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STAPLE**OS AA01**Statement of details of parent law and other
information for an overseas company

Companies House

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100003/180

o/p

✓ **What this form is for**
You may use this form to
accompany your accounts
disclosed under parent law.

✗ **What this form is NOT**
You cannot use this form
for an alteration of manner
with accounting require

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06/03/2021

#184

COMPANIES HOUSE

Part 1 Corporate company nameCorporate name of
overseas company ①

MASHREQBANK PSC

UK establishment
number

B R 0 0 1 2 2 3

→ **Filling in this form**Please complete in typescript or in
bold black capitals.All fields are mandatory unless
specified or indicated by *① This is the name of the company in
its home state.**Part 2 Statement of details of parent law and other
information for an overseas company****A1 Legislation**Please give the legislation under which the accounts have been prepared and
audited.

Legislation ②

IFRS

② This means the relevant rules or
legislation which regulates the
preparation of accounts.**A2 Accounting principles**

Accounts

Have the accounts been prepared in accordance with a set of generally accepted
accounting principles?

Please tick the appropriate box.

☐No. Go to **Section A3**.☒Yes. Please enter the name of the organisation or other
body which issued those principles below, and then go to **Section A3**.③ Please insert the name of the
appropriate accounting organisation
or body.Name of organisation
or body ③

IFRS FOUNDATION & IAS BOARD (IASB)

OS AA01

Statement of details of parent law and other information for an overseas company

A3

Audited accounts

Audited accounts

Have the accounts been audited in accordance with a set of generally accepted auditing standards?

Please tick the appropriate box.

☐ No. Go to Part 3 'Signature'.

☒ Yes. Please enter the name of the organisation or other body which issued those standards below, and then go to Part 3 'Signature'.

● Please insert the name of the appropriate accounting organisation or body.

Name of organisation or body ●

IFRS FOUNDATION & IAS BOARD (IASB)

Part 3

Signature

I am signing this form on behalf of the overseas company.

Signature

Signature

X

Ranjeewa Weerawardana _ Manager Finance London

*PP***X**

This form may be signed by:
Director, Secretary, Permanent representative.

James Gough
James Gough
604 - A

**Presenter information**

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name	RANJEEWA WEERAWARDANA						
Company name	MASHREQBANK PSC						
Address	1ST FLOOR, 2 LONDONWALL BUILDING						
Post town	LONDON						
County/Region							
Postcode	E	C	2	M	5	P	P
Country	UNITED KINGDOM						
DX							
Telephone	07576709145						

**Checklist**

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☒ The company name and, if appropriate, the registered number, match the information held on the public Register.
- ☒ You have completed all sections of the form, if appropriate.
- ☒ You have signed the form.

- 1) financial statements covering 2012 - 2020 (9 years) enclosed for uploading.
- 2) Cheque number 100003 (Barclays) enclosed for £180.00

**Important information**

Please note that all this information will appear on the public record.

**Where to send**

You may return this form to any Companies House address:

England and Wales:

The Registrar of Companies, Companies House,
Crown Way, Cardiff, Wales, CF14 3UZ.
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139 Fountainbridge, Edinburgh, Scotland, EH3 9FF.
DX ED235 Edinburgh 1

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Mashreqbank PSC Group

Report and consolidated financial statements for the year ended 31 December 2020

These audited consolidated financial statements are subject to approval of the Central Bank of U.A.E and adoption by shareholders at the annual general meeting.

Board of Directors' report

The Board of Directors has pleasure in submitting their report and the audited consolidated financial statements for the year ended 31 December 2020.

Incorporation and registered offices

Mashreqbank PSC was incorporated in the Emirate of Dubai in 1967 under a decree issued by The Ruler of Dubai. The address of the registered office is P.O. Box 1250, Dubai, United Arab Emirates.

Principal activities

The principal activities of the Bank are retail banking, commercial banking, investment banking, Islamic banking, brokerage and asset management. These activities are carried out through its branches in the United Arab Emirates, Bahrain, Kuwait, Egypt, Hong Kong, India, Qatar, the United Kingdom and the United States of America.

Financial position and results

The financial position and results of the Group for the year ended 31 December 2020 are set out in the accompanying consolidated financial statements.

Dividend

The Board of Directors do not propose any cash dividend for the year ended 31 December 2020.

Directors

The following are the Directors of the Bank as at 31 December 2020

Chairman:	H.E. Abdul Aziz Abdulla Al Ghurair
Vice Chairman:	Ali Rashed Ahmad Lootah
Directors:	Abdulla Bin Ahmad Al Ghurair
	Rashed Saif Saeed Al Jarwan Al Shamsi
	Mohammed Saif Ahmed Al Ghurair
	Rashed Saif Ahmed Al Ghurair
	Sultan Abdulla Ahmed Al Ghurair

Auditors

The consolidated financial statements for the year ended 31 December 2020 have been audited by PricewaterhouseCoopers.

By order of the Board of Directors



H.E. Abdul Aziz Abdulla Al Ghurair
Chairman
10 February 2021



Independent auditor's report to the shareholders of Mashreqbank PSC Group

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Mashreqbank PSC (the "Bank") and its subsidiaries (together the "Group") as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.



Independent auditor's report to the shareholders of Mashreqbank PSC Group (continued)

Our audit approach

Key Audit Matters

- Measurement of Expected Credit Losses
-

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters:



Independent auditor's report to the shareholders of Mashreqbank PSC Group (continued)

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Measurement of Expected Credit Losses The Group applies Expected Credit Losses (ECL) on all its financial assets measured at amortised cost, debt instruments measured at fair value through other comprehensive income and financial guarantee contracts including financing commitments. The Group exercises significant judgements and makes a number of assumptions in developing its ECL models, which includes probability of default computation separately for retail and corporate portfolios, determining loss given default and exposure at default for both funded and unfunded exposures, forward looking adjustments and staging criteria.	We performed the following audit procedures on the computation of the ECL included in the Group's consolidated financial statements for the year ended 31 December 2020: ➤ We tested the completeness and accuracy of the data used in the calculation of ECL. ➤ For a sample of exposures, we checked the appropriateness of the Group's application of the staging criteria. ➤ We involved our internal experts to assess the following areas: • Conceptual framework used for developing the Group's impairment policy in the context of its compliance with the requirements of IFRS 9. • ECL modelling methodology and calculations used to compute the Probability of Default (PD), Loss Given Default (LGD), and exposure at default (EAD) for the Group's classes of financial assets. The appropriateness of the model methodology was assessed, giving specific consideration to COVID-19 and the judgement overlay. • Reasonableness of the assumptions made in developing the modelling framework including assumptions used for estimating forward looking scenarios and significant increase in credit risk.



Independent auditor's report to the shareholders of Mashreqbank PSC Group (continued)

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
For defaulted exposures, the Group exercises judgements to estimate the expected future cash flows related to individual exposures, including the value of collateral. The Group's impairment policy under IFRS 9 is presented in Note 3.14 to the consolidated financial statements. Measurement of ECL is considered as a key audit matter as the Group applies significant judgments and makes a number of assumptions which have significantly increased as a result of Covid-19, affecting the staging criteria applied to the financial assets as well as in developing ECL models and assumptions for calculating its impairment provisions.	• For a sample of exposures, we checked the appropriateness of determining EAD, including the consideration of repayments and collateral. ➤ In addition, for the Stage 3 corporate portfolio, the appropriateness of provisioning assumptions were independently assessed for a sample of exposures selected on the basis of risk and the significance of individual exposures. An independent view was formed on the levels of provisions recognised, based on the detailed loan and counterparty information available in the credit file. For the Stage 3 retail portfolio, assumptions were independently assessed for each product category and an independent view was formed on the levels of provisions recognised. ➤ We assessed the consolidated financial statement disclosures to ensure compliance with IFRS 7 and IFRS 9 and the disclosures made relating to the impact of COVID-19 on ECL.



Independent auditor's report to the shareholders of Mashreqbank PSC Group (continued)

Other information

The directors are responsible for the other information. The other information comprises the Board of Directors' report (but does not include the consolidated financial statements and our auditor's report thereon) which we obtained prior to the date of this auditor's report, and the Chairman's Report, Corporate Governance Report and Financial Highlights, which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Chairman's Report, Corporate Governance Report and Financial Highlights, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.



Independent auditor's report to the shareholders of Mashreqbank PSC Group (continued)

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



Independent auditor's report to the shareholders of Mashreqbank PSC Group (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that for the year ended 31 December 2020:

- we have obtained all the information we considered necessary for the purposes of our audit;
- the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- the Group has maintained proper books of account;
- the financial information included in the Directors' report is consistent with the books of account of the Group;
- note 7 to the consolidated financial statements discloses the shares purchased by the Group during the financial year ended 31 December 2020;
- note 37 to the consolidated financial statements discloses material related party transactions, and the terms under which they were conducted;



Independent auditor's report to the shareholders of Mashreqbank PSC Group (continued)

Report on other legal and regulatory requirements (continued)

- Note 32 to the consolidated financial statements discloses the social contributions made during the financial year ended 31 December 2020; and
- based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2020 any of the applicable provisions of the UAE Federal Law No. (2) of 2015, or in respect of the Bank, its Articles of Association, which would materially affect its activities or its financial position as at 31 December 2020.

Further, as required by Article (114) of the Decretal Federal Law No. (14) of 2018, we report that we have obtained all the information and explanations we considered necessary for the purpose of our audit.

PricewaterhouseCoopers
10 February 2021

A handwritten signature in black ink, appearing to read "Douglas O'Mahony".

Douglas O'Mahony
Registered Auditor Number 834
Place: Dubai, United Arab Emirates

Mashreqbank PSC Group

Consolidated statement of financial position

		As at 31 December			
		2020		2019	
Notes		AED'000	USD'000 Equivalent	AED'000	USD'000 Equivalent
ASSETS					
Cash and balances with central banks	5	17,941,941	4,884,819	20,939,700	5,700,980
Deposits and balances due from banks	6	28,239,030	7,688,274	26,565,848	7,232,738
Other financial assets measured at fair value	7	8,439,103	2,297,605	4,522,166	1,231,191
Other financial assets measured at amortised cost	7	11,000,654	2,995,005	10,875,153	2,960,837
Loans and advances measured at amortised cost	8	57,286,411	15,596,627	61,710,277	16,801,056
Islamic financing and investment products measured at amortised cost	9	14,246,343	3,878,667	14,456,757	3,935,953
Acceptances		12,767,461	3,476,031	12,903,083	3,512,955
Other assets	10	3,478,455	947,035	2,738,265	745,512
Reinsurance contract assets	20	2,891,920	787,345	2,585,918	704,034
Investment in associate		20,996	5,716	29,355	7,992
Investment properties	11	449,715	122,438	473,591	128,938
Property and equipment	12	1,466,769	399,338	1,367,993	372,446
Intangible assets	13	294,442	80,164	262,877	71,571
Total assets		158,523,240	43,159,064	159,430,983	43,406,203
LIABILITIES AND EQUITY					
LIABILITIES					
Deposits and balances due to banks	14	14,844,380	4,041,487	11,184,496	3,045,057
Repurchase agreements with banks	15	2,289,723	623,393	1,088,537	296,362
Customers' deposits	16	76,375,973	20,793,894	76,439,572	20,811,209
Islamic customers' deposits	17	11,884,566	3,235,656	14,529,261	3,955,693
Acceptances		12,767,461	3,476,031	12,903,083	3,512,955
Other liabilities	18	5,808,908	1,581,516	4,950,558	1,347,824
Medium-term loans	19	9,616,042	2,618,035	11,838,757	3,223,185
Insurance contract liabilities	20	4,747,779	1,292,616	4,253,789	1,158,124
Total liabilities		138,334,832	37,662,628	137,188,053	37,350,409
EQUITY					
Capital and reserves					
Issued and paid up capital	21(a)	1,775,308	483,340	1,775,308	483,340
Statutory and legal reserves	21(b)	912,099	248,325	907,714	247,132
General reserve	21(c)	312,000	84,944	312,000	84,944
Currency translation reserve	21(d)	(98,332)	(26,771)	(88,720)	(24,155)
Investments revaluation reserve	21(e)	(358,088)	(97,492)	(273,595)	(74,488)
Cash flow hedge reserve	21(f)	(437)	(119)	4,292	1,168
Retained earnings		16,888,178	4,597,925	18,895,583	5,144,455
Equity attributable to owners of the Parent		19,430,728	5,290,152	21,532,582	5,862,396
Non-controlling interests	22	757,680	206,284	710,348	193,398
Total equity		20,188,408	5,496,436	22,242,930	6,055,794
Total liabilities and equity		158,523,240	43,159,064	159,430,983	43,406,203

To the best of our knowledge, the consolidated financial statements present fairly in all material respects the financial condition, results of operation and cashflows of the Group as of, and for, the periods presented therein.

Abdul Aziz Abdulla Al Ghurair
Chairman

Ahmed Abdelaal
Group Chief Executive Officer

Mashreqbank PSC Group

Consolidated statement of profit or loss

		For the year ended 31 December			
		2020		2019	
	Notes	AED'000	USD'000 Equivalent	AED'000	USD'000 Equivalent
Interest income	24	4,514,924	1,229,220	5,881,414	1,601,256
Income from Islamic financing and investment products	25	543,477	147,965	753,645	205,185
Total interest income and income from Islamic financing and investment products		5,058,401	1,377,185	6,635,059	1,806,441
Interest expense	26	(2,110,697)	(574,652)	(2,617,855)	(712,729)
Distribution to depositors – Islamic products	27	(271,404)	(73,892)	(310,048)	(84,413)
Net interest income and income from Islamic products net of distribution to depositors		2,676,300	728,641	3,707,156	1,009,299
Fee and commission income	28	2,642,536	719,449	2,903,706	790,554
Fee and commission expenses	28	(1,423,024)	(387,428)	(1,538,219)	(418,791)
Net fee and commission income		1,219,512	332,021	1,365,487	371,763
Net investment income	29	321,380	87,498	149,778	40,778
Other income, net	30	931,072	253,491	771,775	210,121
Operating income		5,148,264	1,401,651	5,994,196	1,631,961
General and administrative expenses	32	(2,944,856)	(801,758)	(2,623,103)	(714,158)
Operating profit before impairment		2,203,408	599,893	3,371,093	917,803
Allowances for impairment, net	31	(3,356,819)	(913,918)	(1,212,187)	(330,026)
(Loss) / profit before tax		(1,153,411)	(314,025)	2,158,906	587,777
Tax expense		(51,840)	(14,114)	(22,764)	(6,198)
(Loss) / profit for the year		(1,205,251)	(328,139)	2,136,142	581,579
Attributable to:					
Owners of the Parent		(1,277,826)	(347,897)	2,065,194	562,264
Non-controlling interests		72,575	19,758	70,948	19,315
		(1,205,251)	(328,139)	2,136,142	581,579
(Loss) / earnings per share	33	AED (7.20)	USD (1.96)	AED 11.63	USD 3.17

Mashreqbank PSC Group

Consolidated statement of comprehensive income

	For the year ended 31 December			
	2020		2019	
	AED'000	USD'000 Equivalent	AED'000	USD'000 Equivalent
(Loss) / profit for the year	(1,205,251)	(328,139)	2,136,142	581,579
Other comprehensive (loss) / income				
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Changes in fair value of financial assets measured at fair value through other comprehensive income (equity instruments) [Note 7(k)]	(30,966)	(8,431)	65,529	17,841
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Changes in currency translation reserve	(13,072)	(3,559)	(5,917)	(1,611)
Changes in fair value of financial assets measured at fair value through other comprehensive income (debt instruments) [Note 7(k)]	(73,325)	(19,963)	(8,061)	(2,195)
Gain / (loss) on hedging instruments designated as hedges of net investment in foreign operations	716	196	(2,759)	(751)
Cash flow hedges - fair value (loss) / gain arising during the year [Note 21(f)]	(4,729)	(1,288)	8,416	2,291
Total other comprehensive (loss) / income for the year	(121,376)	(33,045)	57,208	15,575
Total comprehensive (loss) / income for the year	(1,326,627)	(361,184)	2,193,350	597,154
Attributable to:				
Owners of the Parent	(1,391,731)	(378,909)	2,104,538	572,974
Non-controlling interests	65,104	17,725	88,812	24,180
	(1,326,627)	(361,184)	2,193,350	597,154

