
MASHREQBANK PSC GROUP

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

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

We have reviewed the accompanying condensed consolidated statement of financial position of **Mashreqbank psc and its Subsidiaries** (the "Group") as at 30 September 2011 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine-month period then ended. The management of the Group is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard 34 - '*Interim Financial Reporting*' ("IAS 34"). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

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

Deloitte & Touche (M.E.)



**Anis F. Sadek
Partner
Registration No. 521
25 October 2011**

**Condensed consolidated statement of financial position
as at 30 September 2011**

		30 September 2011 (un-audited) AED '000	31 December 2010 (audited) AED '000
	Note		
ASSETS			
Cash and balances with central banks		14,306,044	13,373,722
Deposits and balances due from banks		11,464,140	13,651,955
Other financial assets measured at fair value	3	2,191,593	2,222,680
Loans and advances measured at amortised cost	4	33,102,437	35,919,982
Islamic financing and investment products measured at amortised cost	5	4,890,037	5,290,904
Other financial assets measured at amortised cost	3	7,051,969	8,083,811
Interest receivable and other assets		5,291,769	4,755,743
Investment properties		213,348	172,320
Property and equipment	6	1,445,518	1,374,686
Total assets		79,956,855	84,845,803
LIABILITIES AND EQUITY			
Liabilities			
Deposits and balances due to banks		11,547,507	6,945,626
Repurchase agreements with banks		712,487	2,461,993
Customers' deposits		39,430,353	46,764,858
Islamic customers' deposits		4,197,280	4,488,815
Insurance and life assurance funds		973,379	896,587
Interest payable and other liabilities		5,576,047	4,990,584
Medium-term loans	7	4,672,579	5,903,034
Long-term loans		9,141	9,324
Total liabilities		67,118,773	72,460,821
Equity			
Issued and paid up capital	8	1,690,770	1,690,770
Statutory and legal reserves		846,860	845,385
General reserve		312,000	312,000
Cumulative translation adjustment		(23,348)	(19,483)
Investments revaluation reserve		(285,720)	(284,120)
Retained earnings		9,714,524	9,300,191
Equity attributable to shareholders of the Parent		12,255,086	11,844,743
Non-controlling interests		582,996	540,239
Total equity		12,838,082	12,384,982
Total liabilities and equity		79,956,855	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 25 October 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 September 2011

	<u>Note</u>	3 months ended 30 September		9 months ended 30 September	
		2011 (un-audited) AED '000	2010 (un-audited) AED '000	2011 (un-audited) AED '000	2010 (un-audited) AED '000
Interest income		726,062	1,002,870	2,431,598	3,083,103
Income from Islamic financing and investment products		56,949	76,085	189,014	212,285
Total interest income and income from Islamic financing and investment products		783,011	1,078,955	2,620,612	3,295,388
Interest expense		(320,984)	(453,966)	(1,058,301)	(1,431,184)
Distribution to depositors – Islamic products		(18,693)	(52,596)	(83,461)	(120,454)
Net interest income and income from Islamic products net of distribution to depositors		443,334	572,393	1,478,850	1,743,750
Fee and commission income		441,470	413,913	1,454,067	1,424,302
Fee and commission expense		(193,917)	(170,284)	(649,922)	(548,054)
Net fee and commission income		247,553	243,629	804,145	876,248
Net investment income		4,360	4,628	116,379	51,566
Other income, net		128,289	109,353	586,193	564,275
Operating income		823,536	930,003	2,985,567	3,235,839
General and administrative expenses	9	(396,682)	(411,280)	(1,310,847)	(1,308,048)
Allowances for impairment		(209,289)	(316,777)	(846,698)	(1,208,806)
Profit before taxes		217,565	201,946	828,022	718,985
Overseas income tax expense		(5,697)	(2,748)	(16,919)	(10,699)
Profit for the period		211,868	199,198	811,103	708,286
Attributed to:					
Shareholders of the parent		204,875	194,034	756,451	647,385
Non-controlling interests		6,993	5,164	54,652	60,901
		211,868	199,198	811,103	708,286
Earnings per share (AED)	10	1.21	1.15	4.47	3.83

