**623,960**	642,007
Mutual and other funds	**98,835**	323,357
	722,795	965,364
Total other financial assets measured at fair value	**2,955,586**	2,759,439
(iii) **Other financial assets measured at amortised cost**		
Debt securities	**5,792,460**	4,387,590
Total other financial assets	**8,748,046**	7,147,029

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

	30 June 2013 (un-audited) AED'000	31 December 2012 (audited) AED'000
Balances within the U.A.E.	**3,547,418**	3,855,316
Balances outside the U.A.E.	**5,200,628**	3,291,713
	8,748,046	7,147,029

5. Other financial assets (continued)

(c) During the period from 1 January 2013 to 30 June 2013, dividends received from financial assets measured at FVTOCI amounting to AED 29 million (period ended 30 June 2012: AED 44 million) were recognized as net investment income in the condensed consolidated income statement.

(d) Other financial assets measured at FVTOCI include AED 99 million (31 December 2012: AED 323 million) which represents investments in the 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.

(e) On 1 March 2013, one of the Group subsidiaries has reclassified bonds with a value of AED 352 million from investments measured at FVTPL to amortised cost. These bonds carry effective interest rate of 2% to 9% per annum at the date of reclassification. Interest income of AED 7 million was recognized from the date of reclassification to 30 June 2013.

6. 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 June 2013 (un-audited) AED'000	31 December 2012 (audited) AED'000
Loans	**37,703,766**	32,285,586
Overdrafts	**4,210,666**	4,220,115
Credit cards	**1,958,754**	1,716,574
Other	**257,849**	233,556
	44,131,035	38,455,831
Less: Allowance for impairment	**(2,631,449)**	(2,271,915)
	41,499,586	36,183,916

Notes to the condensed consolidated financial statements
for the period from 1 January 2013 to 30 June 2013 (continued)

6. **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 June 2013 (un-audited) AED'000	31 December 2012 (audited) AED'000
Manufacturing	**3,816,696**	2,907,208
Construction	**2,516,068**	2,600,278
Trade	**8,999,701**	7,842,573
Services	**6,357,635**	5,114,937
Financial institutions	**3,035,055**	3,392,595
Government and public sector	**6,676,692**	5,189,316
Personal	**11,387,186**	10,456,916
Transport and communication	**1,282,739**	927,755
Other	**59,264**	24,253
	44,131,035	38,455,831
Less: Allowance for impairment	**(2,631,449)**	(2,271,915)
	41,499,586	36,183,916

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

	6 months ended 30 June 2013 (un-audited) AED '000	Year ended 31 December 2012 (audited) AED '000
Balance at the beginning of the period/year	**2,271,915**	2,594,406
Impairment allowance for the period/year	**291,620**	583,549
Interest in suspense	**106,435**	94,673
Recoveries during the period/year	**(16,031)**	(61,855)
Written off during the period/year	**(22,490)**	(938,858)
Balance at the end of the period/year	**2,631,449**	2,271,915

(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
for the period from 1 January 2013 to 30 June 2013 (continued)

7. 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 June 2013 (un-audited) AED'000	31 December 2012 (audited) AED'000
Financing		
Murabaha	**3,653,271**	3,092,215
Ijara	**1,436,118**	1,314,081
	5,089,389	4,406,296
Investment		
Musharakah	**458,194**	279,596
Mudaraba	**71,277**	115,822
Wakala	**605,431**	627,969
	1,134,902	1,023,387
Total	**6,224,291**	5,429,683
Less: Unearned income	**(232,950)**	(142,217)
Allowance for impairment	**(49,364)**	(63,438)
	5,941,977	5,224,028

Notes to the condensed consolidated financial statements
for the period from 1 January 2013 to 30 June 2013 (continued)

7. **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 June 2013 (un-audited) AED'000	31 December 2012 (audited) AED'000
Manufacturing	**324,852**	353,942
Construction	**62,616**	302,059
Trade	**613,374**	169,814
Services	**1,892,452**	1,863,347
Financial institutions	**763,211**	640,652
Government and public sector	**1,090,198**	1,287,969
Personal	**1,475,950**	810,814
Transport and communication	**1,638**	1,086
Total	**6,224,291**	5,429,683
Less: Unearned income	**(232,950)**	(142,217)
Allowance for impairment	**(49,364)**	(63,438)
	5,941,977	5,224,028

