

INDEPENDENT AUDITOR'S REPORT

FC 9657

The Shareholders
MashreqBank psc
Dubai
United Arab Emirates

We have audited the accompanying consolidated balance sheet of **MashreqBank psc Group** as of December 31, 2000, and the related consolidated statements of income and retained earnings, changes in equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Directors of the Bank. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2000 and the consolidated results of its operations and its cash flows for the year then ended in conformity with International Accounting Standards.

Also, in our opinion, proper books of account have been maintained by the Bank and the information included in the Directors' Report is in agreement with the accounting records of the Bank. We obtained all the information and explanations which we considered necessary for our audit. According to the information available to us, there were no contraventions of the U.A.E. Federal Commercial Companies Law No. (8) of 1984, as amended, or the Bank's Articles of Association which might have materially affected the financial position of the Bank or the consolidated results of its operations for the year.

Deloitte & Touche

Dubai
January 11, 2001

Hani K. Tarazi (Reg. No. 75)

016230/30



CONSOLIDATED STATEMENT OF NET INCOME AND RETAINED EARNINGS

for the year ended December 31

	Note	2000		1999	
		AED'000	US\$'000	AED'000	US\$'000
Interest income		1,522,309	414,459	1,309,616	356,552
Interest expense		(911,015)	(248,030)	(663,684)	(180,693)
Net interest income		611,294	166,429	645,932	175,859
Net commission income		111,261	30,291	122,422	33,330
Other income	15	359,120	97,772	329,941	89,829
		<u>1,081,675</u>	<u>294,492</u>	<u>1,098,295</u>	<u>299,018</u>
General and administrative expenses	16	(464,934)	(126,581)	(469,229)	(127,751)
Provisions for loans and advances, investments and others		(250,511)	(68,203)	(264,256)	(71,945)
Income before taxes and minority interest		366,230	99,708	364,810	99,322
Income taxes		(9,539)	(2,597)	(3,897)	(1,061)
Net income before minority interest		356,691	97,111	360,913	98,261
Minority interest		(6,187)	(1,684)	(10,598)	(2,885)
Net income for the year		350,504	95,427	350,315	95,376
Retained earnings					
Balance, January 1		1,093,939	297,832	922,983	251,288
Net income for the year		350,504	95,427	350,315	95,376
		<u>1,444,443</u>	<u>393,259</u>	<u>1,273,298</u>	<u>346,664</u>
Transfers to:					
Statutory and legal reserves		(725)	(197)	(393)	(107)
Proposed dividend		(157,490)	(42,877)	(178,966)	(48,725)
		<u>1,286,228</u>	<u>350,185</u>	<u>1,093,939</u>	<u>297,832</u>
Earnings per share		AED 48.96	US\$ 13.33	AED 48.94	US\$ 13.32

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEET

as at December 31

		2000		1999	
	Note	AED'000	US\$'000	AED'000	US\$'000
Assets					
Cash and balances with central banks	3	5,684,607	1,547,674	2,210,412	601,800
Deposits and balances due from banks	4	3,411,686	928,855	4,706,173	1,281,288
Advances to customers less provisions	5	10,802,538	2,941,067	11,159,374	3,038,218
Interest receivable and other assets	6	387,410	105,475	330,071	89,864
Investments	7	1,547,270	421,255	1,291,010	351,487
Fixed assets	8	253,618	69,049	283,204	77,104
Total assets		22,087,129	6,013,375	19,980,244	5,439,761
Liabilities					
Deposits from customers		16,088,496	4,380,206	14,081,652	3,833,828
Deposits and balances due to banks	9	2,455,870	668,628	2,528,646	688,442
Long-term loans	10	72,495	19,737	80,191	21,832
Interest payable and other liabilities		605,754	164,921	603,263	164,242
Insurance and life assurance funds	11	73,318	19,961	70,271	19,132
Minority interest		79,671	21,691	80,709	21,974
Total liabilities		19,375,604	5,275,144	17,444,732	4,749,450
Shareholders' funds					
	12				
Share capital		715,864	194,899	715,864	194,899
Statutory and legal reserves		361,769	98,494	361,044	98,297
General reserve		312,000	84,944	312,000	84,944
Retained earnings		1,286,228	350,185	1,093,939	297,832
Cumulative translation adjustment		(121,826)	(33,168)	(126,301)	(34,386)
		2,554,035	695,354	2,356,546	641,586
Proposed dividend		157,490	42,877	178,966	48,725
Total shareholders' funds		2,711,525	738,231	2,535,512	690,311
Total liabilities and shareholders' funds		22,087,129	6,013,375	19,980,244	5,439,761
Contra accounts (memoranda)	14	10,981,712	2,989,848	13,239,465	3,604,537

