

**MASHREQBANK PSC GROUP
DUBAI – UNITED ARAB EMIRATES**

**REVIEW REPORT AND INTERIM
FINANCIAL INFORMATION
FOR THE PERIOD FROM JANUARY 1, 2010
TO SEPTEMBER 30, 2010**

**Mashreqbank psc Group
Dubai – United Arab Emirates**

**Review Report and Interim Financial Information
For the period from January 1, 2010 to September 30, 2010**

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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 of September 30, 2010 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

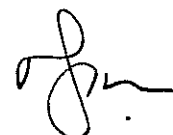
We conducted our review in accordance with International Standard on Review Engagements 2410, ‘*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*’. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial 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.

**Dubai
October 31, 2010**

Deloitte & Touche (M.E.)




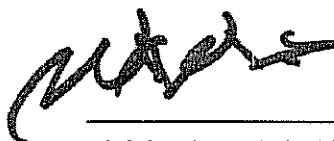
**Anis F. Sadek
Partner
Registration No. 521**

Condensed Consolidated Statement of Financial Position
As of September 30, 2010
(In Thousand Arab Emirates Dirhams)

	Note	September 30, 2010 (Un-audited)	December 31, 2009 (audited)
ASSETS			
Cash and balances with central banks		15,939,474	20,176,958
Deposits and balances due from banks		10,669,967	8,261,056
Other financial assets measured at fair value	3	2,105,796	2,211,517
Loans and advances measured at amortised cost	4	37,732,596	42,120,827
Islamic financing and investment products measured at amortised cost	5	5,523,992	5,609,289
Other financial assets measured at amortised cost	3	8,717,202	9,364,884
Interest receivable and other assets		4,723,621	5,428,702
Investment properties		233,649	233,649
Property and equipment	6	1,450,097	1,215,062
Total assets		87,096,394	94,621,944
LIABILITIES			
Deposits and balances due to banks		7,365,242	6,971,668
Repurchase agreements with banks		6,366,780	8,468,768
Customers' deposits		44,180,914	50,796,768
Islamic customers' deposits		5,051,867	2,861,019
Insurance and life assurance funds		905,361	858,587
Interest payable and other liabilities		5,037,465	5,629,760
Medium-term loans	7	5,950,783	7,178,299
Long-term loans		9,376	9,583
Total liabilities		74,867,788	82,774,452
EQUITY			
Paid up capital	8	1,690,770	1,610,257
Statutory and legal reserves		806,012	805,129
General reserve		312,000	312,000
Cumulative translation adjustment		(20,315)	(25,018)
Investments revaluation reserve		(311,264)	(279,735)
Retained earnings		9,191,094	8,850,576
Equity attributable to shareholders of the parent		11,668,297	11,273,209
Non-controlling interests		560,309	574,283
Total equity		12,228,606	11,847,492
Total liabilities and equity		87,096,394	94,621,944

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


Abdulla Ahmad Al Ghurair
Chairman


Abdul Aziz Abdulla Al Ghurair
Chief Executive Officer

Condensed Consolidated Income Statement (Un-audited)
For the period from January 1, 2010 to September 30, 2010
(In Thousand Arab Emirates Dirhams)

