MASHREQBANK PSC GROUP

Review report and interim financial information for the period from 1 January 2011 to 30 June 2011

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Condensed consolidated statement of financial position as at 30 June 2011

	Note	30 June 2011 (un-audited) AED '000	31 December 2010 (audited) AED '000
ASSETS			
Cash and balances with central banks		**17,430,898**	13,373,722
Deposits and balances due from banks		**13,842,524**	13,651,955
Other financial assets measured at fair value	3	**2,340,608**	2,222,680
Loans and advances measured at amortised cost	4	**33,016,453**	35,919,982
Islamic financing and investment products measured at amortised cost	5	**5,078,804**	5,290,904
Other financial assets measured at amortised cost	3	**6,454,563**	8,083,811
Interest receivable and other assets		**5,155,310**	4,755,743
Investment properties		**238,348**	172,320
Property and equipment	6	**1,459,821**	1,374,686
Total assets		**85,017,329**	84,845,803
LIABILITIES AND EQUITY			
Liabilities			
Deposits and balances due to banks		**7,425,995**	6,945,626
Repurchase agreements with banks		**1,759,674**	2,461,993
Customers' deposits		**48,214,981**	46,764,858
Islamic customers' deposits		**3,727,358**	4,488,815
Insurance and life assurance funds		**999,360**	896,587
Interest payable and other liabilities		**5,545,711**	4,990,584
Medium-term loans	7	**4,712,982**	5,903,034
Long-term loans		**9,199**	9,324
Total liabilities		**72,395,260**	72,460,821
Equity			
Issued and paid up capital	8	**1,690,770**	1,690,770
Statutory and legal reserves		**846,991**	845,385
General reserve		**312,000**	312,000
Cumulative translation adjustment		**(14,221)**	(19,483)
Investments revaluation reserve		**(296,398)**	(284,120)
Retained earnings		**9,509,518**	9,300,191
Equity attributable to shareholders of the Parent		**12,048,660**	11,844,743
Non-controlling interests		**573,409**	540,239
Total equity		**12,622,069**	12,384,982
Total liabilities and equity		**85,017,329**	84,845,803

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

The condensed consolidated financial statements on pages 2 to 24 were approved by the Board of Directors on 26 July 2011 and signed on their behalf by:

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 2011 to 30 June 2011

	Note	3 months ended 30 June		6 months ended 30 June	
		2011	2010	**2011**	2010
		(un-audited) AED '000	(un-audited) AED '000	**(un-audited) AED '000**	(un-audited) AED '000
Interest income		**791,481**	1,023,494	**1,705,536**	2,080,233
Income from Islamic financing and investment products		**66,435**	66,235	**132,065**	136,200
Total interest income and income from Islamic financing and investment products		**857,916**	1,089,729	**1,837,601**	2,216,433
Interest expense		**(350,795)**	(475,588)	**(737,317)**	(977,218)
Distribution to depositors – Islamic products		**(29,666)**	(35,834)	**(64,768)**	(67,858)
Net interest income and income from Islamic products net of distribution to depositors		**477,455**	578,307	**1,035,516**	1,171,357
Fee and commission income		**536,595**	479,335	**1,012,597**	1,010,389
Fee and commission expense		**(240,134)**	(205,714)	**(456,005)**	(377,770)
Net fee and commission income		**296,461**	273,621	**556,592**	632,619
Net investment income/(loss)		**69,194**	(5,102)	**112,019**	46,938
Other income, net		**225,661**	221,194	**457,904**	454,922
Operating income		**1,068,771**	1,068,020	**2,162,031**	2,305,836
General and administrative expenses	9	**(458,252)**	(432,157)	**(914,165)**	(896,768)
Allowances for impairment		**(312,043)**	(407,954)	**(637,409)**	(892,029)
Profit before taxes		**298,476**	227,909	**610,457**	517,039
Overseas income tax expense		**(3,965)**	(5,056)	**(11,222)**	(7,951)
Profit for the period		**294,511**	222,853	**599,235**	509,088
Attributed to:					
Shareholders of the parent		**286,272**	202,571	**551,576**	453,351
Non-controlling interests		**8,239**	20,282	**47,659**	55,737
		294,511	222,853	**599,235**	509,088
Earnings per share (AED)	10	**1.69**	1.20	**3.26**	2.68

