MASHREQBANK PSC GROUP

Review report and interim financial information for the period from 1 January 2011 to 31 March 2011

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Deloitte.

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

We have reviewed the accompanying condensed consolidated statement of financial position of **Mashreqbank psc and its Subsidiaries** (the "Group") as at 31 March 2011 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-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
27 April 2011

Condensed consolidated statement of financial position as at 31 March 2011

	Note	31 March 2011 (un-audited) AED '000	31 December 2010 (audited) AED '000
ASSETS			
Cash and balances with central banks		12,012,559	13,373,722
Deposits and balances due from banks		15,076,316	13,651,955
Other financial assets measured at fair value	3	2,335,090	2,222,680
Loans and advances measured at amortised cost	4	34,538,737	35,919,982
Islamic financing and investment products measured at amortised cost	5	5,483,658	5,290,904
Other financial assets measured at amortised cost	3	8,368,042	8,083,811
Interest receivable and other assets		5,274,606	4,755,743
Investment properties		238,347	172,320
Property and equipment	6	1,542,047	1,374,686
Total assets		84,869,402	84,845,803
LIABILITIES AND EQUITY			
Liabilities			
Deposits and balances due to banks		7,278,770	6,945,626
Repurchase agreements with banks		2,430,432	2,461,993
Customers' deposits		46,026,518	46,764,858
Islamic customers' deposits		4,183,627	4,488,815
Insurance and life assurance funds		969,310	896,587
Interest payable and other liabilities		5,821,011	4,990,584
Medium-term loans	7	5,844,266	5,903,034
Long-term loans		9,267	9,324
Total liabilities		72,563,201	72,460,821
Equity			
Issued and paid up capital	8	1,690,770	1,690,770
Statutory and legal reserves		845,385	845,385
General reserve		312,000	312,000
Cumulative translation adjustment		(15,446)	(19,483)
Investments revaluation reserve		(312,746)	(284,120)
Retained earnings		9,224,856	9,300,191
Equity attributable to shareholders of the Parent		11,744,819	11,844,743
Non-controlling interests		561,382	540,239
Total equity		12,306,201	12,384,982
Total liabilities and equity		84,869,402	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 27 April 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 31 March 2011

	Note	3 months ended 31 March 2011 (un-audited) AED '000	3 months ended 31 March 2010 (un-audited) AED '000
Interest income		914,055	1,056,739
Income from Islamic financing and investment products		65,630	69,965
Total interest income and income from Islamic financing and investment products		979,685	1,126,704
Interest expense		(386,522)	(501,629)
Distribution to depositors – Islamic products		(35,102)	(32,025)
Net interest income and income from Islamic products net of distribution to depositors		558,061	593,050
Fee and commission income		476,002	531,054
Fee and commission expenses		(215,871)	(172,057)
Net fee and commission income		260,131	358,997
Net investment income		42,825	52,040
Other income, net		232,243	233,729
Operating income		1,093,260	1,237,816
General and administrative expenses	9	(455,913)	(464,611)
Allowances for impairment		(325,366)	(484,075)
Profit before taxes		311,981	289,130
Overseas income tax expense		(7,257)	(2,895)
Profit for the period		304,724	286,235
Attributed to:			
Shareholders of the parent		265,304	250,781
Non-controlling interests		39,420	35,454
		304,724	286,235
Earnings per share	10	AED 1.57	AED 1.48

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 31 March 2011

	3 months ended 31 March 2011 (un-audited) AED '000	3 months ended 31 March 2010 (un-audited) AED '000
Profit for the period	**304,724**	286,235
Other comprehensive (loss)/income		
Changes in fair value of financial assets measured at fair value through other comprehensive income (FVTOCI), net	**(49,388)**	(37,064)
Cumulative translation adjustment	**4,037**	402
Total other comprehensive loss for the period	**(45,351)**	(36,662)
Total comprehensive income for the period	**259,373**	249,573
Attributed to:		
Shareholders of the parent	**238,230**	234,790
Non-controlling interests	**21,143**	14,783
	259,373	249,573

