

**MASHREQBANK PSC GROUP**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION AND REVIEW REPORT  
FOR THE PERIOD FROM JANUARY 1, 2007  
TO MARCH 31, 2007**

**Mashreqbank psc Group**

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

**For the period from January 1, 2007 to March 31, 2007**

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Ref.: 7848CFS07-March

## Report on Review of Interim Condensed Consolidated Financial Information

To the Board of Directors  
Mashreqbank psc  
Dubai  
United Arab Emirates

### *Introduction*

We have reviewed the accompanying interim condensed consolidated balance sheet of **Mashreqbank psc** (the “**Bank**”) and its **Subsidiaries** (collectively the “**Group**”) as of March 31, 2007 and the related interim condensed consolidated statements of income, changes in shareholders’ equity and cash flows for three months period then ended, and a summary of significant accounting policies and other explanatory notes. Management of the Bank is responsible for the preparation and fair presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, ‘Interim Financial Reporting (“IAS 34”)’. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

### *Scope of review*

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

### *Conclusion*

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

**Deloitte & Touche**



**Saba Y. Sindaha**  
(Registration No. 410)

Dubai  
April 15, 2007

**Interim Condensed Consolidated Balance Sheet****As of March 31, 2007****(In Thousand Arab Emirates Dirhams)**

	Note	<b>March 31, 2007</b>	December 31, 2006
		AED'000 (reviewed)	AED'000 (audited)
<b>ASSETS</b>			
Cash and balances with central banks		5,680,772	2,405,688
Deposits and balances due from banks		8,976,237	8,556,912
Loans and advances, net	3	29,087,961	28,572,233
Islamic financing and investment products	4	684,420	829,014
Customer acceptances		1,167,283	1,157,635
Interest receivable and other assets		2,057,258	1,624,170
Investment in securities	5	13,341,630	12,935,449
Investment property		344,885	361,739
Property and equipment		317,173	302,275
<b>Total assets</b>		<b>61,657,619</b>	<b>56,745,115</b>
<b>LIABILITIES</b>			
Customers' deposits		36,375,430	33,908,235
Islamic customers' deposits		311,114	747,890
Deposits and balances due to banks		6,760,888	6,988,150
Insurance and life assurance funds		438,761	373,940
Medium-term floating rate notes	6	5,234,025	3,397,525
Long-term loans		20,440	23,541
Customer acceptances		1,167,283	1,157,635
Interest payable and other liabilities		3,029,377	2,199,236
<b>Total liabilities</b>		<b>53,337,318</b>	<b>48,796,152</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	7	1,126,054	866,195
Statutory and legal reserves		469,453	469,453
General reserves		312,000	312,000
Cumulative translation adjustment		(9,547)	(11,449)
Investment revaluation reserve		148,387	184,220
Retained earnings		5,742,366	5,557,149
<b>Equity attributable to equity holders of the parent</b>		<b>7,788,713</b>	<b>7,377,568</b>
<b>Minority interest</b>		<b>531,588</b>	<b>571,395</b>
<b>Total shareholders' equity</b>		<b>8,320,301</b>	<b>7,948,963</b>
<b>Total liabilities and shareholders' equity</b>		<b>61,657,619</b>	<b>56,745,115</b>

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

The interim condensed consolidated financial information on pages 2 to 18 were approved by the Board of Directors on April 15, 2007 and signed on their behalf by:

Abdulla Ahmed Al Ghurair  
Chairman

Abdul Aziz Abdulla Al Ghurair  
Chief Executive Officer

**Interim Condensed Consolidated Income Statement**  
**For the period from January 1, 2007 to March 31, 2007**  
**(In Thousand Arab Emirates Dirhams)**

	Note	3 months ended	
		March 31,	
		2007	2006
		AED'000	AED'000
		(reviewed)	(un-audited)
Interest income		887,274	641,640
Income from Islamic financing and investment products		6,874	-
<b>Total interest income and income from Islamic financing and investment products</b>		<b>894,148</b>	<b>641,640</b>
Interest expense		(558,905)	(403,050)
Distribution to depositors – Islamic financing		(3,744)	-
<b>Net interest income and income from Islamic products net of distribution to depositors</b>		<b>331,499</b>	<b>238,590</b>
Net commission income		120,843	75,068
Other income		452,782	338,199
<b>Operating income</b>		<b>905,124</b>	<b>651,857</b>
General and administrative expenses	9	(323,927)	(219,917)
Allowance for loans and advances and other financial assets		(99,870)	(51,749)
<b>Income before taxes</b>		<b>481,327</b>	<b>380,191</b>
Income tax		(1,284)	(1,233)
<b>Net income for the period</b>		<b>480,043</b>	<b>378,958</b>
<b>Attributed to:</b>			
Equity holders of the parent		445,076	342,200
Minority interest		34,967	36,758
		<b>480,043</b>	<b>378,958</b>
<b>Earnings per share</b>	10	<b>AED 3.95</b>	<b>AED 3.04</b>

