

MASHREQBANK PSC GROUP

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION AND REVIEW REPORT
FOR THE PERIOD FROM JANUARY 1, 2010
TO MARCH 31, 2010**

Mashreqbank psc Group

**Interim Condensed Consolidated Financial Information and
Review Report**

For the period from January 1, 2010 to March 31, 2010

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Ref.: 7848CFS10-March

Report on Review of Interim Condensed Consolidated Financial Information

To the Board of Directors
Mashreqbank psc
Dubai
United Arab Emirates

We have reviewed the accompanying interim condensed consolidated statement of financial position of **Mashreqbank psc and its Subsidiaries** (the “**Group**”) as of March 31, 2010 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the period from January 1, 2010 to March 31, 2010, and a summary of significant accounting policies and other explanatory notes. The management of the Group is responsible for the preparation and fair presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, ‘Interim Financial Reporting’ (“IAS 34”). Our responsibility is to express a conclusion on this interim condensed consolidated 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 condensed consolidated 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

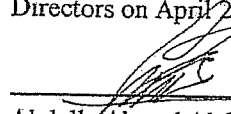
Dubai
April 28, 2010

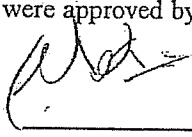
Interim Condensed Consolidated Statement of Financial Position
As of March 31, 2010
(In Thousand Arab Emirates Dirhams)

	<u>Note</u>	<u>March</u> <u>31, 2010</u> <u>AED'000</u> <u>(un-audited)</u>	<u>December</u> <u>31, 2009</u> <u>AED'000</u> <u>(audited)</u>
ASSETS			
Cash and balances with central banks		17,927,673	20,176,958
Deposits and balances due from banks		6,463,559	8,261,056
Other financial assets measured at fair value	3	2,117,490	2,211,517
Loans and advances measured at amortised cost	4	40,405,529	42,120,827
Islamic financing and investment products measured at amortised cost	5	5,209,241	5,609,289
Other financial assets measured at amortised cost	3	9,216,679	9,364,884
Interest receivable and other assets		5,635,275	5,428,702
Investment properties		233,649	233,649
Property and equipment	6	1,434,695	1,215,062
Total assets		88,643,790	94,621,944
LIABILITIES			
Deposits and balances due to banks		6,279,669	6,971,668
Repurchase agreements with banks		10,282,397	8,468,768
Customers' deposits		44,816,945	50,796,768
Islamic customers' deposits		2,570,395	2,861,019
Insurance and life assurance funds		920,223	858,587
Interest payable and other liabilities		6,013,840	5,629,760
Medium-term loans	7	5,950,783	7,178,299
Long-term loans		9,512	9,583
Total liabilities		76,843,764	82,774,452
EQUITY			
Paid up capital	8	1,690,770	1,610,257
Statutory and legal reserves		805,129	805,129
General reserves		312,000	312,000
Cumulative translation adjustment		(24,616)	(25,018)
Investments revaluation reserve		(296,128)	(279,735)
Retained earnings		8,779,306	8,850,576
Equity attributable to equity holders of the parent		11,266,461	11,273,209
Non controlling interests		533,565	574,283
Total equity		11,800,026	11,847,492
Total liabilities and equity		88,643,790	94,621,944

The accompanying notes are an integral part of this interim condensed consolidated financial information.

The interim condensed consolidated financial information on pages 2 to 24 were approved by the Board of Directors on April 28, 2010 and signed on their behalf by:


Abdulla Ahmad Al Ghurair
Chairman


Abdul Aziz Abdulla Al Ghurair
Chief Executive Officer

Interim Condensed Consolidated Statement of Income
For the period from January 1, 2010 to March 31, 2010
(In Thousand Arab Emirates Dirhams)