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 2011 to 30 June 2011

	3 months ended 30 June		6 months ended 30 June	
	2011	2010	**2011**	2010
	(un-audited) AED '000	(un-audited) AED '000	**(un-audited) AED '000**	(un-audited) AED '000
Profit for the period	**294,511**	222,853	**599,235**	509,088
Other comprehensive income/(loss)				
Changes in fair value of financial assets measured at fair value through other comprehensive income (FVTOCI), net	**20,132**	(37,850)	**(29,256)**	(74,914)
Cumulative translation adjustment	**1,225**	(2,043)	**5,262**	(1,641)
Total other comprehensive income/(loss) for the period	**21,357**	(39,893)	**(23,994)**	(76,555)
Total comprehensive income for the period	**315,868**	182,960	**575,241**	432,533
Attributed to:				
Shareholders of the parent	**303,841**	173,112	**542,071**	407,902
Non-controlling interests	**12,027**	9,848	**33,170**	24,631
	315,868	182,960	**575,241**	432,533

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 2011 to 30 June 2011

	Issued and paid up capital AED'000	Statutory and legal reserves AED'000	General reserve AED'000	Cumulative translation adjustment AED'000	Investments revaluation reserve AED'000	Retained earnings AED'000	Equity attributable to shareholders of the Parent AED'000	Non-controlling interests AED'000	Total AED'000
Balance at 31 December 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	-	-	-	-	-	453,351	453,351	55,737	509,088
Other comprehensive loss for the period	-	-	-	(1,641)	(43,808)	-	(45,449)	(31,106)	(76,555)
Total comprehensive (loss)/ income for the period	-	-	-	(1,641)	(43,808)	453,351	407,902	24,631	432,533
Transfer from investment revaluation reserve to retained earnings	-	-	-	-	(16,067)	16,067	-	-	-
Transfer to statutory and legal reserve	-	852	-	-	-	(852)	-	-	-
Payment of dividends	-	-	-	-	-	(241,537)	(241,537)	(55,501)	(297,038)
Bonus shares issued	80,513	-	-	-	-	(80,513)	-	-	-
Balance at 30 June 2010 (un-audited)	1,690,770	805,981	312,000	(26,659)	(339,610)	8,997,092	11,439,574	543,413	11,982,987
Balance at 31 December 2010 (audited)	**1,690,770**	**845,385**	**312,000**	**(19,483)**	**(284,120)**	**9,300,191**	**11,844,743**	**540,239**	**12,384,982**
Profit for the period	-	-	-	-	-	**551,576**	**551,576**	**47,659**	**599,235**
Other comprehensive income/(loss)	-	-	-	**5,262**	**(14,767)**	-	**(9,505)**	**(14,489)**	**(23,994)**
Total comprehensive income/(loss) for the period	-	-	-	**5,262**	**(14,767)**	**551,576**	**542,071**	**33,170**	**575,241**
Transfer from investments revaluation reserve to retained earnings	-	-	-	-	**2,489**	**(2,489)**	-	-	-
Transfer to statutory and legal reserves	-	**1,606**	-	-	-	**(1,606)**	-	-	-
Payment of dividends (Note 8)	-	-	-	-	-	**(338,154)**	**(338,154)**	-	**(338,154)**
Balance at 30 June 2011(un-audited)	**1,690,770**	**846,991**	**312,000**	**(14,221)**	**(296,398)**	**9,509,518**	**12,048,660**	**573,409**	**12,622,069**