Mashreqbank PSC Group

Consolidated statement of changes in equity

	Issued and paid up capital AED'000	Statutory and legal reserves AED'000	General reserve AED'000	Currency translation reserve AED'000	Investments revaluation reserve AED'000	Cash flow hedge reserve AED'000	Retained earnings AED'000	Equity attributable to owners of the Parent AED'000	Non- controlling interests AED'000	Total AED'000
Balance at 1 January 2019	1,775,308	903,877	312,000	(81,380)	(242,733)	(4,124)	17,481,156	20,144,104	621,585	20,765,689
Changes on initial application of IFRS 16	-	-	-	-	-	-	(5,937)	(5,937)	(49)	(5,986)
Restated balances as at 1 January 2019	1,775,308	903,877	312,000	(81,380)	(242,733)	(4,124)	17,475,219	20,138,167	621,536	20,759,703
Profit for the year ended 31 December 2019	-	-	-	-	-	-	2,065,194	2,065,194	70,948	2,136,142
Other comprehensive loss for the year	-	-	-	(7,340)	38,268	8,416	-	39,344	17,864	57,208
Total comprehensive income/(loss) for the year	-	-	-	(7,340)	38,268	8,416	2,065,194	2,104,538	88,812	2,193,350
Transfer from investments revaluation reserve to retained earnings	-	-	-	-	(69,130)	-	69,130	-	-	-
Transfer to statutory and legal reserves	-	3,837	-	-	-	-	(3,837)	-	-	-
Payment of dividends [Note 21(g)]	-	-	-	-	-	-	(710,123)	(710,123)	-	(710,123)
Balance at 31 December 2019	1,775,308	907,714	312,000	(88,720)	(273,595)	4,292	18,895,583	21,532,582	710,348	22,242,930
(Loss) / profit for the year ended 31 December 2020	-	-	-	-	-	-	(1,277,826)	(1,277,826)	72,575	(1,205,251)
Other comprehensive loss for the year	-	-	-	(9,612)	(99,564)	(4,729)	-	(113,905)	(7,471)	(121,376)
Total comprehensive (loss) / income for the year	-	-	-	(9,612)	(99,564)	(4,729)	(1,277,826)	(1,391,731)	65,104	(1,326,627)
Transfer from investments revaluation reserve to retained earnings	-	-	-	-	15,071	-	(15,071)	-	-	-
Transfer to statutory and legal reserves	-	4,385	-	-	-	-	(4,385)	-	-	-
Transaction with non-controlling interest (NCI)	-	-	-	-	-	-	-	-	(17,772)	(17,772)
Payment of dividends [Note 21(g)]	-	-	-	-	-	-	(710,123)	(710,123)	-	(710,123)
Balance at 31 December 2020	1,775,308	912,099	312,000	(98,332)	(358,088)	(437)	16,888,178	19,430,728	757,680	20,188,408

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

Mashreqbank PSC Group

Consolidated statement of cash flows

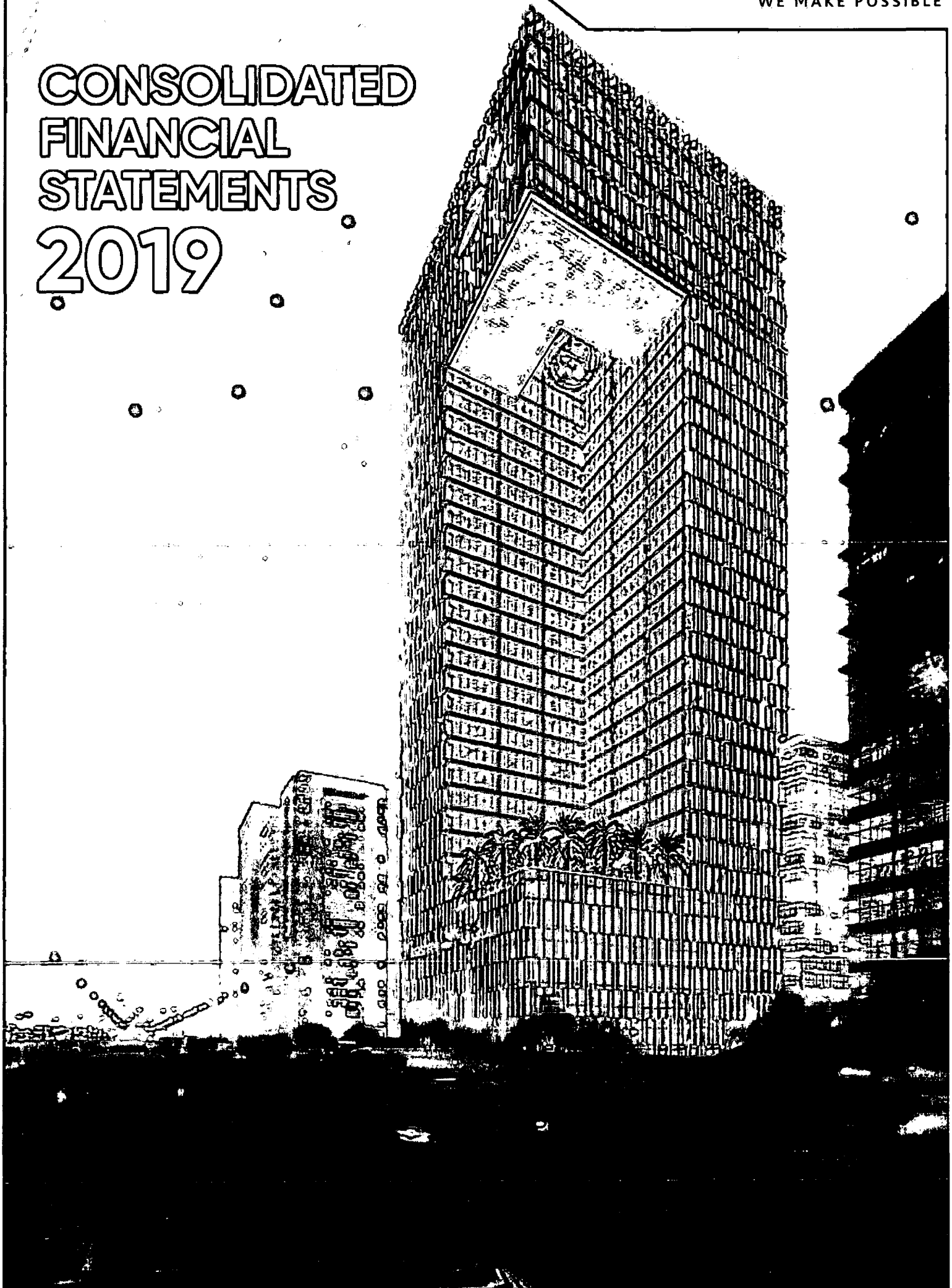
	Notes	For the year ended 31 December			
		2020		2019	
		AED'000	USD'000 Equivalent	AED'000	USD'000 Equivalent
Cash flows from operating activities					
(Loss) / profit before taxation for the year		(1,153,411)	(314,025)	2,158,906	587,777
Adjustments for:					
Depreciation and amortisation	32	231,963	63,154	222,716	60,636
Allowances for impairment, net	31	3,356,819	913,919	1,212,187	330,026
Gain on disposal of property and equipment	30	(8,110)	(2,208)	(8,865)	(2,414)
Gain from disposal of investment properties	30	-	-	600	163
Unrealised (gain) / loss on other financial assets held at FVTPL	29	(9,564)	(2,604)	13,524	3,682
Fair value adjustments of investment properties	30	23,876	6,500	13,244	3,606
Net realized gain from sale of other financial assets measured at FVTPL	29	(43,145)	(11,747)	(76,614)	(20,859)
Dividend income from other financial assets measured at FVTOCI	29	(24,961)	(6,796)	(23,758)	(6,468)
Net realised gain from sale of other financial assets measured at amortised cost/ FVTOCI	29	(242,328)	(65,976)	(62,068)	(16,898)
Share of loss from associate		(8,359)	(2,276)	-	-
Unrealised loss on derivatives	30	19,602	5,337	20,260	5,516
Operating cash flows before tax paid and changes in operating assets and liabilities		2,142,382	583,278	3,470,132	944,767
Tax paid		(51,840)	(14,114)	(22,764)	(6,198)
Changes in operating assets and liabilities					
Increase in deposits with central banks		(346,953)	(94,460)	(2,217,619)	(603,762)
Increase in deposits and balances due from banks maturing after three months		(309,339)	(84,220)	(2,201,971)	(599,502)
Decrease/ (increase) in loans and advances measured at amortised cost		1,755,721	478,007	(6,486,591)	(1,766,020)
Increase in Islamic financing and investment products measured at amortised cost		(102,448)	(27,892)	(1,600,851)	(435,843)
Increase in reinsurance assets		(306,002)	(83,311)	(113,120)	(30,798)
Increase in other assets		(1,089,214)	(296,546)	(269,203)	(73,292)
Decrease/ (increase) in financial assets carried at FVTPL		3,893	1,060	(612,458)	(166,746)
Increase / (decrease) in repurchase agreements with banks		1,201,186	327,031	(147,444)	(40,143)
Increase / (decrease) in customers' deposits		(63,599)	(17,315)	3,917,716	1,066,626
(Decrease) / increase in Islamic customers' deposits		(2,644,695)	(720,037)	3,832,554	1,043,440
Increase in deposits and balances due to banks		3,659,885	996,429	1,243,837	338,643
Increase in insurance contract liabilities		493,990	134,493	176,629	48,088
Increase / (decrease) in other liabilities		858,350	233,692	(311,102)	(84,700)
Net cash generated from / (used in) operating activities		5,201,317	1,416,095	(1,342,255)	(365,440)

Mashreqbank PSC Group

Consolidated statement of cash flows (continued)

		For the year ended 31 December			
		2020		2019	
Notes		AED'000	USD'000 Equivalent	AED'000	USD'000 Equivalent
Cash flows from investing activities					
Purchase of property and equipment	12	(336,461)	(91,604)	(378,200)	(102,967)
Purchase on intangible assets	13	(137,468)	(37,427)	(76,207)	(20,747)
Proceeds from sale of property and equipment		117,500	31,990	9,782	2,663
Proceeds from sale of investment properties		-	-	2,450	667
Purchase of other financial assets measured at fair value or amortised cost		(12,740,338)	(3,468,646)	(9,020,116)	(2,455,790)
Proceeds from sale of other financial assets measured at fair value or amortised cost		8,885,295	2,419,084	7,773,847	2,116,484
Dividend income from other financial assets measured at FVTOCI	29	24,961	6,796	23,758	6,468
Net cash used in investing activities		(4,186,511)	(1,139,807)	(1,664,686)	(453,222)
Cash flows from financing activities					
Transaction with NCI		(17,772)	(4,839)	-	-
Dividend paid		(710,123)	(193,336)	(710,123)	(193,336)
Medium term notes issued		2,355,258	641,236	9,972,949	2,715,205
Medium term notes redeemed		(4,577,973)	(1,246,385)	(6,319,581)	(1,720,550)
Net cash (used in) / generated from financing activities		(2,950,610)	(803,324)	2,943,245	801,319
Net decrease in cash and cash equivalents		(1,935,804)	(527,036)	(63,696)	(17,342)
Net foreign exchange difference		9,613	2,617	(7,340)	(1,999)
Cash and cash equivalents at 1 January		22,766,807	6,198,423	22,837,843	6,217,765
Cash and cash equivalents at 31 December	35	20,840,616	5,674,004	22,766,807	6,198,423

CONSOLIDATED FINANCIAL STATEMENTS 2019



Mashreqbank PSC Group

Board of Directors' report

The Board of Directors has pleasure in submitting their report and the audited consolidated financial statements for the year ended 31 December 2019.

Incorporation and registered offices

Mashreqbank PSC was incorporated in the Emirate of Dubai in 1967 under a decree issued by The Ruler of Dubai. The address of the registered office is P.O. Box 1250, Dubai, United Arab Emirates.

Principal activities

The principal activities of the Bank are retail banking, commercial banking, investment banking, Islamic banking, brokerage and asset management. These activities are carried out through its branches in the United Arab Emirates, Bahrain, Kuwait, Egypt, Hong Kong, India, Qatar, the United Kingdom and the United States of America.

Financial position and results

The financial position and results of the Group for the year ended 31 December 2019 are set out in the accompanying consolidated financial statements.

Dividend

The Board of Directors has proposed 40% Cash Dividend at their meeting held on 3 February 2020.

Directors

The following are the Directors of the Bank as at 31 December 2019:

Chairman:	H.E. Abdul Aziz Abdulla Al Ghurair
Vice Chairman:	Ali Rashed Ahmad Lootah
Directors:	Abdulla Bin Ahmad Al Ghurair
	Rashed Saif Saeed Al Jarwa Shamsi
	Mohammed Saif Ahmed Al Ghurair
	Rashed Saif Ahmed Al Ghurair
	Sultan Abdulla Ahmed Al Ghurair

Auditors

The consolidated financial statements for the year ended 31 December 2019 have been audited by PricewaterhouseCoopers.

By order of the Board of Directors



H.E. Abdul Aziz Abdulla Al Ghurair
Chairman
3 February 2020



Independent auditor's report to the shareholders of Mashreqbank PSC Group

Report on the Audit of the Consolidated Financial Statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Mashreqbank PSC (the "Bank") and its subsidiaries (together the "Group") as at 31 December 201 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 201
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

PricewaterhouseCoopers (Dubai Branch), License no. 102451
Emaar Square, Building 4, Level 8, P O Box 11987, Dubai - United Arab Emirates
T: +971 (0)4 304 3100, F: +971 (0)4 346 9150, www.pwc.com/me

Douglas O'Mahony, Rami Sarhan, Jacques Fakhoury and Mohamed ElBorno are registered as practising auditors with the UAE Ministry of Economy



Independent auditor's report to the shareholders of Mashreqbank PSC Group (continued)

Our audit approach

Key Audit Matters

- Measurement of Expected Credit Losses

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Independent auditor's report to the shareholders of Mashreqbank PSC Group (continued)

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Measurement of Expected Credit Losses The Group applies ECL on all its financial instruments measured at amortised cost, debt instruments measured at fair value through other comprehensive income and financial guarantee contracts including financing commitments. The Group exercises significant judgement and makes a number of assumptions in developing its ECL models, which includes probability of default computation separately for retail and corporate portfolios, determining loss given default and exposure at default for both funded and unfunded exposures, forward looking adjustments and staging criteria.	We performed the following audit procedures on the computation of the ECL included in the Group's consolidated financial statements for the year ended 31 December 2019: ➤ We tested the completeness and accuracy of the data used in the calculation of ECL. ➤ For a sample of exposures, we checked the appropriateness of the Group's application of the staging criteria. We involved our internal specialists to assess the following areas: • Conceptual framework used for developing the Group's impairment policy in the context of its compliance with the requirements of IFRS 9. • ECL modelling methodology and calculations used to compute the probability of default (PD), loss given default (LGD), and exposure at default (EAD) for the Group's classes of financial instruments. • Reasonableness of the assumptions made in developing the modelling framework including assumptions used for estimating forward looking scenarios and significant increase in credit risk.



Independent auditor's report to the shareholders of Mashreqbank PSC Group (continued)

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
For defaulted exposures, the Group exercises judgements to estimate the expected future cash flows related to individual exposures, including the value of collateral. The Group's impairment policy under IFRS 9 is presented in Note 3.14 to the consolidated financial statements. Measurement of ECL is considered as a key audit matter as the Group applies significant judgments and makes a number of assumptions in the staging criteria applied to the financial instruments as well as in developing ECL models for calculating its impairment provisions.	For a sample of exposures, we checked the appropriateness of determining EAD, including the consideration of repayments and collateral. In addition, for the Stage 3 corporate portfolio, the appropriateness of provisioning assumptions were independently assessed for a sample of exposures selected on the basis of risk and the significance of individual exposures. An independent view was formed on the levels of provisions recognised, based on the detailed loan and counterparty information available in the credit file. For the Stage 3 retail portfolio, assumptions were independently assessed for each product category and an independent view was formed on the levels of provisions recognised for each category level. ➤ We assessed the consolidated financial statement disclosures to ensure compliance with IFRS 7 and IFRS 9.



Independent auditor's report to the shareholders of Mashreqbank PSC Group (continued)

Other information

The directors are responsible for the other information. The other information comprises Board of Directors' report (but does not include the consolidated financial statements and our auditor's report thereon) which we obtained prior to the date of this auditor's report, and the Chairman's Report, Corporate Governance Report and Financial Highlights, which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Chairman's Report, Corporate Governance Report and Financial Highlights, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.