	<u>Note</u>	<u>3 months ended March 31,</u>	
		<u>2010</u>	<u>2009</u>
		<u>(un-audited)</u>	<u>(un-audited)</u>
Interest income		1,056,739	1,244,285
Income from Islamic financing and investment products		69,965	88,146
Total interest income and income from Islamic financing and investment products		1,126,704	1,332,431
Interest expense		(501,629)	(707,617)
Distribution to depositors – Islamic products		(32,025)	(43,837)
Net interest income and income from Islamic products net of distribution to depositors		593,050	580,977
Fee and commission income		531,054	509,821
Fee and commission expense		(172,057)	(171,153)
Net fee and commission income		358,997	338,668
Net investment income/(loss)		52,040	(103,374)
Other income		233,729	410,526
Operating income		1,237,816	1,226,797
General and administrative expenses	9	(464,611)	(479,957)
Write-offs and allowance for impairment		(484,075)	(232,061)
Profit before taxes		289,130	514,779
Overseas income tax expense		(2,895)	(3,190)
Profit for the period		286,235	511,589
Attributed to:			
Shareholders of the parent		250,781	484,110
Non controlling interests		35,454	27,479
		286,235	511,589
Earnings per share	10	AED 1.48	AED 2.86

The accompanying notes are an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Comprehensive Income
For the period from January 1, 2010 to March 31, 2010
(In Thousand Arab Emirates Dirhams)

	3 months ended March 31,	
	2010	2009
	(un-audited)	(un-audited)
Profit for the period	<u>286,235</u>	<u>511,589</u>
Other comprehensive income		
Changes in fair value of other financial assets measured at fair value through other comprehensive income (FVTOCI)	(37,064)	-
Changes in fair value of available for sale investments during the period	-	(62,493)
Cumulative translation adjustment	<u>402</u>	<u>(4,505)</u>
Total other comprehensive loss for the period	<u>(36,662)</u>	<u>(66,998)</u>
Total comprehensive income for the period	<u><u>249,573</u></u>	<u><u>444,591</u></u>
Attributed to:		
Shareholders of the parent	234,790	451,887
Non controlling interests	<u>14,783</u>	<u>(7,296)</u>
	<u><u>249,573</u></u>	<u><u>444,591</u></u>

The accompanying notes are an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Changes in Equity
For the period from January 1, 2010 to March 31, 2010
(In Thousand Arab Emirates Dirhams)

	Paid up capital	Statutory and legal reserves	General reserves	Cumulative translation adjustment	Investment revaluation reserve	Retained earnings	Attributable to shareholders of the parent	Non controlling interests	Total
Balance at December 31, 2008 - audited	1,463,870	740,734	312,000	(33,932)	(649,634)	8,231,655	10,064,693	617,706	10,682,399
Effect of IFRS 9 – Note 2	-	-	-	-	285,549	(24,374)	261,175	(15)	261,160
Balance at January 1, 2009 (restated) – audited	-	-	-	-	(364,085)	8,207,281	10,325,868	617,691	10,943,559
Profit for the period	-	-	-	-	-	484,110	484,110	27,479	511,589
Other comprehensive loss	-	-	-	(4,505)	(27,718)	-	(32,223)	(34,775)	(66,998)
Total comprehensive income for the period	-	-	-	(4,505)	(27,718)	484,110	451,887	(7,296)	444,591
Payment of dividends	-	-	-	-	-	(146,387)	(146,387)	(69,377)	(215,764)
Bonus shares issued during the period	146,387	-	-	-	-	(146,387)	-	-	-
Balance at March 31, 2009 - un-audited	1,610,257	740,734	312,000	(38,437)	(391,803)	8,398,617	10,631,368	541,018	11,172,386
Balance at December 31, 2009 - audited	1,610,257	805,129	312,000	(25,018)	(279,735)	8,850,576	11,273,209	574,283	11,847,492
Profit for the period	-	-	-	-	-	250,781	250,781	35,454	286,235
Other comprehensive loss	-	-	-	402	(16,393)	-	(15,991)	(20,671)	(36,662)
Total comprehensive income for the period	-	-	-	402	(16,393)	250,781	234,790	14,783	249,573
Payment of dividends	-	-	-	-	-	(241,538)	(241,538)	(55,501)	(297,039)
Bonus shares issued during the period	80,513	-	-	-	-	(80,513)	-	-	-
Balance at March 31, 2010 - un-audited	1,690,770	805,129	312,000	(24,616)	(296,128)	8,779,306	11,266,461	533,565	11,800,026