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 2011 to 30 June 2011

	6 months ended 30 June 2011 (un-audited) AED '000	6 months ended 30 June 2010 (un-audited) AED '000
Cash flows from operating activities		
Profit for the period	**599,235**	509,088
Adjustments for:		
Depreciation of property and equipment	**76,485**	71,745
Allowances for impairment	**637,409**	892,029
Gain on sale of property and equipment	**(17,304)**	(9,513)
Gain from redemption of medium term notes	**(29,385)**	(22,928)
Fair value adjustment of other financial assets measured at FVTPL	**(12,356)**	17,752
Fair value adjustment of derivatives	**(1,216)**	(16,537)
Changes in operating assets and liabilities		
(Increase)/decrease in deposits with central banks for regulatory purposes and certificate of deposits with the central banks	**(7,325,341)**	2,018,294
Decrease in deposits and balances due from banks maturing after three months	**1,098,383**	423,205
(Inecrease)/decrease in other financial assets carried at FVTPL	**(156,884)**	101,840
Decrease in loans and advances measured at amortized cost	**2,356,687**	3,266,310
Decrease in Islamic financing and investment products measured at amortized cost	**202,895**	93,658
(Increase)/decrease in interest receivable and other assets	**(409,713)**	206,836
Increase/(decrease) in deposits and balances due to banks	**480,369**	(1,152,891)
Increase/(decrease) in customers' deposits	**1,450,123**	(6,606,887)
(Decrease)/increase in Islamic customers' deposits	**(761,457)**	1,286,591
Increase in insurance and life assurance funds	**102,773**	51,011
Increase/(decrease) in interest payable and other liabilities	**555,127**	(17,421)
Decrease in medium-term loans	**(1,160,667)**	(1,204,588)
Decrease in long-term loans	**(125)**	(149)
Decrease in repurchase agreements with banks	**(702,319)**	(735,518)
Net cash used in operating activities	**(3,017,281)**	(828,073)
Cash flows from investing activities		
Purchase of property and equipment	**(253,193)**	(294,730)
Proceeds from sale of property and equipment	**38,877**	22,823
Net decrease in non-trading investments	**1,585,276**	897,547
Net cash generated from investing activities	**1,370,960**	625,640
Cash flows from financing activities		
Dividend paid	**(338,154)**	(297,039)
Net cash used in financing activities	**(338,154)**	(297,039)
Net decrease in cash and cash equivalents	**(1,984,475)**	(499,472)
Net foreign exchange difference	**5,262**	(1,641)
Cash and cash equivalents at beginning of the period	**14,427,686**	12,142,075
Cash and cash equivalents at end of the period (Note 11)	**12,448,473**	11,640,962

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 2011 to 30 June 2011

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 2011, 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	99.70	99.70	Islamic finance company
Mashreq Capital (DIFC) Limited	United Arab Emirates	100.00	100.00	Brokerage and asset & fund management
Al Yamama Services FZ LLC	United Arab Emirates	100.00	100.00	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	*	100.00	Special purpose vehicle
Orriston Limited	British Virgin Islands	*	100.00	Special purpose vehicle

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

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

1 General information (continued)

New and revised IFRSs in issue but not yet effective

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

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 1 relating to *Replacement of 'fixed dates' for certain exceptions with 'the date of transition to IFRSs'*	1 July 2011
Amendments to IFRS 7 *Financial Instruments: Disclosures, relating to Disclosures on Transfers of Financial Assets*	1 July 2011
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 12 *Income Taxes – Limited scope amendment*	1 January 2012
Amendments to IAS 1 *Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented*	1 July 2012
Amendments to IAS 19 *Employee Benefits* - Amended Standard resulting from the *Post-Employment Benefits and Termination Benefits projects*	1 January 2013
IAS 27 *Consolidated and Separate Financial Statements* - Reissued as IAS 27 *Separate Financial Statements*	1 January 2013
IAS *28 Investments in Associates* - Reissued as IAS 28 *Investments in Associates and Joint Ventures*	1 January 2013

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

Notes to the condensed consolidated financial statements (continued)
for the period from 1 January 2011 to 30 June 2011

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 2010.