	Note	3 months ended		9 months ended	
		September 30,		September 30,	
		2010	2009	2010	2009
		(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
Interest income		1,002,870	1,197,413	3,083,103	3,643,920
Income from Islamic financing and investment products		76,085	87,843	212,285	261,174
Total interest income and income from Islamic financing and investment products		1,078,955	1,285,256	3,295,388	3,905,094
Interest expense		(453,966)	(708,755)	(1,431,184)	(2,162,078)
Distribution to depositors – Islamic products		(52,596)	(57,920)	(120,454)	(162,186)
Net interest income and income from Islamic products net of distribution to depositors		572,393	518,581	1,743,750	1,580,830
Fee and commission income		413,913	628,014	1,424,302	1,670,098
Fee and commission expense		(170,284)	(156,796)	(548,054)	(505,473)
Net fee and commission income		243,629	471,218	876,248	1,164,625
Net investment income		4,628	13,588	51,566	2,809
Other income		109,353	429,591	564,275	1,135,918
Operating income		930,003	1,432,978	3,235,839	3,884,182
General and administrative expenses	9	(411,280)	(390,097)	(1,308,048)	(1,310,213)
Allowances for impairment		(316,777)	(827,403)	(1,208,806)	(1,378,757)
Profit before taxes		201,946	215,478	718,985	1,195,212
Overseas income tax expense		(2,748)	(2,768)	(10,699)	(10,263)
Profit for the period		199,198	212,710	708,286	1,184,949
Attributed to:					
Shareholders of the parent		194,034	200,476	647,385	1,119,482
Non-controlling interests		5,164	12,234	60,901	65,467
Profit for the period		199,198	212,710	708,286	1,184,949
Earnings per share	10	AED 1.15	AED 1.19	AED 3.83	AED 6.62

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

Condensed Consolidated Statement of Comprehensive Income (Un-audited)
For the period from January 1, 2010 to September 30, 2010
(In Thousand Arab Emirates Dirhams)

	3 months ended		9 months ended	
	September 30,		September 30,	
	2010	2009	2010	2009
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
Profit for the period	199,198	212,710	708,286	1,184,949
Other comprehensive income				
Changes in fair value of other financial assets measured at FVTOCI	40,078	194,040	(34,836)	225,498
Cumulative translation adjustment	6,344	(933)	4,703	10,285
Total other comprehensive income/(loss) for the period	46,422	193,107	(30,133)	235,783
Total comprehensive income for the period	245,620	405,817	678,153	1,420,732
Attributed to:				
Shareholders of the parent	228,724	362,659	636,626	1,346,581
Non-controlling interests	16,896	43,158	41,527	74,151
Total comprehensive income for the period	245,620	405,817	678,153	1,420,732

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

Condensed Consolidated Statement of Changes in Equity (Un-audited)
For the period from January 1, 2010 to September 30, 2010
(In Thousand Arab Emirates Dirhams)

	Paid up capital	Statutory and legal reserves	General reserve	Cumulative translation adjustment	Investments revaluation reserve	Retained earnings	Attributable to shareholders of the parent	Non-controlling interests	Total
Balance at December 31, 2008 - audited	1,463,870	740,734	312,000	(33,932)	(649,634)	8,231,655	10,064,693	617,706	10,682,399
Effect of IFRS 9 – Note 2	-	-	-	-	285,549	(24,374)	261,175	(15)	261,160
Balance at January 1, 2009 (restated) - audited	1,463,870	740,734	312,000	(33,932)	(364,085)	8,207,281	10,325,868	617,691	10,943,559
Profit for the period	-	-	-	-	-	1,119,482	1,119,482	65,467	1,184,949
Other comprehensive income for the period	-	-	-	10,286	216,813	-	227,099	8,684	235,783
Effect of IFRS 9 from January 1, 2009 to September 30, 2009	-	-	-	-	(31,320)	31,320	-	-	-
Total comprehensive income for the period (restated)	-	-	-	10,286	185,493	1,150,802	1,346,581	74,151	1,420,732
Transfer to statutory and legal reserves	-	1,129	-	-	-	(1,129)	-	-	-
Payment of dividends	-	-	-	-	-	(146,387)	(146,387)	(69,377)	(215,764)
Bonus shares issued during the period	146,387	-	-	-	-	(146,387)	-	-	-
Balance at September 30, 2009 – Un-audited (restated)	1,610,257	741,863	312,000	(23,646)	(178,592)	9,064,180	11,526,062	622,465	12,148,527
Balance at December 31, 2009 - audited	1,610,257	805,129	312,000	(25,018)	(279,735)	8,850,576	11,273,209	574,283	11,847,492
Profit for the period	-	-	-	-	-	647,385	647,385	60,901	708,286
Other comprehensive loss for the period	-	-	-	4,703	(15,462)	-	(10,759)	(19,374)	(30,133)
Total comprehensive income for the period	-	-	-	4,703	(15,462)	647,385	636,626	41,527	678,153
Transfer from investment revaluation reserves to retained earnings	-	-	-	-	(16,067)	16,067	-	-	-
Transfer to statutory and legal reserves	-	883	-	-	-	(883)	-	-	-
Payment of dividends	-	-	-	-	-	(241,538)	(241,538)	(55,501)	(297,039)
Bonus shares issued during the period	80,513	-	-	-	-	(80,513)	-	-	-
Balance at September 30, 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