(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:

	6 months ended 30 June 2013 (un-audited) AED '000	Year ended 31 December 2012 (audited) AED '000
Balance at the beginning of the period/year	**63,438**	65,291
Reversal of allowance for the period/year	**(5,927)**	(1,792)
Profit in suspense	**361**	1,884
Recoveries during the period/year	**(516)**	-
Written off during the period/year	**(7,992)**	(1,945)
Balance at the end of the period/year	**49,364**	63,438

(d) Allowance for impairment is,made against Islamic financing and investment products when their full recovery as per contractual terms is in doubt taking into consideration IFRS requirements for fair 0alue measurement and Central Bank of the U.A.E. guidelines.

Notes to the condensed consolidated financial statements for the period from 1 January 2013 to 30 June 2013 (continued)

8. Investment properties

	30 June 2013 (un-audited) AED '000	31 December 2012 (audited) AED '000
At fair value		
Balance at beginning of the period/year	**364,245**	318,028
Purchases	**4,120**	-
Transfers from property and equipment	-	105,927
Transfers from other assets	-	108
Change in fair value during the period/year	**62,680**	(59,818)
	431,045	364,245

The fair value of investment properties as of reporting date has been arrived at on the basis of a valuation carried out in June 2013 and December 2012 by independent professionally qualified valuers. The valuation, which conforms to Royal Institution of Chartered Surveyors (RICS) Valuation Standards, was arrived at by reference to market comparable evidence of transaction prices for similar properties.

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

9. Property and equipment

During the period from 1 January 2013 to 30 June 2013, the Group purchased approximately AED 62 million (period ended 30 June 2012: AED 45 million) of various types of property and equipment and disposed of property and equipment with a net book value of AED 18 million (period ended 30 June 2012: AED 11 million) for proceeds of AED 3 million (period ended 30 June 2012: AED 8 million).

10. Medium-term loans

	30 June 2013 (un-audited) AED'000	31 December 2012 (audited) AED'000
Medium term floating rate notes	**1,770,019**	1,494,544

Notes to the condensed consolidated financial statements
for the period from 1 January 2013 to 30 June 2013 (continued)

10. Medium-term loans (continued)

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

Due date	Interest rate	**30 June 2013 (un-audited) AED'000**	31 December 2012 (audited) AED'000
24 January 2017	3 months Libor + 1.125%	**1,035,419**	1,035,419
2 May 2014	3 Months Libor +1.700%	**183,650**	183,650
12 March 2014	3 Months Libor +1.800%	**183,650**	183,650
24 October 2014	3 Months Libor +1.500%	**91,825**	91,825
22 April 2014	3 Months Libor +1.300%	**91,825**	-
23 May 2014	3 Months Libor +1.300%	**91,825**	-
3 June 2014	3 Months Libor +1.300%	**91,825**	-
		1,770,019	1,494,544

During the year ended 31 December 2004, the Bank established a Euro Medium Term Note (EMTN) programme for USD 750 million (AED 2.75 billion) under an agreement dated 4 February 2004. The EMTN programme was increased to USD 2 billion (AED 7.35 billion) under agreement dated 21 March 2006. On 15 March 2010, the EMTN programme limit was further increased to USD 5 billion (AED 18.37 billion).

AED 1.04 billion is a subordinated floating rate note ("FRN") and qualified for Tier 2 subordinated loan capital for first 5 years till 2012 and therafter amortised at the rate of 20% per annum for next five years until 2017 for capital adequacy calculation purposes. This has been approved by U.A.E. Central Bank as a Tier 2 capital.

The remaining bonds maturing in 2014 and aggregating to AED 735 million do not qualify for Tier 2 subordinated loan capital for capital adequacy calculation purposes.

New floating rate notes of AED 275 million were issued during the period.