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 31 March 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	-	-	-	-	-	250,781	250,781	35,454	286,235
Other comprehensive income/(loss)	-	-	-	402	(16,393)	-	(15,991)	(20,671)	(36,662)
Total comprehensive income/(loss) 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	80,513	-	-	-	-	(80,513)	-	-	-
Balance at 31 March 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
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	-	-	-	-	-	**265,304**	**265,304**	**39,420**	**304,724**
Other comprehensive income/(loss)	-	-	-	**4,037**	**(31,111)**	-	**(27,074)**	**(18,277)**	**(45,351)**
Total comprehensive income/(loss) for the period	-	-	-	**4,037**	**(31,111)**	**265,304**	**238,230**	**21,143**	**259,373**
Payment of dividends (Note 8)	-	-	-	-	-	**(338,154)**	**(338,154)**	-	**(338,154)**
Transfer from investments revaluation reserve to retained earnings	-	-	-	-	**2,485**	**(2,485)**	-	-	-
Balance at 31 March 2011(un-audited)	**1,690,770**	**845,385**	**312,000**	**(15,446)**	**(312,746)**	**9,224,856**	**11,744,819**	**561,382**	**12,306,201**

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 31 March 2011

	3 months ended 31 March 2011 (un-audited) AED '000	3 months ended 31 March 2010 (un-audited) AED '000
Cash flows from operating activities		
Profit for the period	**304,724**	286,235
Adjustments for:		
Depreciation of property and equipment	**38,315**	34,521
Allowances for impairment	**325,366**	484,075
Loss/(Gain) on sale of property and equipment	**3,013**	(5,812)
Gain from redemption of medium term notes	**(13,366)**	(22,928)
Fair value adjustment of other financial assets measured at FVTPL	**(10,514)**	(17,477)
Fair value adjustment – derivatives	**(3,040)**	(661)
Changes in operating assets and liabilities		
(Increase)/decrease in deposits with central banks for regulatory purposes and certificate of deposits with the central banks	**(2,837,751)**	270,777
Decrease in deposits and balances due from banks maturing after three months	**1,554,561**	271,482
(Increase)/decrease in other financial assets carried at FVTPL	**(159,663)**	83,124
Decrease in loans and advances measured at amortized cost	**1,059,842**	1,286,757
(Increase)/decrease in Islamic financing and investment products measured at amortized cost	**(196,713)**	394,556
Increase in interest receivable and other assets	**(515,827)**	(206,410)
Increase in deposits and balances due to banks	**301,583**	1,121,632
Decrease in customers' deposits	**(738,340)**	(5,979,822)
Decrease in Islamic customers' deposits	**(305,188)**	(290,624)
Increase in insurance and life assurance funds	**72,723**	61,636
Increase in interest payable and other liabilities	**830,427**	384,081
Decrease in medium-term loans	**(45,402)**	(1,204,589)
Decrease in long-term loans	**(57)**	(71)
Net cash used in operating activities	**(335,307)**	(3,049,518)
Cash flows from investing activities		
Purchase of property and equipment	**(224,100)**	(255,735)
Proceeds from sale of property and equipment	**15,411**	7,393
Net (increase)/decrease in non-trading investments	**(341,879)**	139,520
Net cash used in investing activities	**(550,568)**	(108,822)
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	**(1,224,029)**	(3,455,379)
Net foreign exchange difference	**4,037**	402
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)	**13,207,694**	20,037,098

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 31 March 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 31 March 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.

Notes to the condensed consolidated financial statements (continued)
for the period from 1 January 2011 to 31 March 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 *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*	1 July 2010
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
Amendments to IAS 12 *Income Taxes* – Limited scope amendment (recovery of underlying assets)	1 January 2012
Amendments to IAS 32 *Financial Instruments: Presentation,* relating to Classification of Rights Issues	1 February 2010
IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*	1 July 2010
Improvements to IFRSs issued in 2010 covering amendments to IFRS 3 and IAS 27	1 July 2010

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.