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

Condensed Consolidated Statement of Cash Flows (Un-audited)
For the period from January 1, 2010 to September 30, 2010
(In Thousand Arab Emirates Dirhams)

	9 months ended September 30,	
	2010	2009
	(Un-audited)	(Un-audited)
Cash flows from operating activities		
Profit for the period	708,286	1,184,949
Adjustments:		
Depreciation of property and equipment	105,885	77,622
Fair value movement of other financial assets measured at FVTPL	(3,965)	(50,870)
Fair value movement of derivatives	(12,813)	(118,472)
Fair value movement of investment property	-	94,450
Allowance for impairment	1,208,806	1,378,757
Gain on sale of property and equipment	(9,134)	(216,265)
Changes in operating assets and liabilities:		
Decrease/(increase) in deposits with central banks for regulatory purposes	258,038	(34,562)
Decrease in deposits and balances due from banks maturing after three months	463,248	2,572,093
Decrease in loans and advances measured at amortized cost	3,274,209	3,299,466
Decrease in Islamic financing and investing products measured at amortized cost	69,031	802,917
Decrease in interest receivable and other assets	717,427	1,526,565
Increase/(decrease) in deposits and balances due to banks	393,574	(4,393,529)
Decrease in other financial assets measured at FVTPL	89,872	53,319
(Decrease)/increase in customers' deposits	(6,615,854)	10,768,257
Increase in Islamic customers' deposits	2,190,848	2,184,179
Increase in insurance and life assurance funds	46,774	85,507
Decrease in interest payable and other liabilities	(592,295)	(748,334)
Decrease in medium-term loans	(1,227,516)	(1,499,319)
Decrease in long-term loans	(207)	(2,158)
Decrease in repurchase agreements with banks	(2,101,988)	(959,938)
Net cash (used in)/from operating activities	(1,037,774)	16,004,634
Cash flows from investing activities		
Purchase of property and equipment	(357,646)	(155,852)
Proceeds from sale of property and equipment	25,860	242,541
Net decrease in the non-trading investments	616,499	944,313
Net cash from investing activities	284,713	1,031,002
Cash flows from financing activities		
Dividend paid	(297,039)	(215,764)
Net cash used in financing activities	(297,039)	(215,764)
Net (decrease)/increase in cash and cash equivalents	(1,050,100)	16,819,872
Net foreign exchange difference	4,703	10,285
Cash and cash equivalent at beginning of the period	23,492,075	8,270,818
Cash and cash equivalent at end of the period (Note 11)	22,446,678	25,100,975

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

Notes to the Condensed Consolidated Financial Statements
For the period from January 1, 2010 to September 30, 2010

1. General information

Mashreqbank psc (the “Bank”) was incorporated in the Emirate of Dubai in 1967 under a decree issued by The Ruler of Dubai. The Bank operates through its branches in the United Arab Emirates, Bahrain, Kuwait, Egypt, Hong Kong, India, Qatar, the United Kingdom and the United States of America.

The address of the Bank’s registered office is P.O. Box 1250, Dubai, United Arab Emirates.