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 September 2011**

	3 months ended 30 September		9 months ended 30 September	
	2011	2010	2011	2010
	(un-audited)	(un-audited)	(un-audited)	(un-audited)
	AED '000	AED '000	AED '000	AED '000
Profit for the period	211,868	199,198	811,103	708,286
Other comprehensive income				
Changes in fair value of financial assets measured at FVTOCI, net	13,272	40,078	(15,984)	(34,836)
Cumulative translation adjustment	(9,127)	6,344	(3,865)	4,703
Total other comprehensive income/(loss) for the period	4,145	46,422	(19,849)	(30,133)
Total comprehensive income for the period	216,013	245,620	791,254	678,153
Attributed to:				
Shareholders of the parent	206,426	228,724	748,497	636,626
Non-controlling interests	9,587	16,896	42,757	41,527
	216,013	245,620	791,254	678,153

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

MASHREQBANK PSC GROUP

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Condensed consolidated statement of changes in equity (un-audited) for the period from 1 January 2011 to 30 September 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	-	-	-	-	-	647,385	647,385	60,901	708,286
Other comprehensive income/(loss) for the period	-	-	-	4,703	(15,462)	-	(10,759)	(19,374)	(30,133)
Total comprehensive income/(loss) for the period	-	-	-	4,703	(15,462)	647,385	636,626	41,527	678,153
Transfer from investment revaluation reserve to retained earnings	-	-	-	-	(16,067)	16,067	-	-	-
Transfer to statutory and legal reserve	-	883	-	-	-	(883)	-	-	-
Payment of dividends	-	-	-	-	-	(241,538)	(241,538)	(55,501)	(297,039)
Bonus shares issued	80,513	-	-	-	-	(80,513)	-	-	-
Balance at 30 September 2010 (un-audited)	1,690,770	806,012	312,000	(20,315)	(311,264)	9,191,094	11,668,297	560,309	12,228,606
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	-	-	-	-	-	756,451	756,451	54,652	811,103
Other comprehensive loss	-	-	-	(3,865)	(4,089)	-	(7,954)	(11,895)	(19,849)
Total comprehensive (loss)/income for the period	-	-	-	(3,865)	(4,089)	756,451	748,497	42,757	791,254
Transfer from investments revaluation reserve to retained earnings	-	-	-	-	2,489	(2,489)	-	-	-
Transfer to statutory and legal reserves	-	1,475	-	-	-	(1,475)	-	-	-
Payment of dividends (Note 8)	-	-	-	-	-	(338,154)	(338,154)	-	(338,154)
Balance at 30 September 2011 (un-audited)	1,690,770	846,860	312,000	(23,348)	(285,720)	9,714,524	12,255,086	582,996	12,838,082

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 September 2011**

	9 months ended 30 September 2011 (un-audited) AED '000	9 months ended 30 September 2010 (un-audited) AED '000
Cash flows from operating activities		
Profit for the period	811,103	708,286
Adjustments for:		
Depreciation of property and equipment	118,316	105,885
Allowances for impairment	846,698	1,208,806
Gain on sale of property and equipment	(16,129)	(9,134)
Gain from redemption of medium term notes	(24,919)	-
Fair value adjustment of other financial assets measured at FVTPL	11,923	(3,965)
Fair value adjustment of derivatives	17,445	(12,813)
Fair value adjustment of investment properties	35,000	-
Changes in operating assets and liabilities		
Increase in deposits with central banks for regulatory purposes and certificate of deposits with the central banks	(4,617,269)	(5,463,537)
Decrease in deposits and balances due from banks maturing after three months	1,200,414	463,248
Decrease in loans and advances measured at amortized cost	2,070,443	3,274,209
Decrease in Islamic financing and investment products measured at amortized cost	384,438	69,031
(Increase)/decrease in interest receivable and other assets	(566,638)	717,427
Increase in deposits and balances due to banks	4,601,881	393,574
Decrease in customers' deposits	(7,334,505)	(6,615,854)
(Increase)/decrease in other financial assets measured at FVTPL	(17,634)	89,872
(Decrease)/increase in Islamic customers' deposits	(291,535)	2,190,848
Increase in insurance and life assurance funds	76,792	46,774
Increase/(decrease) in interest payable and other liabilities	585,463	(592,295)
Decrease in medium-term loans	(1,205,536)	(1,227,516)
Decrease in long-term loans	(183)	(207)
Decrease in repurchase agreements with banks	(1,749,506)	(2,101,988)
Net cash used in operating activities	(5,063,938)	(6,759,349)
Cash flows from investing activities		
Purchase of property and equipment	(281,638)	(357,646)
Proceeds from sale of property and equipment	38,619	25,860
Net decrease in non-trading investments	976,628	616,499
Net cash from investing activities	733,609	284,713
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	(4,668,483)	(6,771,675)
Net foreign exchange difference	(3,865)	4,703
Cash and cash equivalents at beginning of the period	14,427,686	23,492,075
Cash and cash equivalents at end of the period (Note 11)	9,755,338	16,725,103