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 2010. In addition, results for the period from 1 January 2011 to 30 June 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

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 2010.

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 2010.

Notes to the condensed consolidated financial statements (continued)
for the period from 1 January 2011 to 30 June 2011

3 Other financial assets

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

	30 June 2011 (un-audited) AED'000	31 December 2010 (audited) AED'000
Other financial assets measured at fair value		
(i) **Investments measured at fair value through profit and loss (FVTPL)**		
Debt securities	**608,504**	362,813
Equities	**46,999**	117,750
Mutual and other funds	**104,867**	110,567
	760,370	591,130
(ii) **Investments measured at fair value through other comprehensive income (FVTOCI)**		
Equities	**1,385,065**	1,362,536
Mutual and other funds	**195,173**	269,014
	1,580,238	1,631,550
Total other financial assets measured at fair value	**2,340,608**	2,222,680
(iii) **Other financial assets measured at amortised cost**		
Debt securities	**6,454,563**	8,083,811
Total other financial assets	**8,795,171**	10,306,491

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

	30 June 2011 (un-audited) AED'000	31 December 2010 (audited) AED'000
Balances within the U.A.E.	**6,305,922**	7,556,238
Balances outside the U.A.E.	**2,489,249**	2,750,253
	8,795,171	10,306,491

Notes to the condensed consolidated financial statements (continued)
for the period from 1 January 2011 to 30 June 2011

3 **Other financial assets** (continued)

(c) During the period from 1 January 2011 to 30 June 2011, dividends received from financial assets measured at FVTOCI amounting to AED 41 million (period ended 30 June 2010: AED 36 million) were recognized as investment income in the condensed consolidated income statement.

(d) Other financial assets measured at FVTOCI includes AED 226 million (31 December 2010: AED 215 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 June 2011 (un-audited) AED'000	31 December 2010 (audited) AED'000
Loans	**30,152,114**	31,511,847
Overdrafts	**4,556,757**	5,566,230
Credit cards	**1,610,962**	1,764,167
Other	**173,348**	177,452
	36,493,181	39,019,696
Less: Allowance for impairment	**(3,476,728)**	(3,099,714)
	33,016,453	35,919,982

Notes to the condensed consolidated financial statements (continued)
for the period from 1 January 2011 to 30 June 2011

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 June 2011 (un-audited) AED'000	31 December 2010 (audited) AED'000
Manufacturing	**2,099,178**	1,873,389
Construction	**2,805,335**	3,522,034
Trade	**6,381,910**	6,361,922
Transport and communication	**1,253,383**	1,446,582
Services	**4,195,953**	4,263,202
Financial institutions	**2,782,364**	2,934,528
Retail	**9,823,323**	10,377,708
Government/public sector	**7,112,165**	8,184,883
Other	**39,570**	55,448
	36,493,181	39,019,696
Less: Allowance for impairment	**(3,476,728)**	(3,099,714)
	33,016,453	35,919,982

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

	6 months ended 30 June 2011 (un-audited) AED '000	Year ended 31 December 2010 (audited) AED '000
Balance at the beginning of the period/year	**3,099,714**	1,947,274
Impairment allowance for the period/year	**363,786**	928,974
Interest in suspense	**164,717**	274,060
Recoveries during the period/year	**(60,428)**	(50,594)
Written off during the period/year	**(91,061)**	-
Balance at the end of the period/year	**3,476,728**	3,099,714

(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 (continued)
for the period from 1 January 2011 to 30 June 2011

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 June 2011 (un-audited) AED'000	31 December 2010 (audited) AED'000
Financing		
Murabaha	**2,250,210**	1,971,632
Ijara	**1,786,387**	2,234,472
	4,036,597	4,206,104
Investment		
Musharakah	**934,591**	919,329
Mudaraba	**333,706**	320,106
	1,268,297	1,239,435
Total	**5,304,894**	5,445,539
Less: Unearned income	**(101,760)**	(18,542)
Allowance for impairment	**(124,330)**	(136,093)
	5,078,804	5,290,904