Abdulla Ahmed Al Ghurair
Chairman

Abdul Aziz Abdulla Al Ghurair
Chief Executive Officer

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended December 31

	Note	Share capital	Statutory and legal reserves	General reserve	Retained earnings	Proposed dividend	Proposed bonus share issue	Cumulative translation adjustment	Total	Total
		AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	US\$'000
Balance at January 1, 1999		596,553	360,651	312,000	922,983	178,966	119,311	(123,566)	2,366,898	644,405
Net profit for the year		-	-	-	350,315	-	-	-	350,315	95,376
Transfer to statutory and legal reserves	12	-	393	-	(393)	-	-	-	-	-
Proposed dividend		-	-	-	(178,966)	178,966	-	-	-	-
Dividend paid		-	-	-	-	(178,966)	-	-	(178,966)	(48,725)
Bonus shares issued		119,311	-	-	-	-	(119,311)	-	-	-
Overseas entities' translation adjustment		-	-	-	-	-	-	(2,735)	(2,735)	(745)
Balance at December 31, 1999		<u>715,864</u>	<u>361,044</u>	<u>312,000</u>	<u>1,093,939</u>	<u>178,966</u>	<u>-</u>	<u>(126,301)</u>	<u>2,535,512</u>	<u>690,311</u>
Net profit for the year		-	-	-	350,504	-	-	-	350,504	95,427
Transfer to statutory and legal reserves	12	-	725	-	(725)	-	-	-	-	-
Proposed dividend		-	-	-	(157,490)	157,490	-	-	-	-
Dividend paid		-	-	-	-	(178,966)	-	-	(178,966)	(48,725)
Bonus shares issued		-	-	-	-	-	-	-	-	-
Overseas entities' translation adjustment		-	-	-	-	-	-	4,475	4,475	1,218
Balance at December 31, 2000		<u>715,864</u>	<u>361,769</u>	<u>312,000</u>	<u>1,286,228</u>	<u>157,490</u>	<u>-</u>	<u>(121,826)</u>	<u>2,711,525</u>	<u>738,231</u>

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31

	2000		1999	
	AED'000	US\$'000	AED'000	US\$'000
Cash flows from operating activities:				
Net income for the year	350,504	95,427	350,315	95,376
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation of fixed assets	52,679	14,342	52,609	14,323
Cumulative translation adjustment, net	4,475	1,218	(2,735)	(745)
Provision for loan losses	239,131	65,105	258,321	70,330
Provision for investments	5,111	1,392	116	32
Profit on sale of fixed assets	(4,809)	(1,309)	(5,532)	(1,506)
Changes in operating assets and liabilities:				
Decrease/(increase) in deposits with central banks for regulatory purposes	135,228	36,817	(8,835)	(2,405)
(Increase)/decrease in deposits maturing after three months	(192,916)	(52,523)	627,842	170,934
Decrease/(increase) in advances to customers	117,705	32,046	(675,172)	(183,820)
Increase in interest receivable and other assets	(57,339)	(15,611)	(40,884)	(11,131)
Increase in customer deposits	2,006,844	546,377	1,128,057	307,121
Decrease in long-term loans	(7,696)	(2,095)	(6,917)	(1,884)
(Decrease)/increase in deposits and balances due to banks	(72,776)	(19,814)	384,357	104,645
Increase/(decrease) in insurance and life assurance funds	3,047	830	(9,191)	(2,502)
Increase in interest payable and other liabilities	2,491	678	54,638	14,875
Net cash provided by operating activities	2,581,679	702,880	2,106,989	573,643
Cash flows from investing activities:				
Purchase of fixed assets	(29,522)	(8,038)	(52,298)	(14,239)
Proceeds from sale of fixed assets	11,238	3,060	12,896	3,512
Purchase of investments (net of disposals)	(261,371)	(71,160)	(132,386)	(36,043)
Net cash used in investing activities	(279,655)	(76,138)	(171,788)	(46,770)
Cash flows from financing activities:				
Dividend paid	(178,966)	(48,725)	(178,966)	(48,725)
Minority interest	(1,038)	(282)	3,278	893
Net cash used in financing activities	(180,004)	(49,007)	(175,688)	(47,832)
Increase in cash and cash equivalents (Note 18)	2,122,020	577,735	1,759,513	479,041