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

**Interim Condensed Consolidated Statement of Changes in Shareholders' Equity**

**For the period from January 1, 2007 to March 31, 2007**

**(In Thousand Arab Emirates Dirhams)**

	Share capital AED'000	Statutory and legal reserves AED'000	General reserves AED'000	Retained earnings AED'000	Cumulative translation adjustment AED'000	Investment revaluation reserve AED'000	Attributable to equity holders of the parent AED'000	Minority interest AED'000	Total AED'000
<b>Balance at January 1, 2006 – audited</b>	<b>866,195</b>	<b>468,839</b>	<b>312,000</b>	<b>4,160,362</b>	<b>(16,005)</b>	<b>1,467,341</b>	<b>7,258,732</b>	<b>896,087</b>	<b>8,154,819</b>
Changes in fair value of investments during the period	-	-	-	-	-	(525,185)	(525,185)	(163,578)	(688,763)
Overseas entities' translation adjustment	-	-	-	-	724	-	724	-	724
Total income recognised directly in equity	-	-	-	-	724	(525,185)	(524,461)	(163,578)	(688,039)
Net income for the period	-	-	-	342,200	-	-	342,200	36,758	378,958
<b>Total income for the period</b>	-	-	-	<b>342,200</b>	<b>724</b>	<b>(525,185)</b>	<b>(182,261)</b>	<b>(126,820)</b>	<b>(309,081)</b>
Dividend paid	-	-	-	-	-	-	-	(35,442)	(35,442)
<b>Balance at March 31, 2006 – un-audited</b>	<b>866,195</b>	<b>468,839</b>	<b>312,000</b>	<b>4,502,562</b>	<b>(15,281)</b>	<b>942,156</b>	<b>7,076,471</b>	<b>733,825</b>	<b>7,810,296</b>
<b>Balance at January 1, 2007 - audited</b>	<b>866,195</b>	<b>469,453</b>	<b>312,000</b>	<b>5,557,149</b>	<b>(11,449)</b>	<b>184,220</b>	<b>7,377,568</b>	<b>571,395</b>	<b>7,948,963</b>
Changes in fair value of investments during the period	-	-	-	-	-	(35,833)	(35,833)	(43,572)	(79,405)
Overseas entities' translation adjustment	-	-	-	-	1,902	-	1,902	-	1,902
Total income recognised directly in equity	-	-	-	-	1,902	(35,833)	(33,931)	(43,572)	(77,503)
Net income for the period	-	-	-	445,076	-	-	445,076	34,967	480,043
<b>Total income for the period</b>	-	-	-	<b>445,076</b>	<b>1,902</b>	<b>(35,833)</b>	<b>411,145</b>	<b>(8,605)</b>	<b>402,540</b>
Dividend paid	-	-	-	-	-	-	-	(31,011)	(31,011)
Bonus shares issued during the period	259,859	-	-	(259,859)	-	-	-	-	-
Reduction in minority's share capital	-	-	-	-	-	-	-	(191)	(191)
<b>Balance at March 31, 2007 – reviewed</b>	<b>1,126,054</b>	<b>469,453</b>	<b>312,000</b>	<b>5,742,366</b>	<b>(9,547)</b>	<b>148,387</b>	<b>7,788,713</b>	<b>531,588</b>	<b>8,320,301</b>

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

**Interim Condensed Consolidated Cash Flow Statement**  
**For the period from January 1, 2007 to March 31, 2007**  
**(In Thousand Arab Emirates Dirhams)**

	<b>3 months ended March 31,</b>	
	<b>2007</b>	<b>2006</b>
	<b>AED'000</b>	<b>AED'000</b>
	<b>(reviewed)</b>	<b>(un-audited)</b>
<b>Cash flows from operating activities</b>		
Net income for the period	480,043	378,958
<b>Adjustments to reconcile net income to net cash provided by operating activities</b>		
Depreciation of property and equipment	15,993	10,256
Fair value adjustment – trading investments	(87,758)	(74,026)
Translation adjustment	1,902	724
Allowance for impairment of loans and advances	74,000	24,000
Gain on sale of property and equipment	(30)	(21,471)
<b>Changes in operating assets and liabilities:</b>		
Increase in deposits with central banks for regulatory purposes	(52,457)	(28,084)
Increase in deposits maturing after three months	(502,662)	(1,143,059)
Increase in advances to customers	(589,728)	(5,254,459)
Decrease in Islamic financing and investing products	144,594	-
Increase in interest receivable and other assets	(433,089)	(212,950)
Increase in trading securities, net	(404,101)	(1,102,506)
Increase in customers' deposits	2,467,196	2,176,223
Decrease in Islamic customers' deposits	(436,776)	-
Increase in medium-term floating rate notes	1,836,500	-
Decrease in long-term loans	(3,101)	(1,135)
(Decrease)/increase in deposits and balances due to banks	(227,262)	1,395,667
Increase in insurance and life assurance funds	64,821	36,532
Increase in interest payable and other liabilities	830,141	908,193
<b>Net cash from/(used in) operating activities</b>	<b>3,178,226</b>	<b>(2,907,137)</b>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(30,892)	(22,401)
Proceeds from sale of property and equipment	30	24,051
Sale/(purchase) of non-trading investments, net	23,128	(384,332)
<b>Net cash used in investing activities</b>	<b>(7,734)</b>	<b>(382,682)</b>
<b>Cash flows from financing activities</b>		
Dividend paid to minority	(31,011)	(35,442)
Capital withdrawn by minority	(191)	-
<b>Net cash used in financing activities</b>	<b>(31,202)</b>	<b>(35,442)</b>
<b>Increase/(decrease) in cash and cash equivalents (Note 11)</b>	<b>3,139,290</b>	<b>(3,325,261)</b>

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