Notes to the condensed consolidated financial statements (continued)
for the period from 1 January 2011 to 30 June 2011

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 June 2011 (un-audited) AED'000	31 December 2010 (audited) AED'000
Construction	**1,365,633**	1,492,325
Trade	**72,975**	10,555
Transport and communication	**16,780**	38,321
Services	**1,132,113**	1,312,940
Financial institutions	**332,503**	350,816
Retail	**772,430**	352,736
Government/public sector	**1,569,355**	1,866,707
Other	**43,105**	21,139
Total	**5,304,894**	5,445,539
Less: Unearned income	**(101,760)**	(18,542)
Allowance for impairment	**(124,330)**	(136,093)
	5,078,804	5,290,904

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

	6 months ended 30 June 2011 (un-audited) AED '000	Year ended 31 December 2010 (audited) AED '000
Balance at the beginning of the period/year	**136,093**	52,560
Impairment allowance for the period/year	**7,720**	69,205
Profit in suspense	**5,092**	14,328
Written off during the period/year	**(24,575)**	-
Balance at the end of the period/year	**124,330**	136,093

(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.

Notes to the condensed consolidated financial statements (continued)
for the period from 1 January 2011 to 30 June 2011

6 Property and equipment

During the period from 1 January 2011 to 30 June 2011, the Group purchased approximately AED 253.2 million (period ended 30 June 2010: AED 294.7 million) of various types of property and equipment and disposed of property and equipment with a net book value of AED 21.5 million (period ended 30 June 2010: AED 13.3 million) for proceeds of AED 38.8 million (period ended 30 June 2010: AED 22.8 million).

7 Medium-term loans

	30 June 2011 (un-audited) AED'000	31 December 2010 (audited) AED'000
Tier 2 loan from the Ministry of Finance of the U.A.E.	**3,443,593**	3,443,593
Medium term floating rate notes	**1,269,389**	2,459,441
	4,712,982	5,903,034

(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 in June 2016 and qualifies for Tier 2 subordinated loan capital for the first 2 years until June 2011 and therafter it will be amortised at the rate of 20% per annum for the last five years until June 2016 for capital adequacy calculation purposes.

Interest is paid every three months and calculated at a rate of 4.00% for the first and second year, 4.50% for the third year, 5.00% for the fourth year and 5.25% for the last three years.

(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 June 2011 (un-audited) AED'000**	31 December 2010 (audited) AED'000
6 April 2011	3 months Libor + 0.380%	-	1,101,900
24 January 2017	3 months Libor + 0.625%	**1,269,389**	1,357,541
		1,269,389	2,459,441

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

Notes to the condensed consolidated financial statements (continued)
for the period from 1 January 2011 to 30 June 2011

7 Medium-term loans (continued)

(b) Medium term floating rate notes (continued)

AED 1.3 billion (31 December 2010: AED 1.4 billion) is a subordinated floating rate note ("FRN") and qualifies for Tier 2 subordinated loan capital for first 5 years till 2012 and therafter it will be amortised at the rate of 20% per annum for next five years until 2017 for capital adequacy calculation purposes. However, the FRN is callable in 5 years (i.e. in 2012 if not redeemed on completion of 5 years, there is provision for step up in coupon rate by 0.5% each year for next 5 years). This subordinated FRN has been approved by U.A.E. Central Bank as Tier 2 capital.

8 Issued and paid up capital

As at 30 June 2011, 169,076,975 ordinary shares of AED 10 each (31 December 2010: 169,076,975 ordinary shares of AED 10 each) were fully issued and paid up.

During the six months ended 30 June 2011, a 20% cash dividend amounting to AED 338.15 million was approved by the Board of Directors and ratified by the shareholders at the Annual General Meeting held on 6 March 2011.

9 General and administrative expenses

General and administrative expenses include senior management remuneration of AED 53 million for the period from 1 January 2011 to 30 June 2011 (period ended 30 June 2010: AED 36 million).