The accompanying notes are an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Cash Flows
For the period from January 1, 2010 to March 31, 2010
(In Thousand Arab Emirates Dirhams)

	3 months ended March 31,	
	2010	2009
	(un-audited)	(un-audited)
Cash flows from operating activities		
Profit for the period	286,235	511,589
Adjustments:		
Depreciation of property and equipment	34,521	26,496
Other financial assets - FVTIS	(17,477)	(16,201)
Allowance for impairment	372,168	191,942
(Gain)/loss on sale of property and equipment	(5,812)	1,163
Fair value adjustment of derivatives	(661)	(39,448)
Changes in operating assets and liabilities:		
Decrease in deposits with central banks for regulatory purposes	270,777	217,905
Decrease in deposits maturing after three months	271,482	1,310,840
Decrease in other financial assets - FVTIS	83,124	59,217
Decrease in loans and advances - net	1,398,664	1,394,960
Decrease/(increase) in Islamic financing and investment products	394,556	(379,659)
(Increase)/decrease in interest receivable and other assets	(206,410)	1,985,023
Decrease in deposits and balances due to banks	(691,997)	(3,043,132)
Increase/(decrease) in repurchase agreements with banks	1,813,629	(1,001,907)
(Decrease)/increase in customers' deposits	(5,979,822)	3,177,516
Decrease in Islamic customers' deposits	(290,624)	(111,444)
Increase in insurance and life assurance funds	61,636	97,236
Increase/(decrease) in interest payable and other liabilities	384,081	(721,872)
Decrease in medium-term loans	(1,227,517)	(1,204,744)
Decrease in long-term loans	(71)	(1,545)
Net cash (used in)/from operating activities	(3,049,518)	2,453,935
Cash flows from investing activities		
Purchase of property and equipment	(255,735)	(272,452)
Proceeds from sale of property and equipment	7,393	1,295
Net decrease in non-trading investments	139,520	682,629
Net cash (used in)/from investing activities	(108,822)	411,472
Cash flows from financing activities		
Dividends paid	(297,039)	(215,764)
Net cash used in financing activities	(297,039)	(215,764)
Net (decrease)/increase in cash and cash equivalents	(3,455,379)	2,649,643
Net foreign exchange difference	402	(4,505)
Cash and cash equivalents at beginning of the period	23,492,075	8,270,818
Cash and cash equivalents at end of the period (Note 11)	20,037,098	10,915,956

The accompanying notes are an integral part of this interim condensed consolidated financial information.

Notes to the Interim Condensed Consolidated Financial Information
For the period from January 1, 2010 to March 31, 2010

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 March 31, 2010, Mashreqbank psc Group (the “Group”) comprises the Bank and its subsidiaries as follows:

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	98	Finance company.
Oman Insurance Company (PSC)	United Arab Emirates	63.65	63.65	Insurance company.
Mindscape Information Technology L.L.C.	United Arab Emirates	99	99	Software/Application provider.
Mashreq Securities LLC	United Arab Emirates	99.98	99.98	Brokerage.
Injaz Services FZ LLC	United Arab Emirates	100	100	Service provider.
Al-Badr Islamic Finance (PJSC)	United Arab Emirates	99.70	99.70	Islamic finance company.
Mashreq Capital (DIFC) Limited	United Arab Emirates	100	100	Brokerage, asset management & fund management.
Al Yamama Services FZ LLC	United Arab Emirates	100	100	Service provider.
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	Special purpose vehicle.
Orriston Limited	British Virgin Islands	*	100	Special purpose vehicle.

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

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

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2010 to March 31, 2010

2. Significant accounting policies

Basis of preparation

The interim condensed consolidated financial information have been prepared on the historical cost basis, except for certain financial instruments and investment property, which are carried at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

This interim condensed consolidated financial information is prepared in accordance with International Accounting Standard No. 34: *Interim Financial Reporting*, issued by the International Accounting Standard Board and also comply with the applicable requirements of the laws in the U.A.E.