Independent auditor's report to the shareholders of Mashreqbank PSC Group (continued)

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, a to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



Independent auditor's report to the shareholders of Mashreqbank PSC Group (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be expected to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statement the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

- we have obtained all the information we considered necessary for the purposes of our audit;
- the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- the Group has maintained proper books of account;
- the financial information included in the Directors' report is consistent with the books of account of the Group;
- note 7 to the consolidated financial statements discloses the shares purchased by the Group during the financial year ended 31 December 2019;
- note 37 to the consolidated financial statements discloses material related party transactions, and the terms under which they were conducted;



*Independent auditor's report to the shareholders of
Mashreqbank PSC Group (continued)*

Report on other legal and regulatory requirements (continued)

- Note 32 to the consolidated financial statements discloses the social contributions made during the financial year ended 31 December 2019.
- based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2019 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Bank's Articles of Association which would materially affect its activities or its financial position as at 31 December 2019.

Further, as required by Article (114) of the Decretal Federal Law No. (14) of 2018, we report that we have obtained all the information and explanations we considered necessary for the purpose of our audit.

PricewaterhouseCoopers
3 February 2020

Douglas O'Mahony
Registered Auditor Number 834
Place: Dubai, United Arab Emirates

Mashreqbank PSC Group

Consolidated statement of financial position

	Notes	As at 31 December			
		2019		2018	
		AED'000	USD'000 Equivalent	AED'000	USD'000 Equivalent
ASSETS					
Cash and balances with central banks	5	20,939,700	5,700,980	20,147,826	5,485,387
Deposits and balances due from banks	6	26,565,848	7,232,738	23,009,168	6,264,407
Other financial assets measured at fair value	7	4,522,166	1,231,191	1,737,759	473,117
Other financial assets measured at amortised cost	7	10,875,153	2,960,837	11,681,234	3,180,298
Investment in associate		29,355	7,992	-	-
Loans and advances measured at amortised cost	8	61,710,277	16,801,056	56,353,340	15,342,592
Islamic financing and investment products measured at amortised cost	9	14,456,757	3,935,953	12,916,255	3,516,541
Acceptances		12,903,083	3,512,955	9,782,129	2,663,253
Other assets	10	2,738,265	745,512	2,489,095	677,673
Reinsurance contract assets	20	2,585,918	704,034	2,472,798	673,237
Investment properties	12	473,591	128,938	489,885	133,375
Property and equipment	13	1,630,870	444,017	1,481,588	403,373
Total assets		159,430,983	43,406,203	142,561,077	38,813,253
LIABILITIES AND EQUITY					
LIABILITIES					
Deposits and balances due to banks	14	11,184,496	3,045,057	9,059,963	2,466,638
Repurchase agreements with banks	15	1,088,537	296,362	2,116,677	576,280
Customers' deposits	16	76,439,572	20,811,209	72,521,856	19,744,584
Islamic customers' deposits	17	14,529,261	3,955,693	10,696,707	2,912,254
Acceptances		12,903,083	3,512,955	9,782,129	2,663,253
Other liabilities	18	4,950,558	1,347,824	5,355,506	1,458,075
Medium-term loans	19	11,838,757	3,223,185	8,185,390	2,228,530
Insurance contract liabilities	20	4,253,789	1,158,124	4,077,160	1,110,035
Total liabilities		137,188,053	37,350,409	121,795,388	33,159,649
EQUITY					
Capital and reserves					
Issued and paid up capital	21(a)	1,775,308	483,340	1,775,308	483,340
Statutory and legal reserves	21(b)	907,714	247,132	903,877	246,087
General reserve	21(c)	312,000	84,944	312,000	84,944
Currency translation reserve	21(d)	(88,720)	(24,155)	(81,380)	(22,156)
Investments revaluation reserve	21(e)	(273,595)	(74,488)	(242,733)	(66,086)
Cash flow hedge reserve	21(f)	4,292	1,168	(4,124)	(1,123)
Retained earnings		18,895,583	5,144,455	17,481,156	4,759,367
Equity attributable to owners of the Parent		21,532,582	5,862,396	20,144,104	5,484,373
Non-controlling interests	22	710,348	193,398	621,585	169,231
Total equity		22,242,930	6,055,794	20,765,689	5,653,604
Total liabilities and equity		159,430,983	43,406,203	142,561,077	38,813,253



Abdul Aziz Abdulla Al Ghurair
Chairman



Ahmed Abdelaziz
Group Chief Executive Officer

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

Mashreqbank PSC Group

Consolidated statement of profit or loss

		For the year ended 31 December			
		2019		2018	
	Notes	AED'000	USD'000 Equivalent	AED'000	USD'000 Equivalent
Interest income	24	5,881,414	1,601,256	5,427,063	1,477,556
Income from Islamic financing and investment products	25	753,645	205,185	570,568	155,341
Total interest income and income from Islamic financing and investment products		6,635,059	1,806,441	5,997,631	1,632,897
Interest expense	26	(2,617,855)	(712,729)	(2,096,786)	(570,865)
Distribution to depositors Islamic products	27	(310,048)	(84,413)	(257,783)	(70,183)
Net interest income and income from Islamic products net of distribution to depositors		3,707,156	1,009,299	3,643,062	991,849
Fee and commission income	28	2,903,706	790,554	2,857,563	777,992
Fee and commission expenses	28	(1,538,219)	(418,791)	(1,444,083)	(393,162)
Net fee and commission income		1,365,487	371,763	1,413,480	384,830
Net investment income	29	149,778	40,778	26,528	7,222
Other income, net	30	771,775	210,121	855,218	232,839
Operating income		5,994,196	1,631,961	5,938,288	1,616,740
General and administrative expenses	32	(2,623,103)	(714,158)	(2,618,210)	(712,826)
Operating profit before impairment		3,371,093	917,803	3,320,078	903,914
Allowances for impairment, net	31	(1,212,187)	(330,026)	(1,230,255)	(334,945)
Profit before tax		2,158,906	587,777	2,089,823	568,969
Tax expense		(22,764)	(6,198)	(24,605)	(6,699)
Profit for the year		2,136,142	581,579	2,065,218	562,270
Attributable to:					
Owners of the Parent		2,065,194	562,264	2,060,200	560,904
Non-controlling interests		70,948	19,315	5,018	1,366
		2,136,142	581,579	2,065,218	562,270
Earnings per share	33	AED 11.63	USD 3.17	AED 11.60	USD 3.16

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

Mashreqbank PSC Group

Consolidated statement of comprehensive income

	For the year ended 31 December			
	2019		2018	
	AED'000	USD'000 Equivalent	AED'000	USD'000 Equivalent
Profit for the year	2,136,142	581,579	2,065,218	562,270
Other comprehensive income/(loss)				
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Changes in fair value of financial assets measured at fair value through other comprehensive income, net (equity instruments) [Note 7(k)]	65,529	17,841	(66,530)	(18,113)
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Changes in currency translation reserve	(5,917)	(1,611)	(22,829)	(6,215)
Changes in fair value of financial assets measured at fair value through other comprehensive income, net (debt instruments) [Note 7(k)]	(8,061)	(2,195)	(6,093)	(1,659)
Loss on hedging instruments designated as hedge of net investment in foreign operations	(2,759)	(751)	(5,073)	(1,381)
Cash flow hedges fair value gain/(loss) arising during the year [Note 21(f)]	8,416	2,291	(4,124)	(1,123)
Total other comprehensive income / (loss) for the year	57,208	15,575	(104,649)	(28,491)
Total comprehensive income for the year	2,193,350	597,154	1,960,569	533,779
Attributable to:				
Owners of the Parent	2,104,538	572,974	1,963,686	534,627
Non-controlling interests	88,812	24,180	(3,117)	(848)
	2,193,350	597,154	1,960,569	533,779

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

Mashreqbank PSC Group

Consolidated statement of changes in equity

	Issued and paid up capital AED'000	Statutory and legal reserves AED'000	General reserve AED'000	Currency translation reserve AED'000	Investments revaluation reserve AED'000	Cash flow hedge reserve AED'000	Retained earnings AED'000	Equity attributable to owners of the Parent AED'000	Non- controlling interests AED'000	Total AED'000
Balance at 1 January 2018	1,775,308	901,621	312,000	(59,163)	(184,989)	-	17,618,66	20,363,446	762,974	21,126,420
Changes on initial application of IFRS 9	-	-	-	-	-	-	(1,472,905)	(1,472,905)	(126,080)	(1,598,985)
Restated balances as at 1 January 2018	1,775,308	901,621	312,000	(59,163)	(184,989)	-	16,145,764	18,890,541	636,894	19,527,435
Profit for the year ended 31 December 2018	-	-	-	-	-	-	2,060,200	2,060,200	5,018	2,065,218
Other comprehensive loss for the year	-	-	-	(22,217)	(70,173)	(4,124)	-	(96,514)	(8,135)	(104,649)
Total comprehensive income/(loss) for the year	-	-	-	(22,217)	(70,173)	(4,124)	2,060,200	1,963,686	(3,117)	1,960,569
Additional contribution to noncontrolling interests	-	-	-	-	-	-	-	-	4,463	4,463
Transfer from investments revaluation reserve to retained earnings	-	-	-	-	12,429	-	(12,429)	-	-	-
Transfer to statutory and legal reserves	-	2,256	-	-	-	-	(2,256)	-	-	-
Payment of dividends [Note 21(g)]	-	-	-	-	-	-	(710,123)	(710,123)	(16,655)	(726,778)
Balance at 31 December 2018	1,775,308	903,877	312,000	(81,380)	(242,733)	(4,124)	17,481,156	20,144,104	621,585	20,765,689
Changes on initial application of IFRS 16 (Note 3.3)	-	-	-	-	-	-	(5,937)	(5,937)	(49)	(5,986)
Restated balances as at 1 January 2019	1,775,308	903,877	312,000	(81,380)	(242,733)	(4,124)	17,475,219	20,138,167	621,536	20,759,703
Profit for the year ended 31 December 2019	-	-	-	-	-	-	2,065,194	2,065,194	70,948	2,136,142
Other comprehensive income/ (loss) for the year	-	-	-	(7,340)	38,268	8,416	-	39,344	17,864	57,208
Total comprehensive income/(loss) for the year	-	-	-	(7,340)	38,268	8,416	2,065,194	2,104,538	88,812	2,193,350
Transfer from investments revaluation reserve to retained earnings	-	-	-	-	(69,130)	-	69,130	-	-	-
Transfer to statutory and legal reserves	-	3,837	-	-	-	-	(3,837)	-	-	-
Payment of dividends [Note 21(g)]	-	-	-	-	-	-	(710,123)	(710,123)	-	(710,123)
Balance at 31 December 2019	1,775,308	907,714	312,000	(88,720)	(273,595)	4,292	18,895,583	21,532,582	710,348	22,242,930

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

Mashreqbank PSC Group

Consolidated statement of cash flows

		For the year ended 31 December			
		2019		2018	
	Notes	AED'000	USD'000 Equivalent	AED'000	USD'000 Equivalent
Cash flows from operating activities					
Profit before taxation for the year		2,158,906	587,777	2,089,823	568,969
Adjustments for:					
Depreciation of property and equipment	13	222,716	60,636	154,613	42,094
Allowances for impairment, net	31	1,212,187	330,026	1,230,255	334,946
(Gain)/loss on disposal of property and equipment	30	(8,865)	(2,414)	15,410	4,195
Loss from disposal of investment property	30	600	163	-	-
Unrealised loss on other financial assets held at FVTPL	29	13,524	3,682	8,302	2,260
Fair value adjustments of investment properties	30	13,244	3,606	27,806	7,570
Net realized gain from sale of other financial assets measured at FVTPL	29	(76,614)	(20,859)	(5,033)	(1,370)
Dividend income from other financial assets measured at FVTOCI	29	(23,758)	(6,468)	(18,146)	(4,940)
Net realised gain from sale of other financial assets measured at amortised cost/ FVTOCI	29	(62,068)	(16,898)	(11,100)	(3,022)
Unrealised loss on derivatives	30	20,260	5,516	3,992	1,087
Operating cash flows before tax paid and changes in operating assets and liabilities		3,470,132	944,767	3,495,922	951,789
Tax paid		(22,764)	(6,198)	(24,605)	(6,699)
Changes in assets and liabilities					
(Increase)/decrease in deposits with central banks		(2,217,619)	(603,762)	2,533,730	689,826
Increase in deposits and balances due from banks maturing after three months		(2,201,971)	(599,502)	(6,974,215)	(1,898,779)
Increase in loans and advances measured at amortised cost		(6,486,591)	(1,766,020)	(4,949,217)	(1,347,459)
Increase in Islamic financing and investment products measured at amortised cost		(1,600,851)	(435,843)	(3,750,692)	(1,021,152)
(Increase)/decrease in reinsurance assets		(113,120)	(30,798)	45,467	12,377
(Increase)/decrease in other assets		(269,203)	(73,292)	268,201	73,019
(Increase)/decrease in financial assets carried at FVTPL		(612,458)	(166,746)	53,995	14,701
(Decrease)/increase in repurchase agreements with banks maturing after three months		(147,444)	(40,143)	858,410	233,708
Increase in customers' deposits		3,917,716	1,066,626	3,141,647	855,335
Increase in Islamic customers' deposits		3,832,554	1,043,440	4,015,832	1,093,338
Increase in deposits and balances due to banks maturing after three months		453,725	123,530	2,490,000	677,921
Increase/(decrease) in insurance contract liabilities		176,629	48,088	(76,087)	(20,715)
(Decrease)/increase in other liabilities		(311,102)	(84,700)	1,107,526	301,532
Net cash (used in) / generated from operating activities		(2,132,367)	(580,553)	2,235,909	608,742

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

Mashreqbank PSC Group

Consolidated statement of cash flows (continued)

	Notes	For the year ended 31 December			
		2019		2018	
		AED'000	USD'000 Equivalent	AED'000	USD'000 Equivalent
Cash flows from investing activities					
Purchase of property and equipment	13	(454,406)	(123,715)	(312,474)	(85,073)
Proceeds from sale of property and equipment		9,781	2,663	810	221
Proceeds from sale of investment properties		2,450	667	-	-
Net increase in nontrading investments		(1,246,269)	(339,305)	567,173	154,417
Dividend income from other financial assets measured at FVTOCI	29	23,758	6,468	18,146	4,940
Net cash (used in)/generated from investing activities		(1,664,686)	(453,222)	273,655	74,505
Cash flows from financing activities					
Dividend paid		(710,123)	(193,336)	(726,778)	(197,870)
Medium term notes issued		9,972,949	2,715,205	6,976,005	1,899,266
Medium term notes redeemed		(6,319,581)	(1,720,550)	(5,016,647)	(1,365,817)
Additional contribution to noncontrolling interests		-	-	4,463	1,215
Net cash generated from financing activities		2,943,245	801,319	1,237,043	336,794
Net (decrease)/increase in cash and cash equivalents		(853,808)	(232,455)	3,746,607	1,020,041
Net foreign exchange difference		(7,340)	(1,998)	(22,217)	(6,050)
Cash and cash equivalents at 1 January		16,203,765	4,411,589	12,479,375	3,397,598
Cash and cash equivalents at 31 December	35	15,342,617	4,177,136	16,203,765	4,411,589

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

2018

CONSOLIDATED
FINANCIAL
STATEMENTS

Mashreqbank PSC Group

Board of Directors' report

The Board of Directors has pleasure in submitting their report and the audited consolidated financial statements for the year ended 31 December 2018.

Incorporation and registered offices

Mashreqbank PSC was incorporated in the Emirate of Dubai in 1967 under a decree issued by The Ruler of Dubai. The address of the registered office is P.O. Box 1250, Dubai, United Arab Emirates.

Principal activities

The principal activities of the Bank are retail banking, commercial banking, investment banking, Islamic banking, brokerage and asset management these activities are carried out through its branches in the United Arab Emirates, Bahrain, Kuwait, Egypt, Hong Kong, India, Qatar, the United Kingdom and the United States of America.

Financial position and results

The financial position and results of the Group for the year ended 31 December 2018 are set out in the accompanying consolidated financial statements.

Dividend

The Board of Directors has proposed 40% Cash Dividend at their meeting held on 21 January 2019

Directors

The following were the Directors of the Bank for the year ended 31 December 2018

Chairman:	Abdulla Bin Ahmad Al Ghurair
Vice Chairman:	Ali Rashed Ahmad Lootah
Director & Chief Executive Officer:	H.E. Abdul Aziz Abdulla Al Ghurair
Directors:	Rashed Saif Saeed Al Jarwan Al Shamsi
	Sultan Abdulla Ahmed Al Ghurair
	Rashed Saif Ahmed Al Ghurair
	Mohammed Saif Ahmed Al Ghurair

Auditors

The consolidated financial statements for the year ended 31 December 2018 have been audited by PricewaterhouseCoopers.