At September 30, 2010, Mashreqbank psc Group (the “Group”) comprises the Bank and its subsidiaries as follows:

Name of subsidiary	Place of incorporation (or registration) and operation	Proportion of ownership interest %	Proportion of voting power held %	Principal activity
Osool - a Finance Company (PJSC)	United Arab Emirates	98.00	98.00	Finance company.
Oman Insurance Company (PSC)	United Arab Emirates	63.65	63.65	Insurance company.
Mindscape Information Technology L.L.C.	United Arab Emirates	99.00	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.
Al-Badr Islamic Finance (PJSC)	United Arab Emirates	99.70	99.70	Islamic finance company.
Mashreq Capital (DIFC) Limited	United Arab Emirates	100.00	100.00	Brokerage, asset management & 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.

* These special purpose vehicle are considered to be subsidiaries by virtue of control.

For the purpose of the 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 January 1, 2010 to September 30, 2010

1. General information (continued)

Standards and Interpretations in issue but not yet effective

At the date of authorisation of these condensed consolidated financial statements, the following new and revised Standards and Interpretations were in issue but not yet effective:

	Effective for annual periods beginning on or after
New Standards and amendments to Standards:	
• IAS 32 (revised) <i>Financial Instruments: Presentation</i> – Amendments relating to classification of Rights Issue	February 1, 2010
• IAS 24 <i>Related Party Disclosures</i> – Amendments on disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a Government	January 1, 2011
New Interpretations and amendments to Interpretations:	
• IFRIC 19: <i>Extinguishing Financial Liabilities with Equity Instruments</i>	July 1, 2010
• Amendment to IFRIC 14: IAS 19: <i>The limit on a defined Benefit Asset, Minimum Funding Requirement and their interaction</i>	January 1, 2011

Management anticipates that the adoption of these new and revised standards and interpretations in future periods will have no material financial impact on the Group's consolidated financial statements in period of initial application.

2. Significant accounting policies

Basis of preparation

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

Notes to the Condensed Consolidated Financial Statements (continued)
For the period from January 1, 2010 to September 30, 2010

2. Significant accounting policies (continued)

Basis of preparation (continued)

These condensed consolidated financial statements are prepared in accordance with International Accounting Standard No. 34: *Interim Financial Reporting* (“IAS 34”), issued by the International Accounting Standard Board and also comply with the applicable requirements of the laws in the U.A.E.

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

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

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

This 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 December 31, 2009. In addition, results for the period from January 1, 2010 to September 30, 2010 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2010.

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

Significant judgments and sources of estimation uncertainty

The preparation of 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 this 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 December 31, 2009.

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 December 31, 2009.

Notes to the Condensed Consolidated Financial Statements (continued)
For the period from January 1, 2010 to September 30, 2010

3. Other financial assets

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

	September 30, 2010 AED'000 (un-audited)	December 31, 2009 AED'000 (audited)
Other financial assets measured at fair value		
(i) Investments measured at fair value through profit and loss (FVTPL)		
Debt securities	255,237	306,516
Equities	131,640	114,443
Funds	117,068	168,893
	503,945	589,852
(ii) Investments measured at fair value through other comprehensive income (FVTOCI)		
Equities	1,438,661	1,455,490
Funds	163,190	166,175
	1,601,851	1,621,665
Total other financial assets measured at fair value	2,105,796	2,211,517
Other financial assets measured at amortized cost		
Debt securities	8,717,202	9,364,884
Total other financial assets	10,822,998	11,576,401
<u>Geographical analysis of other financial assets:</u>		
- within the U.A.E.	8,319,451	9,103,097
- outside the U.A.E.	2,503,547	2,473,304
	10,822,998	11,576,401

During the period from January 1, 2010 to September 30, 2010, dividends received from financial assets measured at FVTOCI amounting to AED 38 million were recognized as investment income in the condensed consolidated statement of income.