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.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

The accounting policies used in the preparation of these condensed consolidated financial statements are consistent with those used in the audited annual consolidated financial statements for the year ended 31 December 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 31 March 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 31 March 2011

3 Other financial assets

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

	31 March 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	**586,614**	362,813
Equities	**67,000**	117,750
Mutual and other funds	**107,693**	110,567
	761,307	591,130
(ii) **Investments measured at fair value through other comprehensive income (FVTOCI)**		
Equities	**1,301,430**	1,362,536
Mutual and other funds	**272,353**	269,014
	1,573,783	1,631,550
Total other financial assets measured at fair value	**2,335,090**	2,222,680
(iii) **Other financial assets measured at amortised cost**		
Debt securities	**8,368,042**	8,083,811
Total other financial assets	**10,703,132**	10,306,491

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

	31 March 2011 (un-audited) AED'000	31 December 2010 (audited) AED'000
Balances within the U.A.E.	**6,720,157**	7,556,238
Balances outside the U.A.E.	**3,982,975**	2,750,253
	10,703,132	10,306,491

Notes to the condensed consolidated financial statements (continued)
for the period from 1 January 2011 to 31 March 2011

3 Other financial assets (continued)

(c) During the period from 1 January 2011 to 31 March 2011, dividends received from financial assets measured at FVTOCI amounting to AED 30 million (2010: AED 29 million) were recognized as investment income in the condensed consolidated income statement.

(d) Other financial assets measured at FVTOCI includes AED 217 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:

	31 March 2011 (un-audited) AED'000	31 December 2010 (audited) AED'000
Loans	**31,157,182**	31,511,847
Overdrafts	**4,944,604**	5,566,230
Credit cards	**1,646,786**	1,764,167
Other	**154,881**	177,452
	37,903,453	39,019,696
Less: Allowance for impairment	**(3,364,716)**	(3,099,714)
	34,538,737	35,919,982

Notes to the condensed consolidated financial statements (continued)
for the period from 1 January 2011 to 31 March 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:

	31 March 2011 (un-audited) AED'000	31 December 2010 (audited) AED'000
Manufacturing	**2,193,076**	1,873,389
Construction	**2,910,324**	3,522,034
Trade	**6,133,756**	6,361,922
Transport and communication	**1,300,443**	1,446,582
Services	**4,365,583**	4,263,202
Financial institutions	**2,830,895**	2,934,528
Retail	**10,131,353**	10,377,708
Government/public sector	**7,978,422**	8,184,883
Other	**59,601**	55,448
	37,903,453	39,019,696
Less: Allowance for impairment	**(3,364,716)**	(3,099,714)
	34,538,737	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:

	3 months ended 31 March 2011 (un-audited) AED '000	3 months ended 31 March 2010 (un-audited) AED '000
Balance at the beginning of the period	**3,099,714**	1,984,870
Impairment allowance for the period	**224,484**	316,204
Interest in suspense	**62,819**	50,561
Recoveries during the period	**(22,301)**	(10,492)
Balance at the end of the period	**3,364,716**	2,341,143

(d) Allowance for impairment is made against loans and advances when their full recovery as per contracted terms is in doubt taking into consideration IFRS requirements for fair value measurement and Central Bank of the U.A.E. guidelines.

Notes to the condensed consolidated financial statements (continued)
for the period from 1 January 2011 to 31 March 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:

	31 March 2011 (un-audited) AED'000	31 December 2010 (audited) AED'000
Financing		
Murabaha	2,145,493	1,971,632
Ijara	2,217,732	2,234,472
	4,363,225	4,206,104
Investment		
Musharakah	957,273	919,329
Mudaraba	320,760	320,106
Wakala	36,730	-
	1,314,763	1,239,435
Total	5,677,988	5,445,539
Less: Unearned income	(52,328)	(18,542)
Allowance for impairment	(142,002)	(136,093)
	5,483,658	5,290,904

Notes to the condensed consolidated financial statements (continued)
for the period from 1 January 2011 to 31 March 2011

5 **Islamic financing and investment products measured at amortised cost** (continued)

(b) The analysis of loans Islamic financing and investment products measured at amortised cost by industry sector is as follows:

	31 March 2011 (un-audited) AED'000	31 December 2010 (audited) AED'000
Construction	**1,367,201**	1,492,325
Trade	**9,792**	10,555
Transport and communication	**37,159**	38,321
Services	**1,374,533**	1,312,940
Financial institutions	**371,629**	350,816
Retail	**686,730**	352,736
Government/public sector	**1,828,848**	1,866,707
Other	**2,096**	21,139
Total	**5,677,988**	5,445,539
Less: Unearned income	**(52,328)**	(18,542)
Allowance for impairment	**(142,002)**	(136,093)
	5,483,658	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:

	3 months ended 31 March 2011 (un-audited) AED '000	3 months ended 31 March 2010 (un-audited) AED '000
Balance at the beginning of the period	**136,093**	14,964
Impairment allowance for the period	**3,959**	5,989
Profit in suspense	**1,950**	1,225
Balance at the end of the period	**142,002**	22,178

(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 fair value 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 31 March 2011

6 Property and equipment

During the period from 1 January 2011 to 31 March 2011, the Group purchased approximately AED 224 million (period ended 31 March 2010: AED 256 million) of various types of property and equipment and disposed of property and equipment with a net book value of AED 18 million (period ended 31 March 2010: AED 1 million) for proceeds of AED 15 million (period ended 31 March 2010: AED 7 million).

7 Medium-term loans

	31 March 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	**2,400,673**	2,459,441
	5,844,266	5,903,034

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

The Tier 2 qualifying loan will mature in June 2016 as per the agreement between the Group and Ministry of Finance of the U.A.E. 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	**31 March 2011 (un-audited) AED'000**	31 December 2010 (audited) AED'000
6 April 2011	3 months Libor + 0.380%	**1,101,900**	1,101,900
24 January 2017	3 months Libor + 0.625%	**1,298,773**	1,357,541
		2,400,673	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 31 March 2011

7 Medium-term loans (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 of step up in coupon rate by 0.5% 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 31 March 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 three months ended 31 March 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 conducted on 6 March 2011.

9 General and administrative expenses

General and administrative expenses include senior management remuneration of AED 25 million for the period from 1 January 2011 to 31 March 2011 (period ended 31 March 2010: AED 17 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:

	3 months ended 31 March 2011 (un-audited)	3 months ended 31 March 2010 (un-audited)
Profit for the period (AED'000) (Attributed to shareholders of the parent)	**265,304**	250,781
Number of ordinary shares outstanding	**169,076,975**	169,076,975
Earnings per share (AED)	**1.57**	1.48
Diluted earnings per share (AED)	**1.57**	1.48

Notes to the condensed consolidated financial statements (continued)
for the period from 1 January 2011 to 31 March 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:

	31 March 2011 (un-audited) AED'000	31 December 2010 (audited) AED'000
Cash and balances with central banks maturing within 3 months		
Cash on hand	**575,185**	614,965
Balances with central banks:		
Current accounts and other balances with central banks	**794,801**	4,953,935
Deposits and balances due from banks maturing within 3 months	**11,837,708**	8,858,786
	13,207,694	14,427,686

12 Contra accounts

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

	31 March 2011 (un-audited) AED'000	31 December 2010 (audited) AED'000
Contra accounts (memoranda)		
Guarantees	**37,617,123**	36,942,725
Letters of credit	**4,458,519**	4,185,968
	42,075,642	41,128,693

Notes to the condensed consolidated financial statements (continued)
for the period from 1 January 2011 to 31 March 2011

13 Derivative financial instruments

	31 March 2010 (un-audited)		
	Positive fair value AED'000	Negative fair value AED'000	Notional amount AED'000
Held for Trading			
Forward foreign exchange contract	**271,744**	**241,470**	**65,658,242**
Foreign exchange options (bought)	**-**	**73,085**	**16,474,583**
Foreign exchange options (sold)	**62,623**	**-**	**23,745,206**
Interest rate swaps	**789,158**	**787,439**	**18,583,655**
Credit default swap	**116**	**801**	**203,349**
Equity derivatives	**3,633**	**3,507**	**449,487**
Futures contracts purchased (Customer)	**403**	**-**	**83,471**
Futures contracts sold (Customer)	**-**	**840**	**209,254**
Futures contracts sold (Bank)	**-**	**403**	**83,471**
Futures contracts purchased (Bank)	**840**	**-**	**209,254**
	1,128,517	**1,107,545**	**125,699,972**

	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
Credit default swap	-	-	-
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 three month periods ended 31 March 2011 and 2010.