By order of the Board of Directors


Abdulla Bin Ahmad Al Ghurair
 Chairman
 21 January 2019



Independent auditor's report to the shareholders of Mashreqbank PSC Group

Report on the Audit of the Consolidated Financial Statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Mashreqbank PSC (the "Bank") and its subsidiaries (together the "Group") as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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Douglas O'Mahony, Rami Sarhan, Jacques Fakhoury and Mohamed ElBorno are registered as practising auditors with the UAE Ministry of Economy



Independent auditor's report to the shareholders of Mashreqbank PSC Group (continued)

Our audit approach

Key Audit Matters

- Measurement of Expected Credit Losses

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Independent auditor's report to the shareholders of Mashreqbank PSC Group (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Measurement of Expected Credit Losses	
IFRS 9 'Financial instruments' became effective from 1 January 2018 and replaced most of the guidance in IAS 39 – 'Financial instruments'. In particular, the incurred loss impairment model under IAS 39 has been replaced with the Expected Credit Losses model ("ECL"). The Group has previously adopted the first phase of the IFRS 9 with regards to classification and measurement of financial instruments. The Group adopted the final phase of IFRS 9 with respect to impairment of financial assets with effect from 1 January 2018. The adoption of the ECL model under IFRS 9 has resulted in an increase in the impairment provision by AED 1.60 billion which has been recognized as an adjustment in equity at 1 January 2018. On the initial application of IFRS 9 management has evaluated and disclosed the information required by IFRS 7 and IFRS 9. The Group applies ECL on all its financial instruments measured at amortised cost, debt instruments measured at fair value through other comprehensive income and financial guarantee contracts including financing commitments. The Group exercises significant judgements and makes a number of assumptions in developing its ECL models, which includes probability of default computation separately for retail and corporate portfolios, determining loss given default and exposure at default for both funded and unfunded exposures, forward looking adjustments and staging criteria.	We performed the following audit procedures on the computation of the ECL included in the Group's consolidated financial statements for the year ended 31 December 2018: ➤ We tested the completeness and accuracy of the data used in the calculation of ECL. ➤ For a sample of exposures, we checked the appropriateness of the Group's application of the staging criteria. ➤ We involved our internal specialists to assess the following areas: • Conceptual framework used for developing the Group's impairment policy in the context of its compliance with the requirements of IFRS 9. • ECL modelling methodology and calculations used to compute the probability of default (PD), loss given default (LGD), and exposure at default (EAD) for the Group's classes of financial instruments. • Reasonableness of the assumptions made in developing the modelling framework including assumptions used for estimating forward looking scenarios and significant increase in credit risk. • For a sample of exposures, we checked the appropriateness of determining EAD, including the consideration of repayments and collaterals.



Independent auditor's report to the shareholders of Mashreqbank PSC Group (continued)

Key audit matters (continued)

➤ Key audit matter	➤ How our audit addressed the key audit matter
For defaulted exposures, the Group exercises judgements to estimate the expected future cash flows related to individual exposures, including the value of collateral. The Group's impairment policy under IFRS 9 is presented in Note 3.14 to the consolidated financial statements. Measurement of ECL is considered as a key audit matter as the Group applies significant judgments and makes a number of assumptions in the staging criteria applied to the financial instruments as well as in developing ECL models for calculating its impairment provisions.	➤ In addition, for the Stage 3 corporate portfolio, the appropriateness of provisioning assumptions were independently assessed for a sample of exposures selected on the basis of risk and the significance of individual exposures. An independent view was formed on the levels of provisions recognised, based on the detailed loan and counterparty information available in the credit file. For the Stage 3 retail portfolio, assumptions were independently assessed for each product category and an independent view was formed on the levels of provisions recognised at each category level. ➤ We assessed the consolidated financial statement disclosures to ensure compliance with IFRS 7 and IFRS 9.



Independent auditor's report to the shareholders of Mashreqbank PSC Group (continued)

Other information

The directors are responsible for the other information. The other information comprises the Board of Directors' report (but does not include the consolidated financial statements and our auditor's report thereon) which we obtained prior to the date of this auditor's report, and Chairman's Report, Corporate Governance Report and Financial Highlights, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read Chairman's Report, Corporate Governance Report and Financial Highlights, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.



Independent auditor's report to the shareholders of Mashreqbank PSC Group (continued)

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



Independent auditor's report to the shareholders of Mashreqbank PSC Group (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

- we have obtained all the information we considered necessary for the purposes of our audit;
- the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- the Group has maintained proper books of account;
- the financial information included in the Directors' report is consistent with the books of account of the Group;
- note 7 to the consolidated financial statements discloses the shares purchased by the Group during the financial year ended 31 December 2018;
- note 37 to the consolidated financial statements discloses material related party transactions, and the terms under which they were conducted; and



*Independent auditor's report to the shareholders of
Mashreqbank PSC Group (continued)*

Report on other legal and regulatory requirements (continued)

- based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2018 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Bank, its Articles of Association which would materially affect its activities or its financial position as at 31 December 2018.
- Note 32 to the consolidated financial statements discloses the social contributions made during the financial year ended 31 December 2018.

Further, as required by the UAE Union Law No (10) of 1980, as amended, we report that we have obtained all the information and explanations we considered necessary for the purpose of our audit.

PricewaterhouseCoopers
21 January 2019



Mohamed Elborno
Registered Auditor Number 946
Place: Dubai, United Arab Emirates

Mashreqbank PSC Group

Consolidated statement of profit or loss

	Notes	For the year ended 31 December			
		2018		2017	
		AED'000	USD'000 Equivalent	AED'000	USD'000 Equivalent
Interest income	24	5,427,063	1,477,556	4,764,612	1,297,199
Income from Islamic financing and investment products	25	570,568	155,341	406,676	110,720
Total interest income and income from Islamic financing and investment products		5,997,631	1,632,897	5,171,288	1,407,919
Interest expense	26	(2,096,786)	(570,865)	(1,440,450)	(392,173)
Distribution to depositors – Islamic products	27	(257,783)	(70,183)	(151,901)	(41,356)
Net interest income and income from Islamic products net of distribution to depositors		3,643,062	991,849	3,578,937	974,390
Fee and commission income	28	2,857,563	777,992	2,988,476	813,634
Fee and commission expenses	28	(1,444,083)	(393,162)	(1,430,877)	(389,566)
Net fee and commission income		1,413,480	384,830	1,557,599	424,068
Net investment income	29	26,528	7,222	106,854	29,092
Other income, net	30	855,218	232,839	772,266	210,255
Operating income		5,938,288	1,616,740	6,015,656	1,637,805
General and administrative expenses	32	(2,618,210)	(712,826)	(2,360,756)	(642,732)
Allowances for impairment, net	31	(1,230,255)	(334,945)	(1,487,682)	(405,032)
Profit before tax		2,089,823	568,969	2,167,218	590,041
Tax expense		(24,605)	(6,699)	(77,688)	(21,152)
Profit for the year		2,065,218	562,270	2,089,530	568,889
Attributable to:					
Owners of the Parent		2,060,200	560,904	2,052,320	558,759
Non-controlling interests		5,018	1,366	37,210	10,130
		2,065,218	562,270	2,089,530	568,889
Earnings per share	33	AED 11.60	USD 3.16	AED 11.56	USD 3.15

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

Mashreqbank PSC Group

Consolidated statement of comprehensive income

	For the year ended 31 December			
	2018		2017	
	AED'000	USD'000 Equivalent	AED'000	USD'000 Equivalent
Profit for the year	2,065,218	562,270	2,089,530	568,889
Other comprehensive income/(loss)				
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Changes in fair value of financial assets measured at fair value through other comprehensive income, net (equity instruments) [Note 7(k)]	(66,530)	(18,113)	47,133	12,832
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Currency translation adjustment	(22,829)	(6,215)	240,636	65,515
Changes in fair value of financial assets measured at fair value through other comprehensive income, net (debt instruments) [Note 7(k)]	(6,093)	(1,659)	-	-
Loss on hedging instruments designated as hedges of net investment in foreign operations	(5,073)	(1,381)	(1,237)	(337)
Cash flow hedges - fair value loss arising during the year [Note 21(f)]	(4,124)	(1,123)	(7,624)	(2,076)
Total other comprehensive (loss)/income for the year	(104,649)	(28,491)	278,908	75,934
Total comprehensive income for the year	1,960,569	533,779	2,368,438	644,823
Attributable to:				
Owners of the Parent	1,963,686	534,627	2,315,933	630,529
Non-controlling interests	(3,117)	(848)	52,505	14,294
	1,960,569	533,779	2,368,438	644,823

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

Mashreqbank PSC Group

Consolidated statement of changes in equity

	Issued and paid up capital AED'000	Statutory and legal reserves AED'000	General reserve AED'000	Currency translation reserve AED'000	Investments revaluation reserve AED'000	Cash flow hedging reserve AED'000	Retained earnings AED'000	Equity attributable to owners of the Parent AED'000	Non-controlling interests AED'000	Total AED'000
Balance at 1 January 2017	1,775,308	899,351	312,000	(298,562)	(248,283)	7,624	16,310,198	18,757,636	728,009	19,485,645
Profit for the year ended 31 December 2017	-	-	-	-	-	-	2,052,320	2,052,320	37,210	2,089,530
Other comprehensive income/(loss) for the year	-	-	-	239,399	31,838	(7,624)	-	263,613	15,295	278,908
Total comprehensive income/(loss) for the year	-	-	-	239,399	31,838	(7,624)	2,052,320	2,315,933	52,505	2,368,438
Transfer from investments revaluation reserve to retained earnings	-	-	-	-	31,456	-	(31,456)	-	-	-
Transfer to statutory and legal reserves	-	2,270	-	-	-	-	(2,270)	-	-	-
Payment of dividends [Note 21(g)]	-	-	-	-	-	-	(710,123)	(710,123)	(17,540)	(727,663)
Balance at 31 December 2017	1,775,308	901,621	312,000	(59,163)	(184,989)	-	17,618,669	20,363,446	762,974	21,126,420
Changes on initial application of IFRS 9 [Note 3.3(a)]	-	-	-	-	-	-	(1,472,905)	(1,472,905)	(126,080)	(1,598,985)
Restated balances as at 1 January 2018	1,775,308	901,621	312,000	(59,163)	(184,989)	-	16,145,764	18,890,541	636,894	19,527,435
Profit for the year ended 31 December 2018	-	-	-	-	-	-	2,060,200	2,060,200	5,018	2,065,218
Other comprehensive loss for the year	-	-	-	(22,217)	(70,173)	(4,124)	-	(96,514)	(8,135)	(104,649)
Total comprehensive income/(loss) for the year	-	-	-	(22,217)	(70,173)	(4,124)	2,060,200	1,963,686	(3,117)	1,960,569
Additional contribution to non-controlling interests	-	-	-	-	-	-	-	-	4,463	4,463
Transfer from investments revaluation reserve to retained earnings	-	-	-	-	12,429	-	(12,429)	-	-	-
Transfer to statutory and legal reserves	-	2,256	-	-	-	-	(2,256)	-	-	-
Payment of dividends [Note 21(g)]	-	-	-	-	-	-	(710,123)	(710,123)	(16,655)	(726,778)
Balance at 31 December 2018	1,775,308	903,877	312,000	(81,380)	(242,733)	(4,124)	17,481,156	20,144,104	621,585	20,765,689

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

Mashreqbank PSC Group

Consolidated statement of cash flows

	Notes	For the year ended 31 December			
		2018		2017	
		AED'000	USD'000 Equivalent	AED'000	USD'000 Equivalent
Cash flows from operating activities					
Profit before taxation for the year		2,089,823	568,969	2,167,218	590,041
Adjustments for:					
Depreciation of property and equipment	13	154,613	42,094	150,600	41,002
Allowances for impairment, net	31	1,230,255	334,946	1,487,682	405,032
Loss on disposal of property and equipment	30	15,410	4,195	1,566	426
Loss from disposal of investment properties	30	-	-	300	82
Unrealised loss / (gain) of other financial assets held at FVTPL	29	8,302	2,260	(30,380)	(8,271)
Fair value adjustments of investment properties	30	27,806	7,570	773	210
Net realized gain from sale of other financial assets measured at FVTPL	29	(5,033)	(1,370)	(44,744)	(12,182)
Dividend income from other financial assets measured at FVTOCI	29	(18,146)	(4,940)	(22,476)	(6,119)
Net realised gain from sale of other financial assets measured at amortised cost/FVTOCI	29	(11,100)	(3,022)	(8,636)	(2,351)
Unrealised (loss)/gain on derivatives	30	3,992	1,087	(64)	(17)
Operating cash flows before tax paid and changes in operating assets and liabilities		3,495,922	951,789	3,701,839	1,007,853
Tax paid		(24,605)	(6,699)	(77,688)	(21,152)
Changes in assets and liabilities					
Decrease in deposits with central banks		2,533,730	689,826	2,015,817	548,820
Increase in deposits and balances due from banks maturing after three months		(1,073,364)	(292,231)	(915,762)	(249,323)
Increase in loans and advances measured at amortised cost		(4,949,217)	(1,347,459)	(1,319,000)	(359,107)
Increase in Islamic financing and investment products measured at amortised cost		(3,750,692)	(1,021,152)	(1,867,335)	(508,395)
(Increase)/decrease in other assets		(3,068,422)	(835,399)	135,979	37,022
Decrease in financial assets carried at FVTPL		53,995	14,701	771,440	210,030
Increase/(decrease) in repurchase agreements with banks maturing after three months		858,410	233,708	(48,417)	(13,182)
Increase/(decrease) in customers' deposits		3,141,647	855,335	(566,916)	(154,347)
Increase/(decrease) in Islamic customers' deposits		4,015,832	1,093,338	(412,509)	(112,308)
Increase/(decrease) in deposits and balances due to banks maturing after three months		1,026,771	279,546	(8,295,108)	(2,258,401)
(Decrease)/increase in insurance and life assurance funds		(46,392)	(12,631)	71,937	19,585
Increase in other liabilities		4,525,603	1,232,127	54,304	14,785
Net cash generated from/(used in) operating activities		6,739,218	1,834,799	(6,751,419)	(1,838,120)

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

Mashreqbank PSC Group

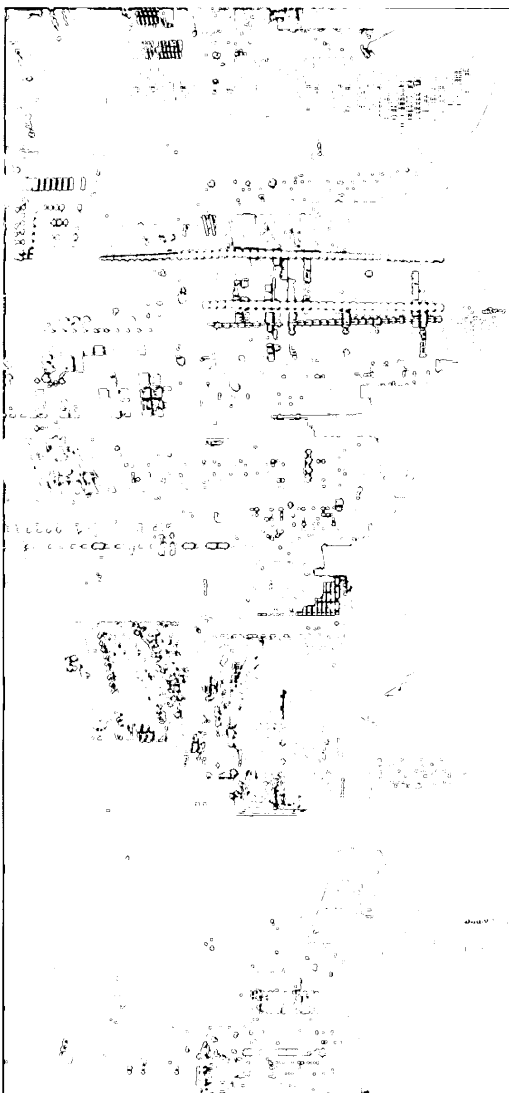
Consolidated statement of cash flows (continued)

	Notes	For the year ended 31 December			
		2018		2017	
		AED'000	USD'000 Equivalent	AED'000	USD'000 Equivalent
Cash flows from investing activities					
Purchase of property and equipment	13	(312,474)	(85,073)	(332,614)	(90,556)
Proceeds from sale of property and equipment		810	221	3,110	847
Proceeds from sale of investment properties		-	-	2,100	572
Net increase/(decrease) in non-trading investments		567,173	154,417	(1,535,999)	(418,186)
Dividend income from financial assets measured at FVTOCI	29	18,146	4,940	22,476	6,119
Net cash generated from/(used in) investing activities		273,655	74,505	(1,840,927)	(501,204)
Cash flows from financing activities					
Dividend paid		(726,778)	(197,870)	(727,663)	(198,111)
Medium term notes issued during the year		6,976,005	1,899,266	5,958,877	1,622,346
Medium term notes redeemed during the year		(5,016,647)	(1,365,817)	(4,704,705)	(1,280,889)
Additional contribution to non-controlling interests		4,463	1,215	-	-
Net cash generated from financing activities		1,237,043	336,794	526,509	143,346
Net increase/(decrease) in cash and cash equivalents		8,249,916	2,246,098	(8,065,837)	(2,195,978)
Net foreign exchange difference		(22,217)	(6,050)	231,775	63,100
Cash and cash equivalents at 1 January		12,479,375	3,397,598	20,313,437	5,530,476
Cash and cash equivalents at 31 December	35	20,707,074	5,637,646	12,479,375	3,397,598

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

ANNUAL REPORT 2017

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BOARD OF DIRECTORS

Chairman

Abdulla Bin Ahmad Al Ghurair

Vice-Chairman

Ali Rashed Ahmad Lootah

Director & Chief Executive Officer

H.E. Abdul Aziz Abdulla Al Ghurair

Directors

Rashed Saif Saeed Al Jarwan

Sultan Abdulla Ahmed Al Ghurair

Rashed Saif Ahmed Al Ghurair

CHAIRMAN'S REPORT

Though 2017 was a year marked by slow economic growth with overall real GDP growth estimated to decline to 1.4% in 2017, down from 3.0% in 2016, UAE outpaced the rest of the GCC. The 3.3% growth in the non-oil sector in 2017, reflecting higher public investment and a pickup in global trade, helped to bridge the contraction in Oil GDP growth brought on by lower oil prices and the OPEC agreement to cut supply. The current account surplus is also expected to improve to 2.6% of GDP in 2017 mainly owing to rising non-oil exports.