11. Issued and paid up capital and dividends

As at 30 June 2013, 169,076,975 ordinary shares of AED 10 each (31 December 2012: 169,076,975 ordinary shares of AED 10 each) were fully issued and paid up.

During the six months ended 30 June 2013, a 38% cash dividend amounting to AED 642 million was approved by the Board of Directors and ratified by the shareholders at the Annual General Meeting conducted on 26 February 2013.

12. General and administrative expenses

General and administrative expenses include senior management remuneration of AED 60 million for the period from 1 January 2013 to 30 June 2013 (period ended 30 June 2012: AED 43 million).

Notes to the condensed consolidated financial statements for the period from 1 January 2013 to 30 June 2013 (continued)

13. 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:

	6 months ended 30 June 2013 (un-audited)	6 months ended 30 June 2012 (un-audited)
Profit for the period (AED'000) (Attributed to shareholders of the parent)	**827,914**	591,170
Number of ordinary shares outstanding	**169,076,975**	169,076,975
Basic and diluted earnings per share (AED)	**4.90**	3.50

14. 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 June 2013 (un-audited) AED'000	31 December 2012 (audited) AED'000	30 June 2012 (un-audited) AED'000
Cash on hand	**602,761**	639,063	500,055
Balances with central banks:			
Current accounts and other balances	**1,695,756**	2,087,746	2,202,102
Certificates of deposits – within 3 months	**300,000**	1,500,000	2,338,000
Deposits and balances due from banks maturing within 3 months	**7,460,808**	8,282,270	8,672,931
	10,059,325	12,509,079	13,713,088

Notes to the condensed consolidated financial statements for the period from 1 January 2013 to 30 June 2013 (continued)

15. Contra accounts

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

	30 June 2013 (un-audited) AED'000	31 December 2012 (audited) AED'000
Contra accounts (memoranda)		
Guarantees	**40,821,349**	40,410,921
Letters of credit	**7,231,510**	6,563,747
	48,052,859	46,974,668

16. Derivative financial instruments

	30 June 2013 (un-audited)		
	Positive fair value AED'000	**Negative fair value AED'000**	**Notional Amount AED'000**
Held for Trading:			
Forward foreign exchange contract	**207,947**	**181,274**	**42,720,449**
Foreign exchange options (bought)	**-**	**139,379**	**17,675,435**
Foreign exchange options (sold)	**138,594**	**-**	**17,393,990**
Interest rate swaps	**750,697**	**649,300**	**23,059,717**
Credit default swap	**124**	**-**	**495,855**
Equity derivatives	**46**	**3,745**	**209,371**
Futures contracts purchased (Customer)	**-**	**22,659**	**410,452**
Futures contracts sold (Customer)	**5,182**	**-**	**309,828**
Futures contracts sold (Bank)	**22,659**	**-**	**410,452**
Futures contracts purchased (Bank)	**-**	**5,182**	**309,828**
	1,125,249	**1,001,539**	**102,995,377**

Notes to the condensed consolidated financial statements
for the period from 1 January 2013 to 30 June 2013 (continued)

16. Derivative financial instruments (continued)

	31 December 2012 (audited)		
	Positive fair value AED'000	Negative fair value AED'000	Notional Amount AED'000
Held for Trading:			
Forward foreign exchange contract	110,241	105,239	45,185,034
Foreign exchange options (bought)	-	43,537	20,962,670
Foreign exchange options (sold)	43,204	-	21,168,570
Interest rate swaps	1,058,974	957,787	21,370,029
Credit default swap	302	-	73,460
Equity derivatives	759	104	361,744
Futures contracts purchased (Customer)	-	3,311	227,634
Futures contracts sold (Customer)	-	4,583	237,703
Futures contracts sold (Bank)	3,311	-	227,634
Futures contracts purchased (Bank)	4,583	-	237,703
	1,221,374	1,114,561	110,052,181

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.