10 Earnings per share

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

	6 months ended 30 June 2011 (un-audited)	6 months ended 30 June 2010 (un-audited)
Profit for the period (AED'000) (Attributed to shareholders of the parent)	**551,576**	453,351
Number of ordinary shares outstanding	**169,076,975**	169,076,975
Earnings per share (AED)	**3.26**	2.68
Diluted earnings per share (AED)	**3.26**	2.68

Notes to the condensed consolidated financial statements (continued)
for the period from 1 January 2011 to 30 June 2011

11 Cash and cash equivalents

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

	30 June 2011 (un-audited) AED'000	30 June 2010 (un-audited) AED'000
Cash and balances with central banks maturing within 3 months		
Cash on hand	**673,077**	529,307
Balances with central banks:		
Current accounts and other balances with central banks	**1,127,658**	3,680,264
Certificate of deposits with Central Bank	**500,000**	-
Deposits and balances due from banks maturing within 3 months	**10,147,738**	7,431,391
	12,448,473	11,640,962

12 Contra accounts

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

	30 June 2011 (un-audited) AED'000	31 December 2010 (audited) AED'000
Contra accounts (memoranda)		
Guarantees	**38,159,776**	36,942,725
Letters of credit	**5,647,021**	4,185,968
	43,806,797	41,128,693

Notes to the condensed consolidated financial statements (continued)
for the period from 1 January 2011 to 30 June 2011

13 Derivative financial instruments

	30 June 2011 (un-audited)		
	Positive fair value AED'000	Negative fair value AED'000	Notional Amount AED'000
Held for Trading:			
Forward foreign exchange contract	**205,666**	**177,858**	**70,939,232**
Foreign exchange options (bought)	**-**	**30,070**	**20,297,124**
Foreign exchange options (sold)	**25,335**	**-**	**28,568,725**
Interest rate swaps	**659,240**	**664,125**	**23,662,382**
Credit default swap	**278**	**3,673**	**315,144**
Equity derivatives	**8,077**	**7,404**	**719,714**
Futures contracts purchased (Customer)	**-**	**1,559**	**127,897**
Futures contracts sold (Customer)	**650**	**-**	**123,648**
Futures contracts sold (Bank)	**1,559**	**-**	**127,897**
Futures contracts purchased (Bank)	**-**	**650**	**123,648**
	900,805	**885,339**	**145,005,411**

	31 December 2010 (audited)		
	Positive fair value AED'000	Negative fair value AED'000	Notional Amount AED'000
Held for Trading:			
Forward foreign exchange contract	237,255	202,764	30,627,886
Foreign exchange options (bought)	-	84,895	8,972,288
Foreign exchange options (sold)	84,990	-	12,709,233
Interest rate swaps	787,935	796,010	16,058,219
Equity derivatives	5,277	9,166	286,480
Futures contracts purchased (Customer)	-	7	104,452
Futures contracts sold (Customer)	-	2,114	109,601
Futures contracts sold (Bank)	7	-	104,452
Futures contracts purchased (Bank)	2,114	-	109,601
	1,117,578	1,094,956	69,082,212

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.

14 Seasonality of results

No income of seasonal nature was recorded in the condensed consolidated financial statements for the six month periods ended 30 June 2011 and 2010.

Notes to the condensed consolidated financial statements (continued)
for the period from 1 January 2011 to 30 June 2011

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 in the ordinary course of business. Transactions with such related parties are made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with external customers and parties. Such related party transactions are disclosed below.

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

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

	30 June 2011 (un-audited) AED'000	31 December 2010 (audited) AED'000
Loans and advances measured at amortised cost	**2,013,780**	2,197,299
Customers' deposits	**1,131,362**	1,144,987
Letters of credit and guarantees	**2,157,573**	2,284,953

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

	6 months ended 30 June 2011 (un-audited) AED '000	6 months ended 30 June 2010 (un-audited) AED '000
Interest income	**49,984**	76,389
Interest expense	**8,818**	16,702
Other income, net	**25,661**	57,519

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, Margin FX, Futures, Hedging, Investment Products, Domestic Equities (brokerage) and Asset Management undertaken on behalf of customers. The proprietary business includes trading and investing activity undertaken on behalf of the Group.