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2000

1 General

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 and subsidiaries in the United Arab Emirates, Bahrain, Egypt, Hong Kong, India, Pakistan, Qatar, Sri Lanka, Sudan, the United Kingdom and the United States of America. Kenya branch was closed during the year.

The MashreqBank psc Group, as at December 31, 2000, includes the following subsidiaries:

	Country of incorporation	Ownership interest %
Mashreq Asia Limited	Hongkong	100
Osool - A Finance Company	United Arab Emirates	98
Oman Insurance Company Limited	United Arab Emirates	63.65

Bank of Oman Overseas (USA) Inc. was officially dissolved during the year.

2 Significant accounting policies

(a) Accounting convention

The consolidated financial statements of MashreqBank group are prepared under the historical cost convention using International Accounting Standards.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of MashreqBank psc and its subsidiaries. All significant inter-company transactions between group entities have been eliminated. Subsidiary companies are those companies in which the Bank owns, directly or indirectly, more than 50% of the voting share capital and/or exercises control.

(c) Revenue recognition

Interest income and expense are recognised on a time proportion basis, taking account of the principal outstanding and the rate applicable. The recognition of income ceases when the recovery of interest or principal is in doubt. Interest accruing on such advances is suspended. Commission and fee income are accounted for on the date the transaction arises. Recoveries in respect of loans fully provided are accounted for on a cash receipt basis.

Insurance premiums from general insurance activities are recognised in the accounting period in which they incept except for premium income from life assurance policies which is accounted for on a cash basis and premium income on marine cargo policies which is accounted for on the expected date of voyage. Insurance policy acquisition and maintenance costs are charged to expense as incurred.

(d) Foreign currencies

The reporting currency of the Bank is the U.A.E. Dirham (AED). However, for presentation purposes only additional columns for US Dollar equivalent amounts have been presented in the Consolidated Balance Sheet and Consolidated Statement of Income, Consolidated Statement of Cash Flows and Consolidated Statement of Changes in Equity.

Transactions denominated in foreign currencies are recorded in their respective local currencies at the rates of exchange prevailing at the time of the transactions. Assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rates prevailing at that date. Gains and losses are reflected in net income for the year.

Assets and liabilities of foreign branches and subsidiaries are translated into U.A.E. Dirhams at the rates of exchange ruling at the year end. Income and expenses are translated at average rates of exchange during the year. The Bank's investments in foreign branches and subsidiaries are translated at historical rates of exchange. The resulting differences are included under shareholders' equity as cumulative translation adjustment.

Forward foreign exchange contracts outstanding at the year end are translated at the current prevailing exchange rates at the balance sheet date with any resultant gains or losses taken to the statement of net income.

(e) Provision for doubtful advances

Specific provisions are made against advances when their recovery is in doubt. In addition, a general provision is maintained to cover losses, which although not specifically identified, are likely to be present in any bank's portfolio of advances.

(f) Investments

Trading securities are stated at market value. Gains or losses on sales of trading securities, adjustments to market values and dividends due are included in the Statement of Income.