17. Seasonality of results

Net investment income includes dividend income of AED 29 million for the six months period ended 30 June 2013 (30 June 2012: AED 45 million), which is of a seasonal nature

18. 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 83.67% 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:

Notes to the condensed consolidated financial statements
for the period from 1 January 2013 to 30 June 2013 (continued)

18. Related party transactions (continued)

	30 June 2013 (un-audited) AED'000	31 December 2012 (audited) AED'000
Loans and advances measured at amortised cost	**1,970,234**	2,508,704
Customers' deposits	**937,694**	842,216
Letters of credit and guarantees	**2,678,774**	2,094,668

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

	Period ended 30 June 2013 (un-audited) AED '000	Period ended 30 June 2012 (un-audited) AED '000
Interest income	**50,979**	72,711
Interest expense	**6,256**	4,982
Other income, net	**59,613**	56,274

Notes to the condensed consolidated financial statements for the period from 1 January 2013 to 30 June 2013 (continued)

19. 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 2013 to 30 June 2013 (continued)

19. Segmental information (continued)

Reportable segments (continued)

	Period from 1 January 2013 to 30 June 2013 (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	312,471	400,606	(56,184)	183,749	95,542	7,689	98,748	1,042,621
Other income, net	275,962	203,610	248,274	194,236	34,678	218,750	39,636	1,215,146
Total operating income	588,433	604,216	192,090	377,985	130,220	226,439	138,384	2,257,767
General and administrative expenses								(1,007,398)
Allowances for impairment								(384,337)
Profit before taxes								866,032
Overseas income tax expense								(23,744)
Profit for the period								842,288
Attributed to:								
Shareholders of the parent								827,914
Non-controlling interests								14,374
								842,288
	30 June 2013 (un-audited)							
Segment Assets	24,071,518	9,756,503	14,229,789	16,103,482	6,649,763	3,550,725	6,864,911	81,226,691
Segment Liabilities	28,113,247	12,498,200	8,554,200	11,551,310	2,805,741	2,190,973	1,505,209	67,218,880

Notes to the condensed consolidated financial statements for the period from 1 January 2013 to 30 June 2013 (continued)

19. Segmental information (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 30 June 2012 (un-audited)							
Net interest income and earnings from Islamic products	310,099	370,973	(56,724)	133,468	43,959	6,005	100,086	907,866
Other income, net	207,987	149,333	208,693	173,854	27,386	206,030	13,859	987,142
Total operating income	518,086	520,306	151,969	307,322	71,345	212,035	113,945	1,895,008
General and administrative expenses								(905,977)
Allowances for impairment								(352,380)
Profit before taxes								636,651
Overseas income tax expense								(11,939)
Profit for the period								624,712
Attributed to:								
Shareholders of the parent								591,170
Non-controlling interests								33,542
								624,712
	31 December 2012 (audited)							
Segment Assets	21,921,735	8,389,697	15,079,616	14,759,287	5,892,234	3,132,711	7,208,020	76,383,300
Segment Liabilities	25,296,380	11,666,800	6,213,500	10,236,600	5,090,302	1,957,210	2,102,253	62,563,045

Notes to the condensed consolidated financial statements for the period from 1 January 2013 to 30 June 2013 (continued)

19. 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 ****	
	6 month ended 30 June 2013 (un-audited) AED'000	6 month ended 30 June 2012 (un-audited) AED'000	**30 June 2013 (un-audited) AED'000**	31 December 2012 (audited) AED'000
U.A.E.	**1,957,024**	1,662,059	**1,532,394**	1,469,205
Other Middle East countries	**206,070**	162,365	**37,325**	46,946
O.E.C.D.	**74,286**	50,666	**3,706**	4,163
Other countries	**20,387**	19,918	**27,279**	27,559
	2,257,767	1,895,008	**1,600,704**	1,547,873

* 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 2013 to 30 June 2013 (continued)

20. Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

(a) Fair value of financial instruments measured at amortised cost

Except as detailed in the following table, the management considers that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the consolidated financial statements approximate their fair values.

	30 June 2013 (un-audited)		31 December 2012 (audited)	
	Carrying amount AED'000	**Fair value AED'000**	Carrying amount AED'000	Fair value AED'000
Financial assets				
- Other financial assets measured at amortised cost	**5,792,460**	**5,681,293**	4,387,590	4,381,967
Financial liabilities				
- Medium-term floating rate notes	**1,770,019**	**1,602,150**	1,494,544	1,331,518

(b) Valution techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows.