The accounting policies used in the preparation of this interim condensed consolidated financial information are consistent with those used in the audited annual consolidated financial statements for the year ended December 31, 2009.

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

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

This interim condensed consolidated financial information does not include all the information required in full consolidated financial statements and should be read in conjunction with the Group's financial statements as at and for the year ended December 31, 2009. In addition, results for the period from January 1, 2010 to March 31, 2010 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2010.

The Group adopted IFRS 9 Financial Instruments (IFRS 9) in 2009 in advance of its effective date. The Standard was applied retrospectively and the Group had chosen the limited exemption not to restate comparative information in the year of initial application. As a result, the difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application were recognised in the opening retained earnings (or other component of equity, as appropriate).

Significant judgments and sources of estimation uncertainty

The preparation of interim condensed consolidated financial information 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 this interim condensed consolidated financial information, 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 as at and for the year ended December 31, 2009, except for:

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2010 to March 31, 2010

2. Significant accounting policies (continued)

Collectively assessed loans and advances

The management of the Group assesses, based on historical experience and the prevailing economical and credit conditions, the magnitude of loans and advances which may be impaired but not identified as of the reporting date.

As at the date of this financial information, management have also considered that is appropriate to include in this category, in accordance with the guidance provided by U.A.E. Central Bank Notice No. 2410/2010 dated April 22, 2010, certain loan exposures that are currently subjected to restructuring negotiations, until such time as sufficient information on the restructuring terms and arrangements is available.

Apart from the above addition, no other changes in the policy for the collectively assessed loans and advances took place during the period.

Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended December 31, 2009.

3. Other financial assets

	March 31, 2010 AED'000 (un-audited)	December 31, 2009 AED'000 (audited)
Other financial assets measured at fair value		
(i) Investments measured at fair value through income statement (FVTIS)		
Debt securities	241,557	306,516
Equities	132,109	114,443
Funds	<u>150,539</u>	<u>168,893</u>
	524,205	589,852
(ii) Investments measured at fair value through other comprehensive income (FVTOCI)		
Equities	1,100,452	1,114,060
Funds	492,833	507,605
	<u>1,593,285</u>	<u>1,621,665</u>
Total other financial assets measured at fair value	<u>2,117,490</u>	<u>2,211,517</u>
Other financial assets measured at amortized cost		
Debt securities	9,216,679	9,364,884
Total other financial assets	<u><u>11,334,169</u></u>	<u><u>11,576,401</u></u>

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2010 to March 31, 2010

3. Other financial assets (continued)

	March 31, 2010	December 31, 2009
	AED'000	AED'000
	(un-audited)	(audited)
Geographic regions:		
- within U.A.E.	6,617,842	6,853,956
- outside U.A.E.	4,716,327	4,722,445
	11,334,169	11,576,401

During the period from January 1, 2010 to March 31, 2010, dividends received from financial assets measured at FVTOCI amounting to AED 0.07 million were recognized as investment income in the consolidated income statement.

4. Loans and advances measured at amortized cost

The analysis of the Group's loans and advances measured at amortized cost is as follows:

	March 31, 2010	December 31, 2009
	AED'000	AED'000
	(un-audited)	(audited)
Loans	34,277,164	35,593,302
Overdrafts	6,330,791	6,227,057
Credit cards	1,990,041	2,100,231
Other	148,677	185,107
	42,746,673	44,105,697
Less: Allowance for impairment	(2,341,144)	(1,984,870)
	40,405,529	42,120,827

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2010 to March 31, 2010

4. Loans and advances measured at amortized cost

Analysis by economic activities:

	March 31, 2010	December 31, 2009
	AED'000	AED'000
	(un-audited)	(audited)
Manufacturing	3,033,345	3,782,983
Construction	4,432,924	4,790,278
Trade	6,200,988	6,674,039
Transport and communication	1,545,405	1,640,053
Services	4,828,939	4,798,771
Banks and Financial Institutions	2,935,655	2,769,775
Personal	10,885,893	11,361,082
Government/Public Sector	8,875,846	8,209,706
Other	7,678	79,010
	42,746,673	44,105,697
Less: Allowance for impairment	(2,341,144)	(1,984,870)
	40,405,529	42,120,827

Loan facilities granted to customers amounting to AED 4.85 billion (2009: 3.35 billion) have been restructured which otherwise would have been past due or impaired. Total outstanding balance of these restructured loans as of March 31, 2010 amounted to AED 2.27 billion (2009: AED 1.05 billion).