Quoted and unquoted investment securities are stated at cost less diminution for decline other than temporary in value which is determined on a portfolio basis. Where it is the intention to hold such investments to maturity and they are of a fixed income nature, valuation is at cost, adjusted over the security life for any amortization of premiums and accretion of discounts using the interest method.

Investments in discretionary managed funds are stated at the lower of cost or market value determined on a portfolio basis.

Investments in properties are carried at cost less provision for diminution for decline other than temporary in value.

(g) Fixed assets and depreciation

Land, buildings, equipment, office furniture and vehicles are stated at cost less accumulated depreciation. Depreciation is determined using the straight-line method over the estimated useful lives of the respective assets as follows:-

Bank buildings	20 - 25 years
Office equipment and vehicles	4 - 5 years
Furniture, fixtures and computer mainframe hardware	7 years
Improvements to freehold properties and others	5 - 10 years

One year after fixed assets are fully depreciated, they are maintained at a net book value of one Dirham by setting off accumulated depreciation against cost.

(h) Staff end-of-service benefits

Provision is made for estimated amounts required to cover end-of-service indemnity at the balance sheet date as per U.A.E. Labour Law.

(i) Pension and national insurance

Pension and national insurance for U.A.E. citizens are contributed by the Bank in accordance with Federal Law No.7 of 1999.

(j) Taxes on income

Provision is made for current and deferred taxes where applicable arising from the operating results of overseas subsidiaries and branches that are incorporated in taxable jurisdictions.

(k) Off balance sheet financial instruments

The Bank utilizes forward foreign exchange contracts in the management of its foreign currency positions. All foreign exchange contracts are marked to market and the resultant gains and net losses are recognised in the Statement of Income.

3 Cash and balances with central banks

	2000 AED'000	1999 AED'000
Cash	240,369	281,571
Balances with Central Banks	5,444,238	1,928,841
	<u>5,684,607</u>	<u>2,210,412</u>

4 Deposits and balances due from banks

	2000 AED'000	1999 AED'000
Banks abroad	3,122,954	4,227,131
Banks in the U.A.E.	288,732	479,042
	<u>3,411,686</u>	<u>4,706,173</u>

5 Advances to customers less provisions**a) Balances as of December 31,**

	2000 AED'000	1999 AED'000
Loans and advances	12,636,798	12,728,044
Bills discounted	478,972	410,250
	<u>13,115,770</u>	<u>13,138,294</u>
Less: Provision for loans and advances		
Specific provision	(1,457,483)	(1,271,441)
General provision	(99,281)	(115,760)
Interest in suspense	(756,468)	(591,719)
	<u>10,802,538</u>	<u>11,159,374</u>

The Bank continues to carry classified and delinquent accounts on its books even after making 100% provision. Interest is accrued on most of those accounts for litigation purposes but is not taken to income. Such accrual has increased gross loans and advances receivable. Accounts are written off only when all legal and other avenues for recovery or settlement are exhausted. Total loans and advances, including fully provided accounts on which interest is not taken to income amounted to AED 2,501 million at December 31, 2000 (1999 - AED 2,297 million).

b) Movement for the year in provisions against loans and advances to customers**Specific and general provision**

	2000 AED'000	1999 AED'000
Balance at the beginning of the year	1,387,201	1,188,903
Amounts written off during the year	(59,530)	(40,937)
Provisions charged to the income statement	243,767	258,707
Write back of provision for doubtful advances	(14,674)	(19,472)
Balance at end of year	1,556,764	1,387,201

Interest in suspense

	2000 AED'000	1999 AED'000
Balance at the beginning of the year	591,719	473,504
Interest suspended during the year	204,998	155,293
Amounts written off during the year	(23,709)	(14,264)
Write back of interest in suspense	(16,540)	(22,814)
Balance at end of year	756,468	591,719

6 Interest receivable and other assets

	2000 AED'000	1999 AED'000
Interest receivable	72,289	47,550
Prepaid interest and expenses	14,669	14,864
Inward orders for payment pending	2,498	5,877
Income taxes paid in advance	58,017	55,545
Clearing suspense	8,294	4,536
Inter-group balances	3,017	-
Others	228,626	201,699
	387,410	330,071