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).

- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

20. Fair value of financial instruments (continued)

(b) Valution techniques and assumptions applied for the purposes of measuring fair value (continued)

- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

(c) Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible. The table below summarises the fair value of financial instruments of the Group's financial instruments according to fair value hierarchy.

Notes to the condensed consolidated financial statements
for the period from 1 January 2013 to 30 June 2013 (continued)

20. Fair value of financial instruments (continued)

(c) Fair value measurements recognised in the consolidated statement of financial position (continued)

30 June 2013 (un-audited)

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Financial assets measured at fair value				
Other financial assets measured at FVTPL				
- Debt securities	175,074	1,412,574	-	1,587,648
- Equities	32,892	-	560	33,452
- Mutual and other funds	611,691	-	-	611,691
Other financial assets measured at FVTOCI				
- Equities	266,143	-	357,817	623,960
- Mutual and other funds	98,835	-	-	98,835
Total	1,184,635	1,412,574	358,377	2,955,586
Other assets				
Positive fair value of derivatives	207,947	917,302	-	1,125,249
Other liabilities				
Negative fair value of derivatives	181,274	820,265	-	1,001,539

Notes to the condensed consolidated financial statements
for the period from 1 January 2013 to 30 June 2013 (continued)

20. Fair value of financial instruments (continued)

(c) Fair value measurements recognised in the consolidated statement of financial position (continued)

31 December 2012 (audited)

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Financial assets measured at fair value				
Other financial assets measured at FVTPL				
- Debt securities	78,698	920,645	-	999,343
- Equities	32,864	-	622	33,486
- Mutual and other funds	226,128	535,118	-	761,246
Other financial assets measured at FVTOCI				
- Equities	325,295	-	316,712	642,007
- Mutual and other funds	323,357	-	-	323,357
Total	986,342	1,455,763	317,334	2,759,439
Other assets				
Positive fair value of derivatives	110,241	1,111,133	-	1,221,374
Other liabilities				
Negative fair value of derivatives	105,343	1,009,218	-	1,114,561

There were no transfers between Level 1 and 2 during the period/year.

Notes to the condensed consolidated financial statements
for the period from 1 January 2013 to 30 June 2013 (continued)

20. Fair value of financial instruments (continued)

(d) Reconciliation of Level 3 fair value measurement of other financial assets measured at FVTOCI

	30 June 2013 (un-audited) AED'000	31 December 2012 (audited) AED'000
Balance at the beginning of the period/year	**317,334**	391,446
Purchases	**33,200**	11,321
Cost of sales	**(960)**	(44,879)
Change in fair value	**8,803**	(40,554)
Balance at the end of the period/year	**358,377**	317,334

The investments classified under Level 3 category have been fair-valued based on information available for each investment. Based on the information available the valuation has been carried on net asset value or valuation provided by the portfolio managers.

All gains and losses included in the consolidated statement of comprehensive income relate to unquoted investments in equity instruments held at the end of the reporting period and are reported as changes in 'investments revaluation reserve'.

21. Capital adequacy ratio

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

		30 June 2013 (un-audited) AED'000	31 December 2012 (audited) AED'000
Capital base			
Tier 1 capital		**13,621,712**	13,387,509
Tier 2 capital		**1,555,441**	1,654,556
Deduction from capital		**(31,825)**	(31,825)
Total capital base	**(A)**	**15,145,328**	15,010,240
Risk-weighted assets			
Credit risk		**77,100,499**	71,047,167
Market risk		**624,463**	717,015
Operational risk		**4,296,549**	6,056,458
Total risk-weighted assets	**(B)**	**82,021,511**	77,820,640
Risk asset ratio (%) [(A)/(B) x 100]		**18.47%**	19.29%

22. Approval of condensed consolidated financial statements

The condensed consolidated financial statements on pages 2 to 31 were approved by the Board of Directors on 25 July 2013.