Despite global economic uncertainty and the slight slowdown in the GCC region, 2017 was a milestone year for Mashreq Bank. In addition to consistently reporting strong financial results and continuing to grow our business, we also celebrated our 50 Year Anniversary in the UAE. With 50 years of uninterrupted profitable operations, we launched a new vision to celebrate and guide the next 50 years of the bank's journey – "To be the region's most progressive bank, enabling innovative possibilities for its clients, colleagues and communities."

In 2017, we saw steady growth across all divisions of the Bank and total assets increased by 1.9% to AED 125.2 billion as of December 2017. Loans and Advances increased by 2.9% YTD to end at AED 62.7 billion driven by 23.5% growth in Islamic finance. Liquidity continues to remain healthy with a high liquid asset to total assets ratio of 29.6%. Total Customer Deposits decreased marginally in the year but Loan-to-Deposit ratio stood at a healthy 82.5% in December 2017.

Asset quality improved in the year with Non-Performing Loans to Gross Loans ratio declining to 2.9% at the end of December 2017 and our prudent provisioning policy leading to Total Provisions for Loans and advances reaching AED 3.2 billion, constituting 149.7% coverage for Non-Performing Loans at year end.



Out of a total revenue of AED 6.0 billion in 2017, AED 3.6 billion in Net Interest Income was achieved with a healthy Net Interest margin of 3.41%. Non-Interest Income (including Fee Income) to Total Income ratio stood at 41% in 2017 and continues to remain the best in our peer group.

The focus on cost management and driving efficiencies resulted in a decline in operating expenses by 1.9%. With improvements in charge for impairment allowances from AED 1.7 billion in 2016 to AED 1.5 billion in 2017, the Net Profit improved from AED 1.9 billion in 2016 to AED 2.1 billion in 2017.

Capital Adequacy ratio and Tier-1 ratio as per Basel II guidelines remained high at 18.3% and 17.4% respectively. Keeping the high Capital Adequacy ratio in mind, your Board recommends a cash dividend of 40% which will result in a dividend payout of 34.6% of 2017 Net Profit.

UAE ECONOMY

Oil prices continued their recovery in response to the OPEC agreement on production cuts that became effective on January 2017 and the Brent crude price increased by around 18% during the year to end at USD 67 per barrel. This improvement boosted economic confidence and bolstered activity in the non-oil sector. The recent rally of oil prices as well as the growth-friendly policies of the government also led to an increase in public spending in 2017. Capital spending component of the budget, as a percentage of total spending, continued on its rising trajectory and was one of the main drivers for non-oil growth.

The UAE residential market continued to decline moderately in 2017 with Dubai and Abu Dhabi showing a decline in both property prices and rental yields. The softer job markets and the cuts in public expenditure continue to weigh in on demand in the housing market.

The PMI for the UAE ended the year on a high at 57.7, the highest reading in 34 months. For 2017 as a whole, the headline PMI averaged 56.1, indicating a similar rate of non-oil sector growth to 2015 and markedly stronger than 2016. However, the PMI survey suggests that the rate of job growth over 2017 was slower than in 2015, despite similar levels of activity growth.

The resiliency of the UAE's economy was further underscored by the recent Doing Business Report of the World Bank which ranked UAE as the 21st best for regulatory environment applicable to local firms – first among the MENA countries.

The overall UAE banking sector showed a steady growth in assets of 4.0% in 2017 reaching AED 2.7 trillion and Gross credit increased by 1.7% to reach AED 1.6 trillion in December 2017. The lending to the private sector was the major driver of growth in 2017 and contributed to around AED 30.7 billion of loan growth - within the private sector the growth was led by credit to business & industrials. The banking sector deposits grew by 4.1% to reach AED 1.6 trillion in December 2017. The Government and Public Sector were the main driver contributing 76% of the deposit growth. The non-resident deposits experienced a decline of AED 7.4 billion mainly as a result of a fall in foreign banks deposits. The UAE banking sector Capital Adequacy ratio as on December 2017 remained high at 18.9%, a reflection of the intrinsic strength of the sector. The Tier 1 ratio also remained strong at 17.4% as on December 2017.

OUTLOOK FOR 2018

The economic outlook is positive with firmer oil prices, easing fiscal consolidation, pick up in global trade and acceleration of investments ahead of Dubai's Expo 2020. In this backdrop, our underlying strategy is to continue to digitize the bank, enhance customer experience to make it seamless, customized and Omni channel, and be trailblazers into the future of branchless banking. With 85% of our transactions happening on alternate channels, it is critical that we continue to develop new, innovative products and services for our customers that cater to this growing trend. Along with shifting to an Agile organization, we will also continue to increase the deployment of robotics and Artificial Intelligence to drive efficiency and superior customer experience. Innovation has been deeply embedded in the DNA of Mashreq throughout the last 50 years, and it will continue to be core to our strategy moving forward. Through innovation, strong financial performance and high levels of customer service, we will continue to find ways to make possible. Our plan and strategy for the future under our new vision reassures me of the ability of the Leadership Team to deliver a superior performance in 2018.

CSR, employee happiness and wellbeing had been the cornerstones of our employee engagement initiatives. The success of this was clearly evidenced in 2017, when, for the fourth year running, Mashreq was awarded the Gallup Great Workplace Award. Each year, over the past several years, this award is only given to an exclusive group of companies drawn from across the world that meet a rigorously evaluated work culture standard (typically less than 40 globally). To belong to an even more exclusive group of multiple repeat winners speaks volumes about the level of engagement at Mashreq and the impact that this has had on Mashreq's business performance.

Before I end, I would like to take this opportunity to thank the management and the staff of the bank for their commitment and engagement and for delivering a steady performance in 2017. I would also like to thank our customers, the Central Bank and the Government of UAE for their continued support.

Thank you.

Abdullah Bin Ahmad Al Ghurair
Chairman

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

The Shareholders
Mashreqbank psc
Dubai
United Arab Emirates

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Mashreqbank psc (the "Bank") and its subsidiaries (together the "Group"), Dubai, United Arab Emirates which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Mashreqbank psc and its subsidiaries, as at 31 December 2017, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Group's consolidated financial statements in the United Arab Emirates and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matters
Impairment of loans and advances and Islamic financing	
The management exercises significant judgment when determining both when and how much to record as loan impairment provisions. Because of the significance of these judgements and the size of loans and advances and Islamic financing, the audit of allowance for related impairment provisions is a key area of focus. At 31 December 2017, the total of gross loans and advances and Islamic finance was AED 66 billion (31 December 2016: AED 64 billion) against which allowance for impairment provisions of AED 3.2 billion were recorded (31 December 2016: AED 3.3 billion). Judgement is applied to determine appropriate parameters and assumptions used to calculate impairment.	Our audit procedures included the assessment of controls over the approval, recording and monitoring of loans and advances, and evaluating the methodologies, inputs and assumptions used by the Group in calculating collectively assessed impairments, and assessing the adequacy of impairment allowances for individually assessed loans and advances.
The accounting policies and critical judgments relative to the calculations of the impairment provisions on loans and advances and Islamic financing are summarised in Note 3.14 and Note 4.1 to the consolidated financial statements respectively.	We tested the design, implementation and operating effectiveness of the key controls to determine which loans and advances are impaired and provisions against those assets. These included testing: • System-based and manual controls over the timely recognition of impaired loans and advances; • Controls over the impairment calculation models including data inputs; • Controls over collateral valuation estimates; and • Controls over governance and approval process related to impairment provisions, including continuous reassessment by the management.
The Group uses two methods in its calculations of impairment provisions on loans and advances and Islamic financing:	We also assessed whether the financial statement disclosures appropriately reflect the Group's exposure to credit risk.
Individually assessed facilities	Individually assessed facilities
These represent mainly corporate facilities which are assessed individually by the Group's Credit Risk Unit in order to determine whether there exists any objective evidence that a loan is impaired.	We tested a sample of individual facilities (including loans that had not been identified by management as potentially impaired) to form our own assessment as to whether impairment events had occurred and to assess whether adequate impairments provisions had been recorded in a timely manner.
Impaired facilities are measured based on the present value of expected future cash flows discounted at the original effective interest rate or at the observable market price, if available, or at the fair value of the collateral if the recovery is entirely collateral dependent.	Where impairment had been identified, we tested the estimation of the future expected cash flows prepared by management to support the calculation of impairment, challenging the assumptions, including realisation of collateral held. This work involved assessing the work performed by external experts used by the Group to value the collateral.
Impairment loss is calculated as the difference between the facilities carrying value and its present value or recoverable amount calculated as above.	We examined a sample of facilities which had not been identified by management as potentially impaired and formed our own judgment as to whether that was appropriate to support management's conclusion.

INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matters
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Impairment of loans and advances and Islamic financing (continued)

Collectively assessed facilities

The management of the Group assesses, based on historical experience and the prevailing economical and credit conditions, the magnitude of performing retail and wholesale facilities which may be impaired but not identified as of the reporting date.

Allowances against performing loans and advances are reassessed on a periodical basis using modelled basis for different portfolios with common features and allowances are adjusted accordingly based on the judgment of management and guidance received from the Central Bank of the UAE.

Collectively assessed facilities

For the collective impairment models used by the Group, we tested a sample of the data used in the models as well as evaluating the model methodology and re-performing the calculations. For the key assumptions used in the model, we challenged management to provide objective evidence that they were appropriate and included all relevant risks. Further, we considered our industry experience and knowledge to consider the appropriateness of the provision.

We recalculated the collective impairment provision as per the Bank's policies and IFRS and compared it with the calculations as per UAE Central Bank to ensure adequacy of the provision.

We performed certain test procedures to ensure past due payments are reflected in the right bucket. We have also involved our IT auditors to provide us assurance on the accuracy of the ageing reports generated by the system and its related configuration.

INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matters
Valuation of Insurance contract liabilities	
As at 31 December 2017, net insurance contract liabilities amounted to AED 1.6 billion (31 December 2016: AED 1.5 billion), as detailed in Note 18 to these consolidated financial statements.	Our audit procedures included: • Testing the underlying Group data to source documentation. • Evaluating and testing of key controls around the claims handling and case reserve setting processes of the Group. • Evaluating and testing of key controls designed to ensure the integrity of the data used in the actuarial reserving process. • Checking samples of claims case reserves through comparing the estimated amount of the case reserve to appropriate documentation, such as reports from loss adjusters. • Re-performing reconciliations between the claims data recorded in the Group's systems and the data used in the actuarial reserving calculations.
As set out in Note 3.18 and Note 4.6, valuation of these liabilities requires professional judgment and also involve number of assumptions made by management.	
This is particularly the case for those liabilities that are based on the best-estimate of technical reserves that includes ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs and related technical reserves. A range of methods are used by management and the internal actuary/independent external actuary to determine these provisions. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.	
Furthermore, valuation of life insurance contract liabilities involves complex and subjective judgement made by management and the internal actuary/independent external actuary about variety of uncertain future outcomes, including the estimation of economic assumptions, such as investment return, discount rates, and operating assumptions, such as expense, mortality and persistency. Changes in these assumptions can result in material impacts to the valuation of these liabilities.	In addition, with the assistance of our actuarial specialists, we: • performed necessary reviews to ascertain whether the results are appropriate for financial disclosure. • reviewed the actuarial report compiled by the independent external actuaries of the Group and calculations underlying these provisions, particularly the following areas;
The valuation of these liabilities also depends on accurate data about the volume, amount and pattern of current and historical claims since they are often used to form expectations about future claims. As a result of all of the above factors, insurance contract liabilities represent a significant risk for the Group.	– appropriateness of the calculation methods and approach (actuarial best practice) – review of assumptions – sensitivities to key assumptions – risk profiles – consistency between valuation periods – general application of financial and mathematical rules

INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matters
IT systems and controls over financial reporting	
We identified IT systems and controls over financial reporting as an area of focus because the Group's financial accounting and reporting systems are vitally dependent on complex technology due to the extensive volume and variety of transactions which are processed daily and there is a risk that automated accounting procedures and related internal controls are not accurately designed and operating effectively. A particular area of focus related to logical access management and segregation of duties. The incorporated key controls are essential to limit the potential for fraud and error as a result of change to an application or underlying data. Our audit approach relies on automated controls and therefore procedures are designed to test access and control over IT systems.	We assessed and tested the design and operating effectiveness of the controls over the continued integrity of the IT systems that are relevant to financial reporting. We examined the framework of governance over the Group's IT organisation and the controls over program development and changes, access to programs and data and IT operations, including compensating controls where required. We also tested the accuracy and completeness of key computer generated reports heavily used in our testing such as aging report of overdue loans and advances. In events deficiencies are noted during our testing affecting applications and databases, we performed a combination of controls testing and substantive testing in order to determine whether we could place reliance on the completeness and accuracy of system generated information. In addition and where appropriate, we extended the scope of our substantive audit procedures.

Other information

The Board of Directors is responsible for the other information. The other information comprises the annual report of the Group. We obtained the Board of Directors' report of the annual report prior to the date of this auditor's report, and the remaining information of the annual report is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining information of the annual report of the Group, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and their preparation in compliance with applicable provisions of UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors and the Audit Committee are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Groups' Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law and regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

- i) We have obtained all the information we considered necessary for the purposes of our audit;
- ii) The consolidated financial statements of the Group have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- iii) The Group has maintained proper books of account;
- iv) The financial information included in the Directors' report is consistent with the books of account of the Group;
- v) As disclosed in Note 7 (m) to the consolidated financial statements, the Group has purchased or invested in shares during the year ended 31 December 2017;
- vi) Note 37 to the consolidated financial statements of the Group discloses material related party transactions and the terms under which they were conducted and principles of managing conflict of interest;
- vii) Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Bank has contravened during the year ended 31 December 2017 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2017; and
- viii) Note 31 to the consolidated financial statements of the Group discloses social contributions made during the year ended 31 December 2017.

Further, as required by the UAE Union Law No (10) of 1980, as amended, we report that we have obtained all the information and explanations we considered necessary for the purpose of our audit.