Notes to the Condensed Consolidated Financial Statements (continued)
For the period from January 1, 2010 to September 30, 2010

4. Loans and advances measured at amortized cost

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

	September 30, 2010	December 31, 2009
	AED'000	AED'000
	(un-audited)	(audited)
Loans	32,709,564	35,593,302
Overdrafts	5,816,983	6,227,057
Credit cards	1,832,764	2,100,231
Other	158,419	185,107
	<u>40,517,730</u>	<u>44,105,697</u>
Less: Allowance for impairment	<u>(2,785,134)</u>	<u>(1,984,870)</u>
	<u><u>37,732,596</u></u>	<u><u>42,120,827</u></u>

The analysis of loans and advances measured at amortized cost by industry is as follows:

	September 30, 2010	December 31, 2009
	AED'000	AED'000
	(un-audited)	(audited)
Retail	10,720,334	11,361,082
Government/public sector	8,348,293	8,209,706
Trade	6,260,045	6,674,039
Services	4,667,738	4,798,771
Construction	4,046,836	4,790,278
Financial institutions	2,754,097	2,769,775
Manufacturing	2,251,090	3,782,983
Transport and communication	1,410,347	1,640,053
Others	58,950	79,010
	<u>40,517,730</u>	<u>44,105,697</u>
Less: Allowance for impairment	<u>(2,785,134)</u>	<u>(1,984,870)</u>
	<u><u>37,732,596</u></u>	<u><u>42,120,827</u></u>

Notes to the Condensed Consolidated Financial Statements (continued)
For the period from January 1, 2010 to September 30, 2010

4. Loans and advances measured at amortized cost (continued)

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

	9 month period ended September 30, 2010	Year ended December 31, 2009
	AED'000 (un-audited)	AED'000 (audited)
Balance at the beginning of the period/year	1,984,870	1,118,809
Impairment allowance for the period/year	656,314	868,637
Interest in suspense	211,349	111,399
Recoveries during the period/year	(67,399)	(113,975)
	<hr/>	<hr/>
Balance at the end of the period/year	2,785,134	1,984,870
	<hr/> <hr/>	<hr/> <hr/>

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 January 1, 2010 to September 30, 2010

5. Islamic financing and investment products measured at amortized cost

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

	September 30, 2010	December 31, 2009
	AED'000	AED'000
	(un-audited)	(audited)
<u>Financing</u>		
Murabaha	1,955,694	2,311,550
Ijara	2,394,087	1,826,286
	<hr/>	<hr/>
	4,349,781	4,137,836
	<hr/>	<hr/>
<u>Investing</u>		
Musharakah	881,948	1,162,174
Mudaraba	343,188	64,514
Wakala	-	276,461
	<hr/>	<hr/>
	1,225,136	1,503,149
	<hr/>	<hr/>
Total	5,574,917	5,640,985
Less: Unearned income	(9,978)	(16,732)
Allowance for impairment	(40,947)	(14,964)
	<hr/>	<hr/>
	5,523,992	5,609,289
	<hr/> <hr/>	<hr/> <hr/>

6. Property and equipment

During the period from January 1, 2010 to September 30, 2010, the Group purchased approximately AED 357.6 million (Period ended September 30, 2009: AED 155.9 million) of various types of property and equipment and disposed off property and equipment with a net book value of AED 16.7 million (Period ended September 30, 2009: AED 26.3 million) for proceeds of AED 25.9 million (Period ended September 30, 2009: AED 242.5 million).

Notes to the Condensed Consolidated Financial Statements (continued)
For the period from January 1, 2010 to September 30, 2010

7. Medium-term loans

	September 30, 2010	December 31, 2009
	AED'000	AED'000
	(un-audited)	(audited)
Tier 2 loan from the Ministry of Finance of the U.A.E.	3,443,593	3,443,593
Medium term floating rate notes	2,507,190	3,734,706
	5,950,783	7,178,299

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

The Tier 2 loan will mature in June 2016 as per the agreement between the Group and the Ministry of Finance. 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 bonds issued under the programme are as follows:

<u>Due date</u>	<u>Interest rate</u>		September 30, 2010	December 31, 2009
			AED'000	AED'000
			(un-audited)	(audited)
March 23, 2010	3 months	Libor + 0.40%	-	1,193,725
April 6, 2011	3 months	Libor + 0.38%	1,101,900	1,101,900
January 24, 2017 [Note 7(b)-2]	3 months	Libor + 0.63%	1,405,290	1,439,081
			2,507,190	3,734,706