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 September 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 September 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
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 entities are considered to be subsidiaries by virtue of effective control.

For the purpose of condensed consolidated financial statements, 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 condensed consolidated financial statements.

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

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 <i>Replacement of 'fixed dates' for certain exceptions with 'the date of transition to IFRSs' and to additional exemption for entities ceasing to suffer from severe hyperinflation</i>	1 July 2011
Amendments to IFRS 7 <i>Financial Instruments: Disclosures, relating to Disclosures on Transfers of Financial Assets</i>	1 July 2011
IFRS 10 <i>Consolidated Financial Statements</i>	1 January 2013
IFRS 11 <i>Joint Arrangements</i>	1 January 2013
IFRS 12 <i>Disclosure of Interests in Other Entities</i>	1 January 2013
IFRS 13 <i>Fair Value Measurement</i>	1 January 2013
Amendments to IAS 12 <i>Income Taxes – Limited scope amendment (recovery of underlying assets)</i>	1 January 2012
Amendments to IAS 1 <i>Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented</i>	1 July 2012
Amendments to IAS 19 <i>Employee Benefits - Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects</i>	1 January 2013
IAS 27 <i>Consolidated and Separate Financial Statements - Reissued as IAS 27 Separate Financial Statements</i>	1 January 2013
IAS 28 <i>Investments in Associates - Reissued as IAS 28 Investments in Associates and Joint Ventures</i>	1 January 2013
IAS 34 <i>Interim Financial Reporting - Amendments resulting from May 2010 Annual Improvements to IFRSs</i>	1 July 2011

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 September 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 September 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 September 2011

3 Other financial assets

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

	30 September 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	468,270	362,813
Equities	44,746	117,750
Mutual and other funds	83,825	110,567
	<u>596,841</u>	<u>591,130</u>
(ii) Investments measured at fair value through other comprehensive income (FVTOCI)		
Equities	1,312,847	1,362,536
Mutual and other funds	281,905	269,014
	<u>1,594,752</u>	<u>1,631,550</u>
Total other financial assets measured at fair value	<u>2,191,593</u>	<u>2,222,680</u>
(iii) Other financial assets measured at amortised cost		
Debt securities	7,051,969	8,083,811
Total other financial assets	<u>9,243,562</u>	<u>10,306,491</u>

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

	30 September 2011 (un-audited) AED'000	31 December 2010 (audited) AED'000
Balances within the U.A.E.	6,068,114	7,556,238
Balances outside the U.A.E.	3,175,448	2,750,253
	<u>9,243,562</u>	<u>10,306,491</u>

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

3 Other financial assets (continued)

- (c) During the period from 1 January 2011 to 30 September 2011, dividends received from investments measured at FVTOCI amounting to AED 43 million (period ended 30 September 2010: AED 38 million) were recognized as investment income in the condensed consolidated income statement.
- (d) Investments measured at FVTOCI includes AED 223 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 September 2011 (un-audited) AED'000	31 December 2010 (audited) AED'000
Loans	29,584,715	31,511,847
Overdrafts	4,145,695	5,566,230
Credit cards	1,557,432	1,764,167
Other	174,208	177,452
	35,462,050	39,019,696
Less: Allowance for impairment	(2,359,613)	(3,099,714)
	33,102,437	35,919,982