The movement in the allowance for impairment of loans and advances during the period was as follows:

	March 31, 2010	December 31, 2009
	AED'000	AED'000
	(un-audited)	(audited)
Balance at 1 January,	1,984,870	1,118,809
Impairment allowance for the period	316,204	868,637
Interest in suspense	84,144	111,491
Amounts written off during the period	(5,981)	(92)
Recoveries	(38,093)	(113,975)
Balance at the end of the period	2,341,144	1,984,870

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 Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2010 to March 31, 2010

5. Islamic financing and investment products measured at amortized cost

The analysis of the Group's Islamic financing and investment products measured at amortized cost is as follows:

	March 31, 2010	December 31, 2009
	AED'000	AED'000
	(un-audited)	(audited)
<u>Financing</u>		
Murabaha	2,002,975	2,074,625
Ijara	<u>1,736,621</u>	<u>1,752,591</u>
	<u>3,739,596</u>	<u>3,827,216</u>
<u>Investing</u>		
Musharakah	1,441,447	1,472,794
Mudaraba	64,966	64,514
Wakala	<u>-</u>	<u>276,461</u>
	<u>1,506,413</u>	<u>1,813,769</u>
Total	5,246,009	5,640,985
Less: Unearned income	(14,590)	(16,732)
Allowance for impairment	<u>(22,178)</u>	<u>(14,964)</u>
	<u>5,209,241</u>	<u>5,609,289</u>

6. Property and equipment

During the period from January 1, 2010 to March 31, 2010, the Group purchased approximately AED 256 million (2009: AED 272 million) of various types of property and equipment and disposed of property and equipment with a net book value of AED 2 million (2009: AED 2 million) for proceeds of AED 7 million (2009: AED 1 million).

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2010 to March 31, 2010

7. Medium-term floating rate notes

	March 31, 2010	December 31, 2009
	AED'000	AED'000
	(un-audited)	(audited)
Tier 2 loan from the Ministry of Finance of the U.A.E.	3,443,593	3,443,593
Medium term floating rate notes	2,507,190	3,734,706
	5,950,783	7,178,299

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

The Group opted to convert customer deposits amounting to AED 3.44 billion received from the Federal Government in 2008 to Tier 2 qualifying loan ("Tier 2 loan"). The conversion process has been approved by the shareholders in the Extraordinary General Meeting held on March 15, 2009. The Tier 2 loan matures in October 2011 and November 2013. Interest is paid every three months and calculated on the prevailing coupon rate on the United States Treasury benchmark 5 year note plus 120 basis points or 4%, whichever is higher.

(b) Medium term floating rate notes

The maturities of the bonds (FRN) issued under the programme are as follows:

		March 31, 2010	December 31, 2009
		AED'000	AED'000
Due date	Interest rate	(un-audited)	(audited)
March 23, 2010	3 months Libor + 0.40%	-	1,193,725
April 6, 2011	3 months Libor + 0.38%	1,101,900	1,101,900
January 24, 2017	3 months Libor + 0.63%	1,405,290	1,439,081
		2,507,190	3,734,706

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2010 to March 31, 2010

7. Medium-term floating rate notes (continued)

(b) Medium term floating rate notes (continued)

During 2004, the Bank established a Euro Medium Term Note (EMTN) programme for US\$ 750 million (AED 2.75 billion). The EMTN programme was increased to US\$ 2 billion (AED 7.35 billion) on March 21, 2006. On March 15, 2010, the EMTN programme was further increased to US\$ 5 billion (AED 18.38 billion).