Notes to the Condensed Consolidated Financial Statements (continued)
For the period from January 1, 2010 to September 30, 2010

7. Medium-term Loans (continued)

(b) Medium term floating rate notes (continued)

- 1- During 2004, the Bank established a Euro Medium Term Note (EMTN) programme for US\$ 750 million (AED 2.75 billion). The EMTN programme was increased to US\$ 2 billion (AED 7.35 billion) on March 21, 2006. On March 15, 2010, the EMTN programme limit was further increased to US\$ 5 billion (AED 18.38 billion).
- 2- AED 1.41 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 amortized at the rate of 20% per annum for next five years until 2017 for capital adequacy calculation purposes. However, the FRN is callable in 5 years (i.e. in 2012 if not redeemed on completion of 5 years, there is provision of step up in coupon rate by 0.5% for next 5 years). This subordinated FRN has been approved by U.A.E. Central Bank as Tier 2 capital.

8. Paid up capital

During the period from January 1, 2010 to September 30, 2010, a proposed bonus share distribution of 1 share for each 20 shares and a 15% cash dividend amounting to AED 242 million was approved by the Board of Directors and ratified by the shareholders at the Annual General Meeting.

As of September 30, 2010, 169,076,975 ordinary shares of AED 10 each (December 31, 2009: 161,025,690 ordinary shares of AED 10 each) were issued and were fully paid up.

9. General and administrative expenses

General and administrative expenses include senior management remuneration of AED 52.23 million for the period from January 1, 2010 to September 30, 2010 (2009: AED 20.00 million).

Notes to the Condensed Consolidated Financial Statements (continued)
For the period from January 1, 2010 to September 30, 2010

10. Earnings per share

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

	<u>September 30,</u>	
	<u>2010</u>	<u>2009</u>
	(un-audited)	(un-audited)
Profit for the period (AED'000) (Attributed to shareholders of the parent)	<u>647,385</u>	<u>1,119,482</u>
Number of ordinary shares outstanding as of September 30, 2010 (Note 8)	<u>169,076,975</u>	<u>169,076,975</u>
Basic earnings per share (AED)	<u>3.83</u>	<u>6.62</u>
Diluted earnings per share (AED)	<u>3.83</u>	<u>6.62</u>

The number of ordinary shares outstanding as of September 30, 2009 has been adjusted to reflect the bonus shares issued during 2010 (Note 8).

11. Cash and cash equivalents

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

	<u>September 30,</u>	<u>December 31,</u>
	<u>2010</u>	<u>2009</u>
	AED'000	AED'000
	(un-audited)	(audited)
Cash and balances with central banks		
Cash in hand	505,066	514,758
Balances with central banks:		
Current accounts and other balances	4,284,057	2,325,386
Certificate of deposit	8,721,575	14,650,000
Deposits and balances due from banks maturing within 3 months	<u>8,935,980</u>	<u>6,001,931</u>
	<u>22,446,678</u>	<u>23,492,075</u>

Notes to the Condensed Consolidated Financial Statements (continued)
For the period from January 1, 2010 to September 30, 2010

12. Contra accounts and commitments

	September 30, 2010	December 31, 2009
	AED'000	AED'000
	(un-audited)	(audited)
(a) Contra accounts (memoranda)		
Guarantees	36,220,364	41,226,839
Letters of credit	3,940,207	4,058,517
	<u>40,160,571</u>	<u>45,285,356</u>
(b) Derivative financial instruments (Note 13)	74,532,329	91,228,468
	<u>114,692,900</u>	<u>136,513,824</u>
Total contra accounts and commitments	<u><u>114,692,900</u></u>	<u><u>136,513,824</u></u>