Notes to the condensed consolidated financial statements (continued)
for the period from 1 January 2011 to 30 September 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 September 2011 (un-audited) AED'000	31 December 2010 (audited) AED'000
Manufacturing	2,625,247	1,873,389
Construction	2,718,494	3,522,034
Trade	6,082,758	6,361,922
Transport and communication	1,244,591	1,446,582
Services	4,752,458	4,263,202
Financial institutions	2,986,017	2,934,528
Retail	9,463,699	10,377,708
Government/public sector	5,547,888	8,184,883
Other	40,898	55,448
	35,462,050	39,019,696
Less: Allowance for impairment	(2,359,613)	(3,099,714)
	33,102,437	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:

	9 months ended 30 September 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	475,026	928,974
Interest in suspense	168,142	274,060
Recoveries during the period/year	(66,381)	(50,594)
Written off during the period/year	(1,316,888)	-
	2,359,613	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 September 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 September 2011 (un-audited) AED'000	31 December 2010 (audited) AED'000
<u>Financing</u>		
Murabaha	2,382,428	1,971,632
Ijara	1,555,895	2,234,472
	3,938,323	4,206,104
<u>Investment</u>		
Musharakah	830,458	919,329
Mudaraba	275,752	320,106
	1,106,210	1,239,435
Total	5,044,533	5,445,539
Less: Unearned income	(102,283)	(18,542)
Allowance for impairment	(52,213)	(136,093)
	4,890,037	5,290,904

Notes to the condensed consolidated financial statements (continued)
for the period from 1 January 2011 to 30 September 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 September 2011 (un-audited) AED'000	31 December 2010 (audited) AED'000
Construction	1,239,718	1,492,325
Trade	193,847	10,555
Transport and communication	9,615	38,321
Services	1,116,291	1,312,940
Financial institutions	250,080	350,816
Retail	802,339	352,736
Government/public sector	1,343,873	1,866,707
Other	88,770	21,139
Total	5,044,533	5,445,539
Less: Unearned income	(102,283)	(18,542)
Allowance for impairment	(52,213)	(136,093)
	4,890,037	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:

	9 months ended 30 September 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	17,565	69,205
Profit in suspense	3,745	14,328
Written off during the period/year	(105,190)	-
Balance at the end of the period/year	52,213	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 September 2011

6 Property and equipment

During the period from 1 January 2011 to 30 September 2011, the Group purchased approximately AED 281.6 million (period ended 30 September 2010: AED 357.6 million) of various types of property and equipment and disposed of property and equipment with a net book value of AED 22.4 million (period ended 30 September 2010: AED 16.7 million) for proceeds of AED 38.6 million (period ended 30 September 2010: AED 25.9 million).

7 Medium-term loans

	30 September 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	1,228,986	2,459,441
	<u>4,672,579</u>	<u>5,903,034</u>

(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 2016 and qualifies for Tier 2 subordinated loan capital for the first 2 years and thereafter it is amortised at the rate of 20% per annum for the last five years until 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 September 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%	1,228,986	1,357,541
		<u>1,228,986</u>	<u>2,459,441</u>

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 September 2011

7 Medium-term loans (continued)

(b) Medium term floating rate notes (continued)

AED 1.2 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 thereafter 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 September 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 nine months ended 30 September 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 51.14 million for the period from 1 January 2011 to 30 September 2011 (period ended 30 September 2010: AED 52.23 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:

	9 months ended 30 September 2011 (un-audited)	9 months ended 30 September 2010 (un-audited)
Profit for the period (AED'000) (Attributed to shareholders of the parent)	756,451	647,385
Number of ordinary shares outstanding	169,076,975	169,076,975
Earnings per share (AED)	4.47	3.83
Diluted earnings per share (AED)	4.47	3.83

Notes to the condensed consolidated financial statements (continued)
for the period from 1 January 2011 to 30 September 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 September 2011 (un-audited) AED'000	30 September 2010 (un-audited) AED'000
Cash and balances with central banks maturing within 3 months		
Cash on hand	624,599	505,066
Balances with central banks:		
Current accounts and other balances with central banks	1,259,354	4,284,057
Certificate of deposits with Central bank	-	3,000,000
Deposits and balances due from banks maturing within 3 months	7,871,385	8,935,980
	9,755,338	16,725,103

12 Contra accounts

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

	30 September 2011 (un-audited) AED'000	31 December 2010 (audited) AED'000
<i>Contra accounts (memoranda)</i>		
Guarantees	40,742,052	36,942,725
Letters of credit	5,395,585	4,185,968
	46,137,637	41,128,693

13 Derivative financial instruments

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.