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

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

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

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

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

Notes to the condensed consolidated financial statements (continued) for the period from 1 January 2011 to 30 June 2011

16 Segmental information (continued)

Reportable segments (continued)

	Period from 1 January 2011 to 30 June 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	386,375	457,599	(57,695)	110,103	67,297	12,767	59,070	1,035,516
Other income, net	197,054	196,709	208,588	146,117	38,205	300,179	39,663	1,126,515
Total operating income	583,429	654,308	150,893	256,220	105,502	312,946	98,733	2,162,031
General and administrative expenses								(914,165)
Allowances for impairment								(637,409)
Profit before taxes								610,457
Overseas income tax expense								(11,222)
Profit for the period								599,235
Attributed to:								
Shareholders of the parent								551,576
Non-controlling interests								47,659
								599,235
	30 June 2011 (un-audited)							
Segment Assets	19,694,511	8,066,799	29,387,268	11,321,320	5,994,440	3,676,154	6,876,837	85,017,329
Segment Liabilities	29,671,562	10,086,500	9,856,000	11,039,452	3,759,086	2,021,240	5,961,420	72,395,260

Notes to the condensed consolidated financial statements (continued) for the period from 1 January 2011 to 30 June 2011

16 Segmental information (continued)

Reportable segments (continued)

	Period from 1 January 2010 to 30 June 2010 (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	335,903	536,907	39,839	93,053	68,342	10,915	86,398	1,171,357
Other income, net	184,326	285,116	173,707	143,178	31,423	284,398	32,331	1,134,479
Total operating income	520,229	822,023	213,546	236,231	99,765	295,313	118,729	2,305,836
General and administrative expense								(896,768)
Allowances for impairment								(892,029)
Profit before taxes								517,039
Overseas income tax expenses								(7,951)
Profit for the period								509,088
Attributed to:								
Shareholders of the parent								453,351
Non-controlling interests								55,737
								509,088
	31 December 2010 (audited)							
Segment Assets	20,051,692	9,149,994	24,880,979	14,748,296	6,203,239	3,542,003	6,269,600	84,845,803
Segment Liabilities	30,351,066	9,367,700	13,226,200	8,489,066	4,509,800	2,101,456	4,415,533	72,460,821

Notes to the condensed consolidated financial statements (continued)
for the period from 1 January 2011 to 30 June 2011

16 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 2011 (un-audited) AED'000	6 month ended 30 June 2010 (un-audited) AED'000	**30 June 2011 (un-audited) AED'000**	31 December 2010 (audited) AED'000
U.A.E.	**1,984,489**	2,134,789	**1,394,537**	1,240,549
Other Middle East countries	**121,055**	126,542	**298,315**	303,246
O.E.C.D.	**37,802**	30,660	**4,351**	2,664
Other countries	**18,685**	13,845	**966**	547
	2,162,031	2,305,836	**1,698,169**	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 (continued)
for the period from 1 January 2011 to 30 June 2011

17 Capital adequacy ratio

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

		30 June 2011 (un-audited) AED'000	31 December 2010 (audited) AED'000
Capital base			
Tier 1		**12,358,998**	12,142,811
Tier 2*		**5,204,365**	5,199,166
Deduction from capital		**(31,825)**	(31,825)
Total capital base	**(A)**	**17,531,538**	17,310,152
Risk-weighted assets			
Credit risk		**71,452,734**	70,589,478
Market risk		**624,110**	348,316
Operational risk		**5,542,190**	5,351,405
Total risk-weighted assets	**(B)**	**77,619,034**	76,289,199
Risk asset ratio (%) [(A)/(B) x 100]		**22.59%**	22.69%

* Tier 2 capital base as at 30 June 2011 and 31 December 2010 includes qualifying subordinated medium-term loans (Note 7).