7 Investments**a) In securities**

	2000 AED'000	1999 AED'000
Trading securities:		
Government	311,196	119,194
Others	322,497	75,755
	633,693	194,949
Quoted investments	490,473	624,402
Unquoted investments	117,283	147,591
	607,756	771,993
Less: Provision for diminution in value	(28,916)	(33,597)
	578,840	738,396
Discretionary managed funds	238,745	257,110
	817,585	995,506
Total (a)	1,451,278	1,190,455

b) In properties

Interests in buildings and freehold land	113,981	113,432
Less: Provision for diminution in value	(17,989)	(12,877)
Total (b)	95,992	100,555
Total (a) + (b)	1,547,270	1,291,010

The market value of long-term quoted investments and discretionary managed funds held at December 31, 2000 was AED 559 million and AED 239 million respectively, (1999 - AED 781.9 million and AED 279.8 million).

8 Fixed assets

	Total AED'000	Properties for own use AED'000	Properties acquired in settlement of debts AED'000	Improvements to freehold properties and others AED'000	Furniture, fixtures, equipment & vehicles AED'000
Cost					
January 1, 2000	503,244	155,238	40,618	155,217	152,171
Additions	29,522	113	-	19,084	10,325
Disposals/write-offs	(49,673)	(1,164)	(2,043)	(8,716)	(37,750)
December 31, 2000	483,093	154,187	38,575	165,585	124,746
Accumulated depreciation					
January 1, 2000	220,040	48,199	1,105	76,710	94,026
Charge for the year	52,679	4,951	71	27,206	20,451
Disposals/write-offs	(43,244)	(156)	-	(7,457)	(35,631)
December 31, 2000	229,475	52,994	1,176	96,459	78,846
Net book value					
December 31, 2000	253,618	101,193	37,399	69,126	45,900
December 31, 1999	283,204	107,039	39,513	78,507	58,145

9 Deposits and balances due to banks

	2000 AED'000	1999 AED'000
Due to overseas central banks	13,279	25,233
Banks abroad	2,188,832	1,437,641
Banks in the U.A.E.	253,759	1,065,772
	2,455,870	2,528,646

Included under borrowings from banks abroad is an amount of US\$ 100 million being a loan obtained during the year through a syndicate of banks. The loan is repayable after three years in one installment due in August 2003. However, the Bank has the option of prepayment of the loan in part or in full. The term loan carries a floating rate of interest which is fixed by reference to 3 or 6 months LIBOR.

10 Long-term loans

The Real Estate Committee of the U.A.E. has refinanced real estate loans made by the Bank to various U.A.E. citizens which are included in advances.

11 Insurance and life assurance funds of Oman Insurance Company Limited

	Outstanding Claims AED'000	Unearned premium reserve AED'000	Additional reserve AED'000	Life assurance fund AED'000	2000 Total AED'000	1999 Total AED'000
January 1,	20,530	19,760	14,041	15,940	70,271	79,462
Increase/(decrease)	1,820	1,547	601	(921)	3,047	(9,191)
December 31,	22,350	21,307	14,642	15,019	73,318	70,271

Reserve funds are calculated as a percentage of annual premiums earned, net of reinsurance. Additional reserves are also made for the estimated excess of potential claims and claims incurred but not reported at the balance sheet date.

12 Shareholders' funds

The authorised share capital of the bank is AED 1,500 million divided into 15,000,000 ordinary shares of AED 100 each. As of December 31, 2000, 7,158,638 ordinary shares of AED 100 each (1999 - 7,158,638 ordinary shares of AED 100 each) were issued and fully paid.

In accordance with Union Law 10/80 of the U.A.E., 10% of the net income for the year is to be transferred to statutory reserve. Such transfers to reserves may cease when they reach the levels established by the respective regulatory authorities. In the U. A. E. this level is 50% of the issued share capital. The legal reserve relates to the Bank's foreign operations. Neither the statutory nor the legal reserves are available for distribution.