Musa Ramahi
Registration No. 872

Deloitte & Touche (M.E.)
Building 3, Level 6, Emaar Square, Downtown Dubai
P.O. Box 4254, Dubai, United Arab Emirates

28 January 2018

CONSOLIDATED FINANCIAL STATEMENTS

**Consolidated statement of financial position
at 31 December 2017**

		31 December 2017		31 December 2016	
	Notes	AED'000	USD'000 Equivalent	AED'000	USD'000 Equivalent
ASSETS					
Cash and balances with central banks	5	16,899,076	4,600,892	18,629,582	5,072,034
Deposits and balances due from banks	6	20,135,427	5,482,011	18,667,750	5,082,426
Other financial assets measured at fair value	7	1,580,545	430,314	2,419,199	658,644
Loans and advances measured at amortised cost	8	53,394,165	14,536,936	53,428,461	14,546,273
Islamic financing and investment products measured at amortised cost	9	9,339,467	2,542,735	7,565,063	2,059,641
Other financial assets measured at amortised cost	7	12,583,404	3,425,920	10,849,298	2,953,797
Other assets	10	9,381,071	2,554,062	9,552,316	2,600,685
Goodwill	11	14,414	3,925	15,365	4,183
Investment properties	12	517,691	140,945	520,864	141,809
Property and equipment	13	1,342,976	365,635	1,165,638	317,353
Total assets		125,188,236	34,083,375	122,813,536	33,436,845
LIABILITIES AND EQUITY					
Liabilities					
Deposits and balances due to banks	14	9,313,430	2,535,647	8,932,076	2,431,820
Repurchase agreements with banks	15	557,183	151,697	605,600	164,879
Customers' deposits	16	69,380,208	18,889,248	69,947,124	19,043,595
Islamic customers' deposits	17	6,680,874	1,818,915	7,093,383	1,931,223
Insurance and life assurance funds	18	1,582,695	430,900	1,510,758	411,314
Other liabilities	19	10,321,394	2,810,072	10,267,090	2,795,287
Medium-term loans	20	6,226,032	1,695,081	4,971,860	1,353,624
Total liabilities		104,061,816	28,331,560	103,327,891	28,131,742
Equity					
Capital and reserves					
Issued and paid up capital	21(a)	1,775,308	483,340	1,775,308	483,340
Statutory and legal reserves	21(b)	901,621	245,473	899,351	244,855
General reserve	21(c)	312,000	84,944	312,000	84,944
Cumulative translation adjustment	21(d)	(59,163)	(16,108)	(298,562)	(81,286)
Investments revaluation reserve	21(e)	(184,989)	(50,365)	(248,283)	(67,597)
Cash flow hedging reserve	21(f)	-	-	7,624	2,076
Retained earnings		17,618,669	4,796,806	16,310,198	4,440,566
Equity attributable to owners of the Parent		20,363,446	5,544,090	18,757,636	5,106,898
Non-controlling interests	22	762,974	207,725	728,009	198,205
Total equity		21,126,420	5,751,815	19,485,645	5,305,103
Total liabilities and equity		125,188,236	34,083,375	122,813,536	33,436,845

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

Abdulla Bin Ahmad Al Ghurair
Chairman

Abdul Aziz Abdulla Al Ghurair
Chief Executive Officer

**Consolidated statement of profit or loss
for the year ended 31 December 2017**

	Notes	Year ended 31 December 2017		Year ended 31 December 2016	
		AED'000	USD'000 Equivalent	AED'000	USD'000 Equivalent
Interest income	24	4,684,098	1,275,279	4,466,079	1,215,921
Income from Islamic financing and investment products	25	406,676	110,720	347,555	94,624
Total interest income and income from Islamic financing and investment products		5,090,774	1,385,999	4,813,634	1,310,545
Interest expense	26	(1,440,450)	(392,173)	(1,345,530)	(366,330)
Distribution to depositors – Islamic products	27	(151,901)	(41,356)	(105,737)	(28,788)
Net interest income and income from Islamic products net of distribution to depositors		3,498,423	952,470	3,362,367	915,427
Fee and commission income	28	2,988,476	813,634	3,049,142	830,150
Fee and commission expenses	28	(1,430,877)	(389,566)	(1,364,469)	(371,486)
Net fee and commission income		1,557,599	424,068	1,684,673	458,664
Net investment income	29	187,368	51,012	262,517	71,472
Other income, net	30	772,266	210,255	859,068	233,887
Operating income		6,015,656	1,637,805	6,168,625	1,679,450
General and administrative expenses	31	(2,360,756)	(642,732)	(2,406,701)	(655,241)
Allowances for impairment, net	32	(1,487,682)	(405,032)	(1,733,659)	(472,001)
Profit before taxes		2,167,218	590,041	2,028,265	552,208
Overseas income tax expense		(77,688)	(21,152)	(74,354)	(20,243)
Profit for the year		2,089,530	568,889	1,953,911	531,965
Attributable to:					
Owners of the Parent		2,052,320	558,759	1,926,412	524,479
Non-controlling interests		37,210	10,130	27,499	7,486
		2,089,530	568,889	1,953,911	531,965
Earnings per share	33	AED 11.56	USD 3.15	AED 10.85	USD 2.95

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

**Consolidated statement of comprehensive income
for the year ended 31 December 2017**

	Year ended 31 December 2017		Year ended 31 December 2016	
	AED'000	USD'000 Equivalent	AED'000	USD'000 Equivalent
Profit for the year	2,089,530	568,889	1,953,911	531,965
Other comprehensive income/(loss)				
<i><u>Items that will not be reclassified subsequently to profit or loss:</u></i>				
Changes in fair value of financial assets measured at fair value through other comprehensive income, net [Note 7(l)]	47,133	12,832	12,330	3,357
<i><u>Items that will be reclassified subsequently to profit or loss:</u></i>				
Cumulative translation adjustment	240,636	65,515	(236,665)	(64,434)
Loss on hedging instruments designated in hedges of the net assets of foreign operations	(1,237)	(337)	(1,287)	(350)
Cash flow hedges - fair value loss arising during the year [Note 21(f)]	(7,624)	(2,076)	(1,597)	(435)
Total other comprehensive gain/(loss) for the year	278,908	75,934	(227,219)	(61,862)
Total comprehensive income for the year	2,368,438	644,823	1,726,692	470,103
Attributable to:				
Owners of the Parent	2,315,933	630,529	1,699,146	462,604
Non-controlling interests	52,505	14,294	27,546	7,499
	2,368,438	644,823	1,726,692	470,103

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

Consolidated statement of changes in equity for the year ended 31 December 2017

	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	Cash flow hedging reserve AED'000	Retained earnings AED'000	Equity attributable to owners of the Parent AED'000	Non- controlling interests AED'000	Total AED'000
Balance at 1 January 2016	1,775,308	896,595	312,000	(60,610)	(276,416)	9,221	15,112,512	17,768,610	717,118	18,485,728
Profit for the year	-	-	-	-	-	-	1,926,412	1,926,412	27,499	1,953,911
Other comprehensive income/(loss) for the year	-	-	-	(237,952)	12,283	(1,597)	-	(227,266)	47	(227,219)
Total comprehensive income/(loss) for the year	-	-	-	(237,952)	12,283	(1,597)	1,926,412	1,699,146	27,546	1,726,692
Transfer from investment revaluation reserve to retained earnings	-	-	-	-	15,850	-	(15,850)	-	-	-
Transfer to statutory and legal reserves	-	2,756	-	-	-	-	(2,756)	-	-	-
Payment of dividends [Note 21(g)]	-	-	-	-	-	-	(710,120)	(710,120)	(16,655)	(726,775)
Balance at 31 December 2016	1,775,308	899,351	312,000	(298,562)	(248,283)	7,624	16,310,198	18,757,636	728,009	19,485,645
Profit for the year ended 31 December 2017	-	-	-	-	-	-	2,052,320	2,052,320	37,210	2,089,530
Other comprehensive income/(loss) for the year	-	-	-	239,399	31,838	(7,624)	-	263,613	15,295	278,908
Total comprehensive income/(loss) for the year	-	-	-	239,399	31,838	(7,624)	2,052,320	2,315,933	52,505	2,368,438
Transfer from investment revaluation reserve to retained earnings	-	-	-	-	31,456	-	(31,456)	-	-	-
Transfer to statutory and legal reserves	-	2,270	-	-	-	-	(2,270)	-	-	-
Payment of dividends [Note 21(g)]	-	-	-	-	-	-	(710,123)	(710,123)	(17,540)	(727,663)
Balance at 31 December 2017	1,775,308	901,621	312,000	(59,163)	(184,989)	-	17,618,669	20,363,446	762,974	21,126,420

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

**Consolidated statement of cash flows
for the year ended 31 December 2017**

	Notes	Year ended 31 December 2017		Year ended 31 December 2016	
		AED'000	USD'000 Equivalent	AED'000	USD'000 Equivalent
Cash flows from operating activities					
Profit before taxation for the year		2,167,218	590,041	2,028,265	552,208
Adjustments for:					
Depreciation of property and equipment	13	150,600	41,002	155,611	42,366
Allowances for impairment, net	32	1,487,682	405,032	1,733,659	472,001
Loss/(gain) on disposal of property and equipment	30	1,566	426	(53,837)	(14,658)
Reversal of impairment on property and equipment	13	-	-	(35,171)	(9,576)
Loss from disposal of investment properties	30	300	82	250	69
Fair value adjustments of other financial assets measured at FVTPL	29	(30,380)	(8,271)	(6,310)	(1,718)
Fair value adjustments of investment properties	30	773	210	2,161	588
Net realised gain from sale of other financial assets measured at FVTPL	29	(44,744)	(12,182)	(24,029)	(6,542)
Dividend income from financial assets measured at FVTOCI	29	(22,476)	(6,119)	(26,878)	(7,318)
Net realised (gain)/loss from sale of other financial assets measured at amortised cost	29	(8,636)	(2,351)	490	133
Fair value adjustment – derivatives	30	(64)	(17)	(6,954)	(1,893)
Operating cash flows before changes in operating assets and liabilities		3,701,839	1,007,853	3,767,257	1,025,660
Decrease/(increase) in deposits with central banks		2,015,817	548,820	(430,654)	(117,249)
Increase in deposits and balances due from banks maturing after three months		(915,762)	(249,323)	(1,997,519)	(543,839)
Increase in loans and advances measured at amortised cost		(1,319,000)	(359,107)	(1,512,319)	(411,739)
Increase in Islamic financing and investment products measured at amortised cost		(1,867,335)	(508,395)	(1,011,571)	(275,407)
Decrease/(increase) in other assets		135,979	37,021	(2,651,224)	(721,814)
Decrease in other financial assets carried at FVTPL		771,440	210,030	210,633	57,347
Decrease in repurchase agreements with banks		(48,417)	(13,182)	(128,964)	(35,111)
(Decrease)/increase in customers' deposits		(566,916)	(154,347)	4,703,334	1,280,516
Decrease in Islamic customers' deposits		(412,509)	(112,308)	(1,298,107)	(353,419)
Increase in medium-term loans (not qualified as Tier 2 capital)		1,254,172	341,457	866,004	235,776
Increase/(decrease) in deposits and balances due to banks		381,354	103,826	(299,837)	(81,633)
Increase/(decrease) in insurance and life assurance funds		71,937	19,585	(48,946)	(13,326)
Increase in other liabilities		54,304	14,785	2,862,954	779,459
Overseas tax paid		(77,688)	(21,151)	(74,354)	(20,243)
Net cash generated from operating activities		3,179,215	865,564	2,956,687	804,978

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

Consolidated statement of cash flows
for the year ended 31 December 2017 (continued)

	Notes	Year ended 31 December 2017		Year ended 31 December 2016	
		AED'000	USD'000 Equivalent	AED'000	USD'000 Equivalent
Cash flows from investing activities					
Purchase of property and equipment	13	(332,614)	(90,556)	(136,063)	(37,043)
Proceeds from sale of property and equipment		3,110	847	69,192	18,838
Proceeds from sale of investment properties		2,100	572	4,250	1,157
Increase in other financial assets measured at amortised cost		(1,725,470)	(469,771)	(1,419,720)	(386,529)
Net decrease/(increase) in other financial assets measured at FVTOCI		189,471	51,585	(99,194)	(27,006)
Dividend income from other financial assets measured at FVTOCI	29	22,476	6,119	26,878	7,318
Net cash used in investing activities		(1,840,927)	(501,204)	(1,554,657)	(423,265)
Cash flows from financing activities					
Dividend paid		(727,663)	(198,111)	(726,775)	(197,870)
Net cash used in financing activities		(727,663)	(198,111)	(726,775)	(197,870)
Net increase in cash and cash equivalents		610,625	166,249	675,255	183,843
Net foreign exchange difference		231,775	63,100	(239,549)	(65,219)
Cash and cash equivalents at 1 January		20,313,437	5,530,476	19,877,731	5,411,852
Cash and cash equivalents at 31 December	35	21,155,837	5,759,825	20,313,437	5,530,476

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

ANNUAL REPORT

2016

mashreq



المشرق

WE MAKE POSSIBLE

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Board of Directors

Chairman

Abdulla Bin Ahmad Al Ghurair

Vice-Chairman

Ali Rashed Ahmad Lootah

Director & Chief Executive Officer

H.E. Abdul Aziz Abdulla Al Ghurair

Directors

Rashed Saif Saeed Al Jarwan

Sultan Abdulla Ahmed Al Ghurair

Rashed Saif Ahmed Al Ghurair

Chairman's Report

2016 was a difficult year for the banking sector as it had to contend with the threefold impact of reduced confidence on the back of lower oil prices; strong US dollar impacting non-oil private sector firms; and fiscal consolidation. The tough macroeconomic environment led to reduced appetite for both business credit and personal loans and the economic slowdown also led to higher credit losses in SME and personal lending sectors. In this environment, we maintained robust capital and liquidity levels and placed a strong emphasis on cost management. We also strengthened our risk management and underwriting criteria and it is a testament to our diversification strategy that we were able to grow our balance sheet by 6.6% and revenues by 3.2% in the year. Our international franchises continue to record strong growth rates and improved their contribution to bank's bottom line.

Mashreq's Total Assets increased by 6.6% to reach AED 122.8 billion in 2016, compared to AED 115.2 billion at the end of 2015. On a year-on-year basis, Loans and Advances grew by 1.4% to end at AED 61.0 billion driven by 14.4% growth in Islamic finance. Customer Deposits at AED 77.0 billion, increased by 4.6% as compared to December 2015, driven by 7.2% growth in conventional deposits. The bank continued to exhibit a healthy liquidity position with Liquid Assets to Total Assets standing at 30.4% as of December 2016. Both Loan-to-Total Assets Ratio at 49.7% and Loan-to-Deposit ratio at 79.2% also continued to remain more conservative vis-à-vis the market.

Total operating income crossed the AED 6 billion mark and stood at AED 6.2 billion, a year-on-year increase of 3.2%. A slight decline in net interest margin from 3.60% as of December 2015 to 3.52% as of December 2016 was offset by a 1.4% year-on-year increase in loan volume and led to AED 3.6 billion in Net Interest Income & Net Income from Islamic Products - up by 4.2% compared to 2015. We maintained our consistently high proportion of net fee and commission income and Mashreq's best-in-class Net Fee, Commission, Investment and Other Income to operating income ratio remained high at 42.2%. Strong and disciplined cost management resulted in Operating expenses decreasing by 2.7% year-on-year to reach AED 2.4 billion and Efficiency ratio (Expenses to Income ratio) improved significantly to 39% from 41.4% last year.

In spite of deteriorating market conditions, we were able to restrict the net growth in our Non-Performing Loans to AED 0.3 billion leading to a Non-Performing Loans to Gross Loans ratio of 3.1% at the end of December 2016. Net Allowances for impairment for 2016 were AED 1.7 billion and total Provisions for Loans and advances reached AED 3.3 billion, constituting 151.1% coverage for Non-Performing Loans as on December 2016 (145% in December 2015).

In a tough year, Mashreq delivered a net profit of AED 1.9 billion with resulting Earnings per share of AED 10.85.

The bank continued to maintain healthy Tier-1 and Total Capital Adequacy ratio of 16.0% and 16.9% respectively. Your Board, in keeping with its established practice of funding the growth through internal capitalization, is recommending a cash dividend of 40% of paid up capital. This cash dividend will constitute 37% of the profit for 2016, thereby retaining remaining profit so as to maintain necessary capital adequacy ratios for upcoming Basel III capital requirements.