13. Derivatives

<u>Derivative financial instruments</u>	<u>Positive fair value</u>	<u>Negative fair value</u>	<u>Notional amount</u>
	AED'000	AED'000	AED'000
Forward foreign exchange contracts	315,359	262,373	36,354,218
Foreign exchange options (bought)	-	166,211	8,851,625
Foreign exchange options (sold)	166,211	-	8,860,281
Interest rate swaps	865,329	880,297	19,900,313
Credit default swaps	1,047	114	77,918
Equity derivatives	10,124	9,857	309,032
Futures contracts purchased (customers)	3,560	-	31,438
Futures contracts sold (customers)	-	4,163	58,033
Futures contracts sold (bank)	-	3,560	31,438
Futures contracts purchased (bank)	4,163	-	58,033
	<u>1,365,793</u>	<u>1,326,575</u>	<u>74,532,329</u>
At September 30, 2010 – un-audited	<u><u>1,365,793</u></u>	<u><u>1,326,575</u></u>	<u><u>74,532,329</u></u>
At December 31, 2009 – audited	<u><u>1,269,198</u></u>	<u><u>1,270,436</u></u>	<u><u>91,228,468</u></u>

Derivatives with positive fair value and negative fair value are included in interest receivable and other assets and interest payable and other liabilities.

14. Seasonality of results

No income of seasonal nature was recorded in the condensed consolidated financial statements for the nine month periods ended September 30, 2010 and 2009.

Notes to the Condensed Consolidated Financial Statements (continued)
For the period from January 1, 2010 to September 30, 2010

15. Related party transactions

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 unrelated parties. Such related party transactions are disclosed below.

The Group is controlled by Al Ghurair Family members who own 82.27% of the paid up capital. The remaining shares are widely held.

Related party balances as of September 30, 2010 are as follows:

	September 30, 2010	December 31, 2009
	AED’000 (un-audited)	AED’000 (audited)
Loans and advances measured at amortized cost	2,240,327	1,903,602
Customers’ deposits	1,323,455	1,497,794
Letters of credit and guarantees	1,987,276	1,952,917
Other financial assets measured at FVTOCI	-	118,430
Investments revaluation reserves	-	(22,970)

Profit for the period includes related party transactions as follows:

	9 months ended September 30, 2010	2009
	AED ’000 (un-audited)	AED ’000 (un-audited)
Interest income	105,210	84,534
Interest expense	42,324	45,073
Other income	54,748	59,696

Notes to the Condensed Consolidated Financial Statements (continued)
For the period from January 1, 2010 to September 30, 2010

16. Segmental information

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

Reportable segments

Operating segments are identified on the basis of internal reports about the components of the Group that are regularly reviewed by the Group's CEO (the Group's chief operating decision maker) in order to allocate resources to the segment and to assess its performance. Information reported to the Group's CEO for the purpose of resource allocation and assessment of performance is based on following strategic business units offering products and services to different markets.

The Group's reportable segments under IFRS 8 are 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, SME and private banking are the major products and / or business lines making up this segment.
2. The **Domestic Retail** segment includes products and services offered to individuals or small businesses within U.A.E. The product offerings to customers include, current accounts, savings accounts, fixed deposits, investment products, "Mashreq Millionaire" deposits, personal loans, auto loans, mortgage loans, business loans, credit cards with unique loyalty programs, bank assurance, overdraft, priority banking and wealth management services.
3. The **Treasury & Capital Markets** segment consists of customer flow business and proprietary business. Customer flow business includes transactions for foreign exchange, derivatives, futures, hedging, investment products, domestic equities and asset management undertaken on behalf of customers. The proprietary business includes trading and investing activity undertaken on behalf of the Group.

Notes to the Condensed Consolidated Financial Statements (continued)
For the period from January 1, 2010 to September 30, 2010

16. Segmental information (continued)

4. The **International Banking** segment consists of Retail and Corporate business for the Group's overseas banking branches in Qatar, Egypt, Bahrain, Kuwait and the Group's correspondent banking business in other overseas branches which includes trade services, reimbursements, reimbursement undertaking, reimbursement financing, export bills collection, risk participations.
5. All Islamic banking products offered to customers are included under the **Islamic Banking** segment. These products are Ijara Home Finance, Mudarabah Deposit, Wadiya, Mudarah savings account, Musharaka finance, Murabaha commodity finance, Ijara Equipment Finance, Sukuk Underwriting, Musharaka LC, Murabaha LC, TR Murabaha, Kafala, Wakala Deposit, Reverse Murabaha Deposit & Sukuk Advisory.
6. The Insurance subsidiary, Oman Insurance Company (PSC) – comprises the **Insurance** segment. The product offerings to customers include life, health, motor, marine cargo and hull, aviation, fire and general accident, engineering, liability and personal lines insurance.
7. The **Head office** consists of certain investments and assets held centrally due to their strategic significance to the Group.