13 Foreign restricted assets

Net assets equivalent to AED 130.9 million as of December 31, 2000 (1999 - AED 182.2 million) maintained by certain overseas branches of the Bank operating outside the United Arab Emirates, are subject to exchange control regulations of the countries in which these branches operate.

14 Contra accounts and commitments

	2000 AED'000	1999 AED'000
a) Contra accounts		
Letters of credit	1,715,791	1,634,732
Letters of guarantee and acceptances	6,188,738	5,870,743
Foreign exchange contracts - spot and forward	3,077,183	5,733,990
Total	10,981,712	13,239,465
b) Commitments		
Uncalled capital on investments held	5,842	14,134

15 Other income

	2000 AED'000	1999 AED'000
Fees, bank charges and other	184,616	165,426
Foreign exchange gains	40,668	58,365
Insurance underwriting profit	40,547	24,855
Investment securities	74,023	36,171
Recovery of bad debts	14,052	38,202
Net rental income	5,214	6,922
Total	359,120	329,941

16 General and administrative expenses

General and administrative expenses include AED 43.2 million (1999 AED 41.2 million) incentive bonus to employees and executive officers of the group.

17 Number of employees

The number of employees of the group was 2020 of December 31, 2000 (2226 as of December 31, 1999).

18 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks, money market placements and deposits, as follows:

(i)	2000 AED'000	1999 AED'000
Cash on hand, current accounts and deposits with central banks	5,684,607	2,210,412
Banks in the U.A.E.	288,732	479,042
Banks abroad	3,122,954	4,227,131
	<u>9,096,293</u>	<u>6,916,585</u>
Less: Deposits with central banks for regulatory purposes	(400,048)	(535,276)
Less: Deposits maturing after 3 months	(403,540)	(210,624)
	<u>8,292,705(a)</u>	<u>6,170,685(b)</u>

Change in cash and cash equivalents - 2000 [(a)-(b)]

2,122,020

(ii)	1999 AED'000	1998 AED'000
Cash on hand, current accounts and deposits with central bank	2,210,412	1,177,052
Banks in the U.A.E.	479,042	432,053
Banks abroad	4,227,131	4,166,974
	<u>6,916,585</u>	<u>5,776,079</u>
Less: Deposits with central banks for regulatory purposes	(535,276)	(526,441)
Less: Deposits maturing after 3 months	(210,624)	(838,466)
	<u>6,170,685(a)</u>	<u>4,411,172(b)</u>

Change in cash and cash equivalents - 1999 [(a)-(b)]

1,759,513

19 Related party transactions

Certain related parties (directors and major shareholders of the Bank and companies of which they are principal owners) were customers of the Bank and its subsidiaries in the ordinary course of business. Such transactions were made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with unrelated parties and did not involve more than a normal amount of risk.

Year-end related party balances included in the balance sheet are as follows:

	2000 AED'000	1999 AED'000
Advances to customers	<u>418,077</u>	<u>375,820</u>
Deposits from customers	<u>923,116</u>	<u>993,543</u>
Letters of credit, guarantees and acceptances	<u>521,291</u>	<u>490,216</u>
Net income for the year includes related party transaction as follows:		
Interest income	<u>41,507</u>	<u>21,337</u>
Interest expense	<u>62,851</u>	<u>48,634</u>
Other income	<u>17,195</u>	<u>14,481</u>