UAE Economy

A slowdown in growth was the main theme for the UAE economy for 2016 with IMF projecting a 2.3% GDP growth in 2016 against a 4% growth in 2015. However, the UAE economy has remained somewhat resilient in comparison to other regional markets, as a result of diversification, government initiatives and the ease of doing business. Emphasis on sectors such as retail, leisure and hospitality, financial services and education coupled with the government's diversification strategy which promotes growth in non-oil sectors is expected to lead to an estimated non-oil GDP growth of around 3.5% in 2016. The UAE Purchasing Managers' Index (PMI) also ended 2016 on a strong note and stood at 55.0 in December signaling a healthy non-oil private sector.



The overall UAE banking sector showed a steady growth in assets of 5.4% in 2016 reaching AED 2.6 trillion and Gross credit increased by 6.0% to reach AED 1.6 trillion in December 2016. The lending to the private sector was the major driver of growth in 2016 and contributed to around 65% of loan growth. Within the private sector the growth was led by credit to business & industrials with a 45% contribution to the credit growth in 2016. Lending to Government and GRE's was also healthy and contributed to around 24% of the total loan growth.

The banking sector deposits grew by 6.2% to reach AED 1.6 trillion in December 2016. Within deposits, resident deposits contributed to 70% of the deposit growth with the private sector being the main driver contributing 62% of the deposit growth. GRE deposits, on the other hand, saw a 12% decline during the course of the year. The matched growth in credit and deposits led to a nearly constant gross loan to deposit ratio from December 2015 to 2016. The UAE banking sector Capital Adequacy ratio as on December 2016 remained high at 19.0%, a reflection of the intrinsic strength of the sector. The Tier 1 ratio also remained strong at 17.3% as on December 2016.

Looking ahead to 2017, relatively higher (and stable) oil prices are expected to boost sentiment and reduce the pressure on the government's budget. Though significant fiscal stimulus is not expected in the year, further spending cuts are also not expected. Construction and other Expo 2020 related spending should pick up in 2017, aiding growth in the non-oil economy. The UAE Cabinet has also announced Investment programmes to boost UAE's non-oil economy across health, education, energy, transport, water and technology sectors and an estimated AED 300 billion has been allocated specifically for them. The UAE Purchasing Managers' Index (PMI) rose to 55.3 in January 2017 and the PMI data suggests the non-oil sectors started 2017 with solid expansion in activity.

IMF expects Abu Dhabi's GDP to grow at 1.7% while Dubai is projected to grow at 3.6% - the UAE, as a whole, is projected to report a GDP growth of 2.5% in 2017. After extreme price volatility in the oil market in 2016, the production cut agreement signed by OPEC members towards the end of the year has helped the market to achieve a relative degree of stability. This recent bounce in crude prices coupled with the fructification of all the reforms introduced in 2016 is expected to improve investor confidence and consumer sentiment and help the economy grow at a faster pace in 2017.

Outlook for 2017

2017 has a special significance for Mashreq as on 1st May 2017 we will be completing 50 years of uninterrupted profitable operations. We have put in place the foundations and have assembled a strong senior leadership and management team that we believe can drive the bank forward. The bank is well positioned to leverage its strong brand name and prudently tap into available growth opportunities in its preferred segments and markets. Digital will be at the forefront of our initiatives as we continue to invest in innovations that result in positive experiences for our customers; Mashreq's strategy on innovation and focus on customer experience has served us well in the past and will remain the mainstay of our future strategy. Our plans for 2017 have been drawn and are expected to deliver a healthy growth in balance sheet footing and net profit.

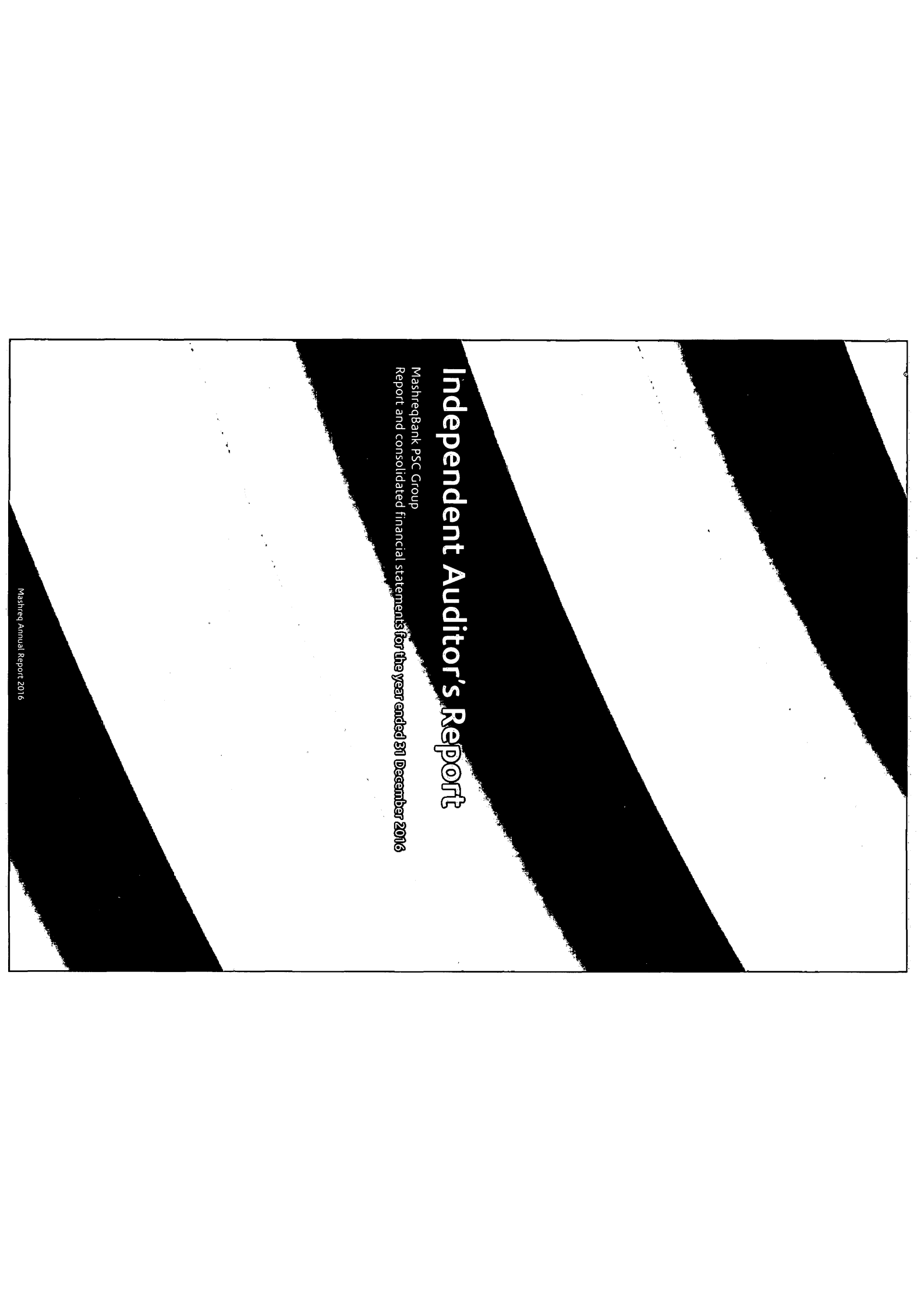
For a third year in succession, Mashreq was awarded the Gallup Great Workplace Award in 2016. In any given year, this award is only given to an exclusive group of companies that meet a rigorously evaluated work culture standard (typically less than 40 globally), and the list of multiple repeat winners is even more exclusive. While this external vindication is important for the recognition and what it says about Mashreq's work culture, it is even more important in terms of laying the foundation from which to maximize the impact of our new Values, Vision, Mission and strategy.

On behalf of the Board of Directors, I take this opportunity to thank the CEO and the staff of Mashreq for their perseverance and dedication and for delivering a stable performance in these challenging times. I also want to express my thanks to our customers, shareholders, the Central Bank and the Government of UAE for their continued support and trust.

Thank you.

Abdulla Bin Ahmad Al Ghurair

Chairman



Independent Auditor's Report

MashreqBank PSC Group
Report and consolidated financial statements for the year ended 31 December 2016

Independent auditor's report

The Shareholders

Mashreqbank psc

Dubai

United Arab Emirates

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **Mashreqbank psc (the "Bank") and its subsidiaries (together the "Group")**, Dubai, United Arab Emirates which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Mashreqbank psc and its subsidiaries, as at 31 December 2016, and its consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Group's consolidated financial statements in the United Arab Emirates and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matters (continued)

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTERS
Impairment of loans and advances and Islamic financing	
The management exercises significant judgment when determining both when and how much to record as loan impairment provisions. Because of the significance of these judgements and the size of loans and advances and Islamic financing, the audit of allowance for related impairment provisions is a key area of focus. At 31 December 2016, the total of gross loans and advances and Islamic finance was AED 64 billion (2015: AED 63 billion) against which allowance for impairment provisions of AED 3.3 billion were recorded (2015: AED 2.8 billion). Judgement is applied to determine appropriate parameters and assumptions used to calculate impairment. The accounting policies and critical judgments relative to the calculations of the impairment provisions on loans and advances and Islamic financing are summarised in Note 3.14 and Note 4.1 to the consolidated financial statements respectively. The Group uses two methods in its calculations of impairment provisions on loans and advances and Islamic financing:	Our audit procedures included the assessment of controls over the approval, recording and monitoring of loans and advances, and evaluating the methodologies, inputs and assumptions used by the Group in calculating collectively assessed impairments, and assessing the adequacy of impairment allowances for individually assessed loans and advances. We tested the design, implementation and operating effectiveness of the key controls to determine which loans and advances are impaired and provisions against those assets. These included testing: • System-based and manual controls over the timely recognition of impaired loans and advances; • Controls over the impairment calculation models including data inputs; • Controls over collateral valuation estimates • Controls over governance and approval process related to impairment provisions, including continuous reassessment by the management. We also assessed whether the financial statement disclosures appropriately reflect the Group's exposure to credit risk.
Individually assessed facilities These represent mainly corporate facilities which are assessed individually by the Group's Credit Risk Unit in order to determine whether there exists any objective evidence that a loan is impaired. Impaired facilities are measured based on the present value of expected future cash flows discounted at the original effective interest rate or at the observable market price, if available, or at the fair value of the collateral if the recovery is entirely collateral dependent. Impairment loss is calculated as the difference between the facilities carrying value and its present value or recoverable amount calculated as above.	Individually assessed facilities We tested a sample of individual facilities (including loans that had not been identified by management as potentially impaired) to form our own assessment as to whether impairment events had occurred and to assess whether adequate impairments provisions had been recorded in a timely manner. Where impairment had been identified, we tested the estimation of the future expected cash flows prepared by management to support the calculation of impairment, challenging the assumptions, including realisation of collateral held. This work involved assessing the work performed by external experts used by the Group to value the collateral. We examined a sample of facilities which had not been identified by management as potentially impaired and formed our own judgment as to whether that was appropriate to support management's conclusion.
Collectively assessed facilities The management of the Group assesses, based on historical experience and the prevailing economical and credit conditions, the magnitude of performing retail and wholesale facilities which may be impaired but not identified as of the reporting date. Allowances against performing loans and advances are reassessed on a periodical basis using modelled basis for different portfolios with common features and allowances are adjusted accordingly based on the judgment of management and guidance received from the Central Bank of the UAE.	Collectively assessed facilities For the collective impairment models used by the Group, we tested a sample of the data used in the models as well as evaluating the model methodology and re-performing the calculations. For the key assumptions used in the model, we challenged management to provide objective evidence that they were appropriate and included all relevant risks. Further, we considered our industry experience and knowledge to consider the appropriateness of the provision. We recalculated the collective impairment provision as per the Bank's policies and IFRS and compared it with the calculations as per UAE Central Bank to ensure adequacy of the provision. We performed certain test procedures to ensure past due payments are reflected in the right bucket. We have also involved our IT auditors to provide us assurance on the accuracy of the ageing reports generated by the system and its related configuration.

INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matters (continued)

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Valuation of financial instruments including derivatives	
The fair value of financial instruments is determined through the application of valuation techniques which often involve the exercise of judgement by management and the use of assumptions and estimates. Due to the significance of financial instruments (financial instruments measured at fair value represent 3% of total assets) and the related estimation uncertainty, this is considered a key audit risk. Fair values are generally obtained by reference to quoted market prices, third party quotes, discounted cash flow models and recognised pricing models as appropriate.	Our audit procedures included the assessment of controls over the identification, measurement and management of valuation risk, and evaluating the methodologies, inputs and assumptions used by the Group in determining fair values. For the Group's fair value models, we assessed the appropriateness of the models and inputs. We compared observable inputs against independent sources and externally available market data. For a sample of instruments with the assistance of our own valuation specialists, we critically assessed the assumptions and models used, by reference to what we considered to be available alternative methods and sensitivities to key factors. We have also assessed the adequacy of the Bank's disclosures including the accuracy of the categorisation into the fair value measurement hierarchy and adequacy of the disclosure of the valuation techniques, significant unobservable inputs, changes in estimate occurring during the period and the sensitivity to the key assumptions.
Valuation of Insurance contract liabilities	
As at 31 December 2016, net insurance contract liabilities amounted to AED 1.5 billion, as detailed in note 18 to these consolidated financial statements. As set out in note 3.18 and note 4.6, valuation of these liabilities requires professional judgment and also involve number of assumptions made by management. This is particularly the case for those liabilities that are based on the best-estimate of technical reserves that includes ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs and related technical reserves. A range of methods are used by management and the internal actuary/independent external actuary to determine these provisions. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. Furthermore, valuation of life insurance contract liabilities involves complex and subjective judgement made by management and the internal actuary/independent external actuary about variety of uncertain future outcomes, including the estimation of economic assumptions, such as investment return, discount rates, and operating assumptions, such as expense, mortality and persistency. Changes in these assumptions can result in material impacts to the valuation of these liabilities. The valuation of these liabilities also depends on accurate data about the volume, amount and pattern of current and historical claims since they are often used to form expectations about future claims. As a result of all of the above factors, insurance contract liabilities represent a significant risk for the Group.	Our audit procedures included: • Testing the underlying Group data to source documentation. • Evaluating and testing of key controls around the claims handling and case reserve setting processes of the Group. • Evaluating and testing of key controls designed to ensure the integrity of the data used in the actuarial reserving process. • Checking samples of claims case reserves through comparing the estimated amount of the case reserve to appropriate documentation, such as reports from loss adjusters. • Re-performing reconciliations between the claims data recorded in the Group's systems and the data used in the actuarial reserving calculations. In addition, with the assistance of our actuarial specialists, we: • performed necessary reviews to ascertain whether the results are appropriate for financial disclosure. • reviewed the actuarial report compiled by the independent external actuaries of the Group and calculations underlying these provisions, particularly the following areas; › appropriateness of the calculation methods and approach (actuarial best practice) › review of assumptions › sensitivities to key assumptions › risk profiles › consistency between valuation periods › general application of financial and mathematical rules

INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matters (continued)

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
IT systems and controls over financial reporting	
We identified IT systems and controls over financial reporting as an area of focus because the Bank's financial accounting and reporting systems are vitally dependent on complex technology due to the extensive volume and variety of transactions which are processed daily and there is a risk that automated accounting procedures and related internal controls are not accurately designed and operating effectively. A particular area of focus related to logical access management and segregation of duties. The incorporated key controls are essential to limit the potential for fraud and error as a result of change to an application or underlying data. Our audit approach relies on automated controls and therefore procedures are designed to test access and control over IT systems.	We assessed and tested the design and operating effectiveness of the controls over the continued integrity of the IT systems that are relevant to financial reporting. We examined the framework of governance over the Group's IT organisation and the controls over program development and changes, access to programs and data and IT operations, including compensating controls where required. We also tested the accuracy and completeness of key computer generated reports heavily used in our testing such as aging report of overdue loans and advances. In events deficiencies are noted during our testing affecting applications and databases, we performed a combination of controls testing and substantive testing in order to determine whether we could place reliance on the completeness and accuracy of system generated information. In addition and where appropriate, we extended the scope of our substantive audit procedures.

Other information

Board of Directors is responsible for the other information. The other information comprises the annual report of the Group. We obtained the Board of Directors' report of the annual report prior to the date of this auditor's report, and the remaining information of the annual report is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining information of the annual report of the Group, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and their preparation in compliance with applicable provisions of UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors and the Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosure are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

From the matters communicated with the Groups' Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law and regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

- i) We have obtained all the information we considered necessary for the purposes of our audit;
- ii) The consolidated financial statements of the Group have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- iii) The Group has maintained proper books of account;
- iv) The financial information included in the Directors' report is consistent with the books of account of the Group;
- v) As disclosed in Note 7 to the consolidated financial statements, the Group has purchased or invested in shares during the financial year ended 31 December 2016;
- vi) Note 37 to the consolidated financial statements of the Group discloses material related party transactions and the terms under which they were conducted and principles of managing conflict of interest;
- vii) Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Bank has contravened during the financial year ended 31 December 2016 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2016; and
- viii) Note 31 to the consolidated financial statements of the Group discloses social contributions made during the year ended 31 December 2016.