A US\$ 500 million (AED 1.84 billion) tranche issued in January 2007 is a subordinated floating rate note ("FRN") and qualifies for Tier 2 subordinated loan capital for first 5 years till 2012 and thereafter it will be amortized at the rate of 20% per annum for next five years until 2017 for capital adequacy calculation purposes. However, the FRN is callable in 5 years (i.e. in 2012 if not redeemed on completion of 5 years, there is provision of step up in coupon rate of 0.5% for next 5 years). This subordinated FRN has been approved by U.A.E. Central Bank as Tier 2 capital.

8. Paid up capital

During the period from January 1, 2010 to March 31, 2010, a proposed bonus share distribution of 1 share for each 20 shares on account of 2009 and a 15% cash dividend amounting to AED 242 million was approved by the Board of Directors and ratified by the shareholders at the Annual General Meeting.

As of March 31, 2010, 169,076,975 ordinary shares of AED 10 each (December 31, 2009: 161,025,690 ordinary shares of AED 10 each) were issued and were fully paid up.

9. General and administrative expenses

General and administrative expenses include senior management remuneration of AED 17million for the three-month period ended March 31, 2010 (2009: AED 32 million).

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2010 to March 31, 2010

10. Earnings per share

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

	March 31, 2010 (un-audited)	March 31, 2009 (un-audited)
Profit for the period (AED'000) (Attributed to shareholders of the parent)	250,781	484,110
Number of ordinary shares outstanding as of March 31, 2010 (Note 8)*	169,076,975	169,076,975
Earnings per share (AED)	1.48	2.86
Diluted Earnings per share (AED)	1.48	2.86

* The number of ordinary shares outstanding as of March 31, 2009 has been adjusted to reflect the bonus shares issued during 2010 (Note 8).

11. Cash and cash equivalents

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

	March 31, 2010 AED'000 (un-audited)	December 31, 2009 AED'000 (audited)
Cash and balances with central banks		
Cash in hand	476,172	514,758
Balances with central banks:		
Current accounts and other balances	3,685,465	2,325,386
Certificate of deposit	11,350,000	14,650,000
Deposits and balances due from banks maturing within 3 months	4,525,461	6,001,931
	20,037,098	23,492,075

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2010 to March 31, 2010

12. Contra accounts and commitments

	March 31, 2010	December 31, 2009
	AED'000	AED'000
	(un-audited)	(audited)
(a) Contra accounts (memoranda)		
Guarantees	40,516,453	41,226,839
Letters of credit	4,225,512	4,058,517
	<u>44,741,965</u>	<u>45,285,356</u>
(b) Derivative financial instruments (Note 13)	<u>90,411,529</u>	<u>91,228,468</u>
Total contra account and commitments (a + b)	<u><u>135,153,494</u></u>	<u><u>136,513,824</u></u>

13. Derivatives

<u>Derivative Financial instruments</u>	<u>Positive fair value</u>	<u>Negative fair value</u>	<u>Notional amount</u>
	AED'000	AED'000	AED'000
Forward foreign exchange contracts	365,673	358,482	51,227,670
Foreign exchange options (bought)	-	32,477	3,348,484
Foreign exchange options (sold)	32,432	-	3,444,158
Interest rate swaps	696,415	704,474	31,457,590
Caps bought	-	-	20,900
Caps sold	-	-	20,900
Credit default swaps	314	1,246	136,238
Equity derivatives	15,481	15,558	217,590
Futures contracts purchased (customers)	2,974	-	85,797
Futures contracts sold (customers)	-	3,635	183,203
Futures contracts sold (bank)	-	2,974	85,796
Futures contracts purchased (bank)	3,635	-	183,203
At March 31, 2010 – un-audited	<u><u>1,116,924</u></u>	<u><u>1,118,846</u></u>	<u><u>90,411,529</u></u>
At December 31, 2009 – audited	<u><u>1,269,198</u></u>	<u><u>1,270,436</u></u>	<u><u>91,228,468</u></u>

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2010 to March 31, 2010

14. Seasonality of results

No income of seasonal nature was recorded in the interim condensed consolidated financial information for the three-month periods ended March 31, 2010 and 2009.