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

Notes to the Condensed Consolidated Financial Statements (continued)
For the period from January 1, 2010 to September 30, 2010

16. Segmental information (continued)

	January 1, 2009 to September 30, 2009 (un-audited)						Total AED'000		
	Domestic Retail AED'000	Domestic Corporate AED'000	International Banking AED'000	Treasury & Capital Markets AED'000	Islamic Banking AED'000	Insurance AED'000		Head Office AED'000	
Net interest income and earnings from Islamic products	782,705	525,814	190,076	(99,073)	98,988	15,500	66,820	1,580,830	
Commission and other income	458,226	496,568	198,115	324,739	13,539	366,887	445,278	2,303,352	
Operating income	1,240,931	1,022,382	388,191	225,666	112,527	382,387	512,098	3,884,182	
General and administrative expenses								(1,310,213)	
Allowances for impairment								(1,378,757)	
Profit before taxes								1,195,212	
Overseas income tax expenses								(10,263)	
Profit for the period								1,184,949	
Attributed to: Shareholders of the parent								1,119,482	
Non-controlling interests								65,467	
								1,184,949	
	December 31, 2009 (audited)								
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	
Segment Assets	10,480,184	24,985,894	13,072,782	29,959,280	6,368,094	3,609,033	6,146,677	94,921,944	
Segment Liabilities	10,367,181	36,262,089	6,554,300	20,140,457	2,916,137	2,073,545	4,460,743	82,774,452	

Notes to the Condensed Consolidated Financial Statements (continued)
For the period from January 1, 2010 to September 30, 2010

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 from external customers *		Non-current assets**	
	9 month ended		September 30, 2010	December 31, 2009
	September 30,			
	2010	2009	AED'000	AED'000
(un-audited)	(un-audited)	(un-audited)	(audited)	
U.A.E.	2,980,204	3,650,931	1,347,025	1,123,684
Other Middle East countries	190,670	148,383	307,199	320,928
O.E.C.D.	44,527	64,607	2,740	3,081
Other countries	20,438	20,261	606	1,018
	3,235,839	3,884,182	1,657,570	1,448,711

* Operating income from external customers is based on the Group's operational centres.

** Non-current assets excluding financial instruments, deferred tax assets (if any), and assets arising from insurance contracts.

Notes to the Condensed Consolidated Financial Statements (continued)
For the period from January 1, 2010 to September 30, 2010

17. Capital adequacy ratio

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

	September 30, 2010	December 31, 2009
	AED'000 (un-audited)	AED'000 (audited)
Capital base		
Tier 1	11,993,890	11,567,976
Tier 2	5,124,864	5,115,577
	<u>17,118,754</u>	<u>16,683,553</u>
Deduction from capital	(31,825)	(31,825)
	<u>(a) 17,086,929</u>	<u>16,651,728</u>
Risk-weighted assets:		
Credit Risk	71,097,177	77,086,127
Market Risk	297,628	441,050
Operational Risk	5,342,290	4,980,150
	<u>76,737,095</u>	<u>82,507,327</u>
Total risk-weighted assets	(b) 76,737,095	82,507,327
Capital adequacy ratio (%) [(a)/(b) x 100]	22.27%	20.18%

Tier 2 Capital at September 30, 2010 and December 31, 2009 includes qualifying subordinated medium-term loans (Note 7).

18. Approval of condensed consolidated financial statements

The condensed consolidated financial statements on pages 2 to 24 were approved by the Board of Directors on October 31, 2010.