Notes to the condensed consolidated financial statements (continued)
for the period from 1 January 2011 to 31 March 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:

	31 March 2011 (un-audited) AED'000	31 December 2010 (audited) AED'000
Loans and advances measured at amortised cost	**2,277,032**	2,197,299
Customers' deposits	**1,511,139**	1,144,987
Letters of credit and guarantees	**1,902,158**	2,284,953

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

	3 months ended 31 March 2011 (un-audited) AED '000	3 months ended 31 March 2010 (un-audited) AED '000
Interest income	**30,963**	33,681
Interest expense	**5,001**	8,249
Other income, net	**20,993**	39,875

Notes to the condensed consolidated financial statements (continued)
for the period from 1 January 2011 to 31 March 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.

Notes to the condensed consolidated financial statements (continued)
for the period from 1 January 2011 to 31 March 2011

16 Segmental information (continued)

Reportable segments (continued)

	Domestic corporate AED'000	Domestic retail AED'000	Treasury & capital markets AED'000	International banking AED'000	Islamic banking AED'000	Insurance AED'000	Head office AED'000	Total AED'000
	Period from 1 January 2011 to 31 March 2011 (un-audited)							
Net interest income and earnings from Islamic products	190,885	239,521	(5,051)	50,991	30,528	6,871	44,316	558,061
Other income, net	99,981	105,962	70,147	69,213	8,065	158,931	22,900	535,199
Total operating income	290,866	345,483	65,096	120,204	38,593	165,802	67,216	1,093,260
General and administrative expenses								(455,913)
Allowances for impairment								(325,366)
Profit before taxes								311,981
Overseas income tax expense								(7,257)
Profit for the period								304,724
Attributed to:								
Shareholders of the parent								265,304
Non-controlling interests								39,420
								304,724
	31 March 2011 (un-audited)							
Segment Assets	20,505,743	8,518,051	27,762,032	11,094,799	6,371,757	3,797,149	6,819,871	84,869,402
Segment Liabilities	28,212,545	9,791,800	12,856,500	10,114,500	4,200,755	2,449,122	4,937,979	72,563,201

Notes to the condensed consolidated financial statements (continued)
for the period from 1 January 2011 to 31 March 2011

16 Segmental information (continued)

Reportable segments (continued)

	Period from 1 January 2010 to 31 March 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	177,571	275,048	8,005	44,058	39,663	5,376	43,329	593,050
Other income, net	95,690	148,666	89,774	79,539	30,425	173,065	27,607	644,766
Total operating income	273,261	423,714	97,779	123,597	70,088	178,441	70,936	1,237,816
General and administrative expense								(464,611)
Allowances for impairment								(484,075)
Profit before taxes								289,130
Overseas income tax expenses								(2,895)
Profit for the period								286,235
Attributed to:								
Shareholders of the parent								250,781
Non-controlling interests								35,454
								286,235
	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 31 March 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 ****	
	3 month ended 31 March 2011 (un-audited) AED'000	3 month Ended 31 March 2010 (un-audited) AED'000	**31 March 2011 (un-audited) AED'000**	31 December 2010 (audited) AED'000
U.A.E.	**1,005,934**	1,146,083	**1,479,262**	1,240,549
Other Middle East countries	**61,405**	68,466	**297,656**	303,246
O.E.C.D.	**17,476**	16,256	**2,759**	2,664
Other countries	**8,445**	7,011	**717**	547
	1,093,260	1,237,816	**1,780,394**	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 31 March 2011

17 Capital adequacy ratio

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

		31 March 2011 (un-audited) AED'000	31 December 2010 (audited) AED'000
Capital base			
Tier 1		**12,071,547**	12,142,811
Tier 2*		**5,201,142**	5,199,166
Deduction from capital		**(31,825)**	(31,825)
Total capital base	**(A)**	**17,240,864**	17,310,152
Risk-weighted assets			
Credit risk		**72,396,801**	70,589,478
Market risk		**265,387**	348,316
Operational risk		**5,529,490**	5,351,405
Total risk-weighted assets	**(B)**	**78,191,678**	76,289,199
Risk asset ratio (%) [(A)/(B) x 100]		**22.05%**	22.69%

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