20 Interest rate sensitivity - 2000

	Within 3 months AED'000	Over 3 to 6 months AED'000	Over 6 to 12 months AED'000	Over 1 year AED'000	Non interest sensitive AED'000	Total AED'000
Assets						
Cash and balances with central banks	4,985,574	-	-	-	699,033	5,684,607
Deposits and balances due from banks	2,987,803	78,211	157,336	-	188,336	3,411,686
Advances to customers less provisions	6,462,032	1,328,652	529,503	2,271,940	210,411	10,802,538
Interest receivable and other assets	-	-	-	-	387,410	387,410
Investments	481,467	80,906	53,066	436,275	495,556	1,547,270
Fixed assets	-	-	-	-	253,618	253,618
Total assets	14,916,876	1,487,769	739,905	2,708,215	2,234,364	22,087,129
Liabilities and shareholders' funds						
Deposits from customers	9,810,641	1,916,993	1,646,844	55,822	2,658,196	16,088,496
Deposits and balances due to banks	2,196,410	30,185	4,783	-	224,492	2,455,870
Long term loans	-	-	-	-	72,495	72,495
Interest payable and other liabilities	-	-	-	-	605,754	605,754
Insurance and life assurance funds	-	-	-	-	73,318	73,318
Minority interest	-	-	-	-	79,671	79,671
Proposed dividend	-	-	-	-	157,490	157,490
Shareholders' funds	-	-	-	-	2,554,035	2,554,035
Total liabilities and shareholders' funds	12,007,051	1,947,178	1,651,627	55,822	6,425,451	22,087,129
On Balance Sheet gap	2,909,825	(459,409)	(911,722)	2,652,393	(4,191,087)	-
Off Balance Sheet gap	-	-	-	-	-	-
Cumulative interest rate sensitivity gap - 2000	2,909,825	2,450,416	1,538,694	4,191,087	-	-
Cumulative interest rate sensitivity gap - 1999	2,298,393	2,101,468	834,518	3,244,462	-	-

Effective interest rate on bank placements and certificates of deposits with central bank was 6.3% (1999 - 5.2%), on loans and advances 10.4% (1999 - 9.7%), on customer deposits 5.6% (1999 - 4.6%) and on bank borrowings 4.9% (1999 - 3.0%).

Maturities of assets and liabilities have been determined on the basis of contractual repricing or maturity dates, whichever date is earlier.

21 Maturities of Assets and Liabilities - 2000

	Within 3 months AED'000	Over 3 to 6 months AED'000	Over 6 to 12 months AED'000	Over 1 year AED'000	Total AED'000
Assets					
Cash and balances with central banks	5,684,607	-	-	-	5,684,607
Deposits and balances due from banks	3,008,146	73,272	204,167	126,101	3,411,686
Advances to customers less provisions	5,662,484	1,378,118	733,443	3,028,493	10,802,538
Interest receivable and other assets	156,844	229,593	973	-	387,410
Investments	197,295	287,374	116,964	945,637	1,547,270
Fixed assets	5,672	5,993	10,842	231,111	253,618
Total assets	14,715,048	1,974,350	1,066,389	4,331,342	22,087,129
Liabilities and shareholders' funds					
Deposits from customers	12,446,433	1,930,276	1,648,312	63,475	16,088,496
Deposits and balances due to banks	2,053,602	30,185	4,783	367,300	2,455,870
Long term loans	-	-	-	72,495	72,495
Interest payable and other liabilities	489,608	61,407	39,727	15,012	605,754
Insurance and life assurance funds	-	-	-	73,318	73,318
Minority interest	-	-	-	79,671	79,671
Proposed dividend	157,490	-	-	-	157,490
Shareholders' funds	-	-	-	2,554,035	2,554,035
Total liabilities and shareholders' funds	15,147,133	2,021,868	1,692,822	3,225,306	22,087,129
Maturity profile 1999:					
Assets - 1999	13,259,919	1,453,274	1,125,800	4,141,251	19,980,244
Liabilities - 1999	13,482,664	1,751,397	2,026,154	2,720,029	19,980,244

Maturities of assets and liabilities have been determined on the basis of the remaining period from the balance sheet date to the contractual maturity date.