15. 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 and its subsidiaries 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 unrelated parties. Such related party transactions are disclosed below.
- b) The Group is controlled by Al Ghurair Family members who own 82.27% of the share capital. The remaining shares are widely held.
- c) Related party balances as of March 31, 2010 are as follows:

	March 31, 2010	December 31, 2009
	AED’000	AED’000
	(un-audited)	(audited)
Loans and advances measured at amortized cost	2,293,846	1,903,602
Customers’ deposits	1,633,862	1,497,794
Letters of credit and guarantees	2,233,825	1,952,917
Other financial assets measured at FVTOCI	118,430	118,430
Investments revaluation reserve	(22,970)	(22,970)

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

	3 months ended March 31, 2010	2009
	AED’000	AED’000
	(un-audited)	(un-audited)
Interest income	33,681	29,235
Interest expense	8,249	16,849
Other income	39,875	25,300

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2010 to March 31, 2010

16. 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, 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.

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2010 to March 31, 2010

16. Segmental information (continued)

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, Wadiya, Mudarah 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.

As the Group's segment operations are all financial with a majority of revenues deriving from interest and the CEO and Group Executive Board rely primarily on net interest revenue to assess the performance of the segment, the total interest income and expense for all reportable segments is presented on a net basis.

Revenue reported below represents revenue generated from external customers. All inter-segment income in the year was eliminated.

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 central administration costs and directors' salaries, profits of associates, investment revenue, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Reportable segments (continued)

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Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2010 to March 31, 2010

16. Segmental information (continued)

Reportable segments (continued)

	Period from January 1, 2009 to March 31, 2009 (un-audited)					
	Treasury &					
	Domestic Corporate AED'000	Domestic Retail AED'000	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	175,255	274,119	35,686	44,426	20,293	7,289
Other income	109,431	148,182	142,896	58,736	(2,156)	130,267
Total operating income	284,686	422,301	178,582	103,162	18,137	137,556
General and administrative expenses						82,373
Allowances for impairment						(479,957)
Profit before taxes						(232,061)
Overseas income tax expense						514,779
Profit for the period						(3,190)
Attributed to:						511,589
Shareholders of the parent						484,110
Non-controlling interests						27,479
						511,589
December 31, 2009 (audited)						
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Segment Assets	24,985,894	10,480,184	29,959,280	13,072,782	6,368,094	3,609,033
Segment Liabilities	36,262,089	10,367,181	20,140,457	6,554,300	2,916,137	2,073,545
						4,460,743
						82,774,452

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2010 to March 31, 2010

17. 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**	
	Period ended March 31,		March	December
	2010	2009	31, 2010	31, 2009
	AED'000	AED'000	AED'000	AED'000
	(un-audited)	(un-audited)	(un-audited)	(audited)
U.A.E.	1,146,083	1,157,941	1,346,700	1,123,684
Other Middle East countries	68,466	41,144	317,706	320,928
O.E.C.D.	16,256	22,053	3,016	3,081
Other countries	7,010	5,659	922	1,018
	1,237,815	1,226,797	1,668,344	1,448,711

* 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 Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2010 to March 31, 2010

18. Capital adequacy

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

		March 31, 2010 AED'000 (un-audited)	December 31, 2009 AED'000 (audited)
Capital base			
Tier 1		11,577,436	11,567,976
Tier 2		5,172,375	5,115,577
		<u>16,749,811</u>	<u>16,683,553</u>
Deduction from capital		(31,825)	(31,825)
	(a)	<u>16,717,986</u>	<u>16,651,728</u>
Risk-weighted assets:			
Credit Risk		75,909,248	77,086,127
Market Risk		324,557	441,050
Operational Risk		4,980,150	4,980,150
		<u>81,213,955</u>	<u>82,507,327</u>
Total risk-weighted assets	(b)	<u>81,213,955</u>	<u>82,507,327</u>
Capital adequacy ratio (%) [(a)/(b) x 100]		<u>20.59%</u>	<u>20.18%</u>

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2010 to March 31, 2010

18. Capital adequacy (continued)

Tier 2 Capital at March 31, 2010 as shown above includes medium-term floating rate notes (Note 7).