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

Notes to the condensed consolidated financial statements (continued)
for the period from 1 January 2011 to 30 September 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 September 2011 (un-audited) AED’000	31 December 2010 (audited) AED’000
Loans and advances measured at amortised cost	2,265,068	2,197,299
Customers’ deposits	871,264	1,144,987
Letters of credit and guarantees	1,959,906	2,284,953

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

	9 months ended 30 September 2011 (un-audited) AED ’000	9 months ended 30 September 2010 (un-audited) AED ’000
Interest income	93,001	105,210
Interest expense	16,500	42,324
Other income, net	77,066	54,748

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

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.

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

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16 Segmental information (continued)

Reportable segments (continued)

	Period from 1 January 2011 to 30 September 2011 (un-audited)						Head office AED'000	Total AED'000
	Domestic corporate AED'000	Domestic retail AED'000	Treasury & capital markets AED'000	International banking AED'000	Islamic banking AED'000	Insurance AED'000		
Net interest income and earnings from Islamic products	569,644	659,646	(93,054)	161,766	105,554	(4,258)	79,552	1,478,850
Other income, net	301,040	271,919	236,054	224,657	43,335	386,224	43,488	1,506,717
Total operating income	870,684	931,565	143,000	386,423	148,889	381,966	123,040	2,985,567
General and administrative expenses								
Allowances for impairment								
Profit before taxes								(1,310,847)
Overseas income tax expense								(846,698)
Profit for the period								828,022
Attributed to:								(16,919)
Shareholders of the parent								811,103
Non-controlling interests								756,451
								54,652
								811,103
Segment Assets	19,153,495	7,543,194	23,580,225	12,532,168	5,799,368	3,686,612	7,661,793	79,956,855
Segment Liabilities	21,962,188	9,484,600	13,970,900	10,457,846	4,221,628	1,875,581	5,146,030	67,118,773

MASHREQBANK PSC GROUP

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

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16 Segmental information (continued)

Reportable segments (continued)

	Period from 1 January 2010 to 30 September 2010 (un-audited)						Head office AED'000	Total AED'000
	Domestic corporate AED'000	Domestic retail AED'000	Treasury & capital markets AED'000	International banking AED'000	Islamic banking AED'000	Insurance AED'000		
Net interest income and earnings from Islamic products	517,550	797,491	20,510	140,919	91,832	20,430	155,018	1,743,750
Other income, net	275,838	403,458	183,715	214,293	36,939	336,578	41,268	1,492,089
Total operating income	793,388	1,200,949	204,225	355,212	128,771	357,008	196,286	3,235,839
General and administrative expense Allowances for impairment								(1,308,048) (1,208,806)
Profit before taxes								718,985
Overseas income tax expenses								(10,699)
Profit for the period								708,286
Attributed to: Shareholders of the parent								647,385
Non-controlling interests								60,901
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

31 December 2010 (audited)

Notes to the condensed consolidated financial statements (continued)
for the period from 1 January 2011 to 30 September 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 **	
	9 months ended 30 September 2011 (un-audited) AED'000	9 months ended 30 September 2010 (un-audited) AED'000	30 September 2011 (un-audited) AED'000	31 December 2010 (audited) AED'000
U.A.E.	2,724,998	2,980,204	1,358,868	1,240,549
Other Middle East countries	171,182	190,670	294,943	303,246
O.E.C.D.	59,866	44,527	4,044	2,664
Other countries	29,521	20,438	1,011	547
	2,985,567	3,235,839	1,658,866	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 September 2011

17 Capital adequacy ratio

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

		30 September 2011 (un-audited) AED'000	31 December 2010 (audited) AED'000
<i>Capital base</i>			
Tier 1			
Tier 2*		12,550,729	12,142,811
Deduction from capital		5,184,675 (31,825)	5,199,166 (31,825)
Total capital base	(A)	17,703,579	17,310,152
<i>Risk-weighted assets</i>			
Credit risk			
Market risk		68,932,818	70,589,478
Operational risk		434,508 6,516,720	348,316 5,351,405
Total risk-weighted assets	(B)	75,884,046	76,289,199
Risk asset ratio (%) [(A)/(B) x 100]		23.33%	22.69%

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