22. Concentrations of Assets, Liabilities and Off Balance Sheet Items

	2000			1999		
	Assets AED'000	Liabilities AED'000	Off Balance Sheet items AED'000	Assets AED'000	Liabilities AED'000	Off Balance Sheet items AED'000
Geographic distribution of assets and liabilities:						
Middle East	17,233,637	19,595,040	10,129,085	14,448,332	17,893,740	12,233,563
O.E.C.D.	3,013,475	970,347	178,508	3,298,855	975,354	322,386
Others	1,840,017	1,521,742	674,119	2,233,057	1,111,150	683,516
Total	22,087,129	22,087,129	10,981,712	19,980,244	19,980,244	13,239,465

23 Segmental Information

	Banking		Insurance		Total	
	2000 AED'000	1999 AED'000	2000 AED'000	1999 AED'000	2000 AED'000	1999 AED'000
Total operating income	1,016,346	1,037,112	65,329	61,183	1,081,675	1,098,295
Profit before taxation	346,581	336,181	13,462	18,031	360,043	354,212
Income tax expenses	9,539	3,897	-	-	9,539	3,897
Net profit for the year	337,042	332,284	13,462	18,031	350,504	350,315
Segment Assets	21,695,827	19,606,496	391,302	373,748	22,087,129	19,980,244
Segment Liabilities	19,186,781	17,264,783	188,823	179,949	19,375,604	17,444,732

24 Fair value of financial instruments

The fair value of financial assets and liabilities are not significantly different to the amounts which they are carried in the Balance Sheet.

25 Risk management

Credit Risk

Policies relating to credit are reviewed and approved by the Bank's Credit Policy Committee. All credits lines are approved centrally for UAE branches, and for overseas branches by the Bank's Credit Division and Central Credit Committee in accordance with the Bank's credit policy set out in the Credit Policy Manual. Credit and Marketing functions are segregated. In addition, whenever possible, loans are secured by acceptable forms of collateral in order to mitigate credit risk. The Bank further limits risk through diversification of its assets by geography and industry sector limits.

All credit facilities are administered and monitored by the Credit Administration Department. Periodic reviews are conducted by Credit Examination teams from the Risk Management Division and facilities are risk graded based on criterion established in the Credit Policy Manual.

Cross border exposure and financial institutions exposure limits for money market and treasury activities are approved as per guidelines established by the Bank's Credit Policy Committee and are monitored by the Financial Institutions Division.

Foreign Exchange Risk

Foreign Exchange and Derivatives Trading for the account of the Bank is managed by a very limited proprietary foreign exchange trading limit. However, treasury activities are primarily focussed towards meeting the requirements of customers to manage their foreign exchange exposure. These dealings with and exposure to financial markets are matched by equal and opposite dealings and exposure to corporate customers.

The Bank's assets are typically funded in the same currency as that of the business transacted in order to eliminate foreign exchange exposure. However, the Bank does maintain a long US dollar position within limits approved by the Bank's Asset & Liability Committee (ALCO). As of December 31, 2000, the Bank's other net foreign exchange exposure was not significant except for AED 149 million in Omani Riyals and AED 74 million in Qatari Riyals in long position (1999 - Nil).

Appropriate segregation of duties exists between front desk and back office functions whilst compliance with position limits is independently monitored on an ongoing basis.

Interest Rate and Liquidity Risk

The Bank's Asset & Liability Committee (ALCO) monitors and sets policies for interest rate and liquidity risk management.

ALCO meets on a monthly basis to review liquidity ratios, gaps and economic scenarios, and formulates guidelines accordingly on a continual basis. Periodic stress tests simulations are performed in order to ascertain interest rate risks. The Bank is not excessively exposed to interest rate risk.

ALCO also fixes limits for liquidity ratios and monitors them closely. Liquidity management policies are set to ensure that, even under adverse conditions, the Bank is in a position to meet its obligations.

26 Capital adequacy

		2000	1999
		AED'000	AED'000
Capital base	(a)	<u>2,791,196</u>	<u>2,616,221</u>
Risk weighted assets:			
On-balance sheet assets		<u>12,027,990</u>	<u>12,165,971</u>
Off-balance sheet assets		<u>3,475,580</u>	<u>3,385,236</u>
Total risk-weighted assets	(b)	<u>15,503,570</u>	<u>15,551,207</u>
Capital adequacy ratio [(a)/(b) x 100]		<u>18.0%</u>	<u>16.8%</u>

27 Comparative financial information

Certain amounts related to 1999 have been reclassified in order to make them comparable with the 2000 presentation.