Further, as required by the UAE Union Law No (10) of 1980, as amended, we report that we have obtained all the information and explanations we considered necessary for the purpose of our audit.

Musa Ramahi

Partner

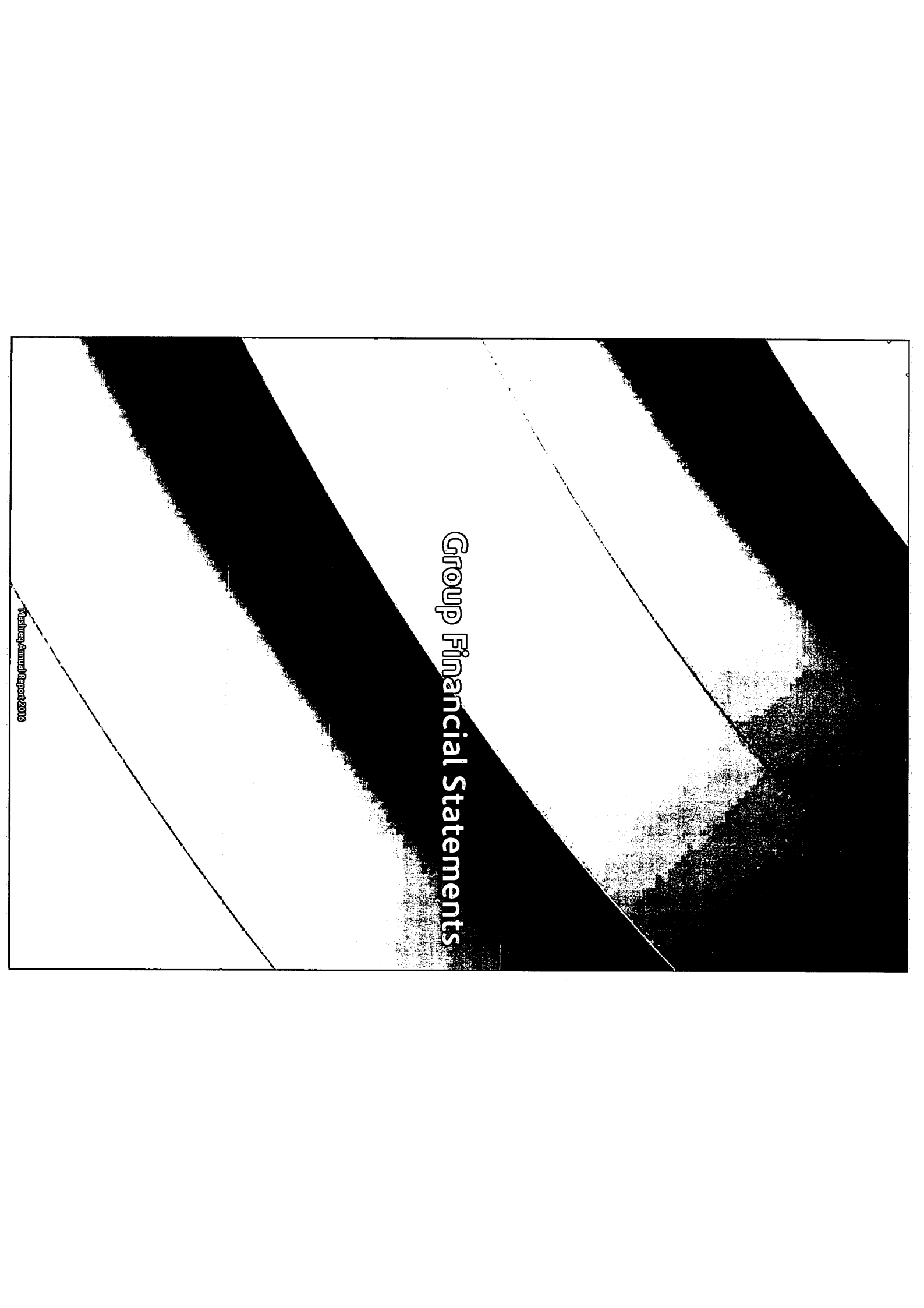
Registration No. 872

Deloitte & Touche (M.E.)

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P.O.Box 4254, Dubai, United Arab Emirates

25 January 2017



Group Financial Statements

Consolidated statement of financial position at 31 December 2016

		2016		2015	
	Notes	AED'000	USD'000 Equivalent	AED'000	USD'000 Equivalent
ASSETS					
Cash and balances with central banks	5	18,629,582	5,072,034	19,423,463	5,288,174
Deposits and balances due from banks	6	18,667,750	5,082,426	15,009,990	4,086,575
Other financial assets measured at fair value	7	2,419,199	658,644	3,924,965	1,068,599
Loans and advances measured at amortised cost	8	53,428,461	14,546,273	53,555,070	14,580,743
Islamic financing and investment products measured at amortised cost	9	7,565,063	2,059,641	6,610,606	1,799,784
Other financial assets measured at amortised cost	7	10,849,298	2,953,797	7,993,072	2,176,170
Other assets	10	9,552,316	2,600,685	6,928,970	1,886,461
Goodwill	11	15,365	4,183	18,150	4,940
Investment properties	12	520,864	141,809	527,525	143,622
Property and equipment	13	1,165,638	317,353	1,165,370	317,280
Total assets		122,813,536	33,436,845	115,157,181	31,352,348
LIABILITIES AND EQUITY					
Liabilities					
Deposits and balances due to banks	14	8,932,076	2,431,820	9,231,913	2,513,453
Repurchase agreements with banks	15	605,600	164,879	734,564	199,990
Customers' deposits	16	69,947,124	19,043,595	65,243,790	17,763,079
Islamic customers' deposits	17	7,093,383	1,931,223	8,391,490	2,284,642
Insurance and life assurance funds	18	1,510,758	411,314	1,559,704	424,640
Other liabilities	19	10,267,090	2,795,287	7,404,136	2,015,828
Medium-term loans	20	4,971,860	1,353,624	4,105,856	1,117,848
Total liabilities		103,327,891	28,131,742	96,671,453	26,319,480
Equity					
Capital and reserves					
Issued and paid up capital	21(a)	1,775,308	483,340	1,775,308	483,340
Statutory and legal reserves	21(b)	899,351	244,855	896,595	244,104
General reserve	21(c)	312,000	84,944	312,000	84,944
Cumulative translation adjustment	21(d)	(298,562)	(81,286)	(60,610)	(16,501)
Investments revaluation reserve	21(e)	(248,283)	(67,597)	(276,416)	(75,256)
Cash flow hedging reserve	21(f)	7,624	2,076	9,221	2,510
Retained earnings		16,310,198	4,440,566	15,112,512	4,114,487
Equity attributable to owners of the Parent		18,757,636	5,106,898	17,768,610	4,837,628
Non-controlling interests	22	728,009	198,205	717,118	195,240
Total equity		19,485,645	5,305,103	18,485,728	5,032,868
Total liabilities and equity		122,813,536	33,436,845	115,157,181	31,352,348

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

Abdulla Bin Ahmad Al Ghurair
Chairman

Abdul Aziz Abdulla Al Ghurair
Chief Executive Officer

Consolidated income statement for the year ended 31 December 2016

	Notes	2016		2015	
		AED'000	USD'000 Equivalent	AED'000	USD'000 Equivalent
Interest income	24	4,466,079	1,215,921	4,101,946	1,116,784
Income from Islamic financing and investment products	25	347,555	94,624	258,293	70,322
Total interest income and income from Islamic financing and investment products		4,813,634	1,310,545	4,360,239	1,187,106
Interest expense	26	(1,345,530)	(366,330)	(1,033,192)	(281,294)
Distribution to depositors – Islamic products	27	(105,737)	(28,788)	(65,258)	(17,767)
Net interest income and income from Islamic products net of distribution to depositors		3,362,367	915,427	3,261,789	888,045
Fee and commission income	28	3,049,142	830,150	3,024,587	823,465
Fee and commission expenses	28	(1,364,469)	(371,486)	(1,300,179)	(353,983)
Net fee and commission income		1,684,673	458,664	1,724,408	469,482
Net investment income	29	262,517	71,472	169,106	46,040
Other income, net	30	859,068	233,887	822,202	223,850
Operating income		6,168,625	1,679,450	5,977,505	1,627,417
General and administrative expenses	31	(2,406,701)	(655,241)	(2,472,527)	(673,163)
Allowances for impairment, net	32	(1,733,659)	(472,001)	(999,805)	(272,204)
Profit before taxes		2,028,265	552,208	2,505,173	682,050
Overseas income tax expense		(74,354)	(20,243)	(70,528)	(19,202)
Profit for the year		1,953,911	531,965	2,434,645	662,848
Attributed to:					
Owners of the Parent		1,926,412	524,479	2,402,107	653,990
Non-controlling interests		27,499	7,486	32,538	8,858
		1,953,911	531,965	2,434,645	662,848
Earnings per share	33	AED 10.85	USD 2.95	AED 13.53	USD 3.68

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

Consolidated statement of comprehensive income for the year ended 31 December 2016

	2016		2015	
	AED'000	USD'000 Equivalent	AED'000	USD'000 Equivalent
Profit for the year	1,953,911	531,965	2,434,645	662,848
Other comprehensive income/(loss)				
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Changes in fair value of financial assets measured at fair value through other comprehensive income, net [Note 7(l)]	12,330	3,357	(178,066)	(48,480)
<i>Items that will be reclassified subsequently to profit or loss:</i>				
Exchange difference arising on translating the foreign operations	(236,665)	(64,434)	(743)	(202)
Loss on hedging instruments designated in hedges of the net assets of foreign operations	(1,287)	(350)	(6,552)	(1,784)
Cash flow hedges - fair value (loss)/gain arising during the year [Note 21(f)]	(1,597)	(435)	9,221	2,510
Total other comprehensive loss for the year	(227,219)	(61,862)	(176,140)	(47,956)
Total comprehensive income for the year	1,726,692	470,103	2,258,505	614,892
Attributed to:				
Owners of the Parent	1,699,146	462,604	2,282,036	621,299
Non-controlling interests	27,546	7,499	(23,531)	(6,407)
	1,726,692	470,103	2,258,505	614,892

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

Consolidated statement of changes in equity for the year ended 31 December 2016

	Issued and paid up capital	Statutory and legal reserves	General reserve	Cumulative translation adjustment	Investments revaluation reserve	Cash flow hedging reserve	Retained earnings	Equity attributable to owners of the Parent	Non- controlling interests	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Balance at 1 January 2015	1,690,770	852,582	312,000	(53,315)	(152,150)	-	13,512,995	16,162,882	755,668	16,918,550
Profit for the year	-	-	-	-	-	-	2,402,107	2,402,107	32,538	2,434,645
Other comprehensive income/(loss) for the year	-	-	-	(7,295)	(121,997)	9,221	-	(120,071)	(56,069)	(176,140)
Total comprehensive income/(loss) for the year	-	-	-	(7,295)	(121,997)	9,221	2,402,107	2,282,036	(23,531)	2,258,505
Issue of bonus shares [Note 21(a)]	84,538	-	-	-	-	-	(84,538)	-	-	-
Transfer from investment revaluation reserve to retained earnings	-	-	-	-	(2,269)	-	2,269	-	-	-
Transfer to statutory and legal reserves	-	44,013	-	-	-	-	(44,013)	-	-	-
Payment of dividends [Note 21(g)]	-	-	-	-	-	-	(676,308)	(676,308)	(18,129)	(694,437)
Additional contribution attributable to the new non-controlling interest shareholders (Note 22)	-	-	-	-	-	-	-	-	3,110	3,110
Balance at 31 December 2015	1,775,308	896,595	312,000	(60,610)	(276,416)	9,221	15,112,512	17,768,610	717,118	18,485,728
Profit for the year	-	-	-	-	-	-	1,926,412	1,926,412	27,499	1,953,911
Other comprehensive income/(loss) for the year	-	-	-	(237,952)	12,283	(1,597)	-	(227,266)	47	(227,219)
Total comprehensive income/(loss) for the year	-	-	-	(237,952)	12,283	(1,597)	1,926,412	1,699,146	27,546	1,726,692
Transfer from investment revaluation reserve to retained earnings	-	-	-	-	15,850	-	(15,850)	-	-	-
Transfer to statutory and legal reserves	-	2,756	-	-	-	-	(2,756)	-	-	-
Payment of dividends [Note 21(g)]	-	-	-	-	-	-	(710,120)	(710,120)	(16,655)	(726,775)
Balance at 31 December 2016	1,775,308	899,351	312,000	(298,562)	(248,283)	7,624	16,310,198	18,757,636	728,009	19,485,645

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

Consolidated statement of cash flows for the year ended 31 December 2016

	Notes	2016		2015	
		AED'000	USD'000 Equivalent	AED'000	USD'000 Equivalent
Cash flows from operating activities					
Profit before taxation for the year		2,028,265	552,208	2,505,173	682,051
Adjustments for:					
Depreciation of property and equipment	13	155,611	42,366	148,637	40,467
Allowances for impairment, net	32	1,733,659	472,001	999,805	272,204
(Gain)/loss on disposal of property and equipment	30	(53,837)	(14,658)	4,959	1,350
Reversal of impairment on property and equipment	13	(35,171)	(9,576)	-	-
Loss from disposal of investment properties	30	250	69	-	-
Fair value adjustments of other financial assets measured at FVTPL	29	(6,310)	(1,718)	41,291	11,242
Fair value adjustments of investment properties	30	2,161	588	(34,196)	(9,310)
Net realised gain from sale of other financial assets measured at FVTPL	29	(24,029)	(6,542)	(33,305)	(9,068)
Dividend income from financial assets measured at FVTOCI	29	(26,878)	(7,318)	(26,088)	(7,103)
Net realised loss from sale of other financial assets measured at amortised cost	29	490	133	10,345	2,816
Fair value adjustment – derivatives	30	(6,954)	(1,893)	(7,070)	(1,925)
Operating cash flows before changes in operating assets and liabilities		3,767,257	1,025,660	3,609,551	982,724
Increase in deposits with central banks		(430,654)	(117,249)	(1,674,668)	(455,940)
Increase in deposits and balances due from banks maturing after three months		(1,997,519)	(543,839)	(3,333)	(907)
Increase in loans and advances measured at amortised cost		(1,512,319)	(411,739)	(2,282,576)	(621,447)
Increase in Islamic financing and investment products measured at amortised cost		(1,011,571)	(275,407)	(832,666)	(226,699)
Increase in other assets		(2,651,224)	(721,814)	(939,587)	(255,809)
Increase/(decrease) in other financial assets carried at FVTPL		210,633	57,347	(856,247)	(233,119)
(Decrease)/increase in repurchase agreements with banks		(128,964)	(35,111)	111,528	30,364
Increase in customers' deposits		4,703,334	1,280,516	1,938,413	527,747
(Decrease)/increase in Islamic customers' deposits		(1,298,107)	(353,419)	3,208,724	873,598
Increase in medium-term loans (not qualified as Tier 2 capital)		866,004	235,776	97,613	26,576
Increase in deposits and balances due to banks		(299,837)	(81,633)	1,007,380	274,266
Decrease in insurance and life assurance funds		(48,946)	(13,326)	(95,435)	(25,983)
Increase in other liabilities		2,862,954	779,459	1,481,502	403,349
Overseas tax paid		(74,354)	(20,243)	(70,528)	(19,202)
Net cash generated from operating activities		2,956,687	804,978	4,699,671	1,279,518

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

Consolidated statement of cash flows for the year ended 31 December 2016 (Continued)

		2016		2015	
	Notes	AED'000	USD'000 Equivalent	AED'000	USD'000 Equivalent
Cash flows from investing activities					
Purchase of property and equipment	13	(136,063)	(37,043)	(231,119)	(62,924)
Proceeds from sale of property and equipment		69,192	18,838	18,273	4,975
Proceeds from sale of investment properties		4,250	1,157	(3,012)	(820)
Net increase in other financial assets measured at amortised cost		(1,419,720)	(386,529)	(389,865)	(106,143)
Net increase in other financial assets measured at FVTOCI		(99,194)	(27,006)	(45,436)	(12,370)
Dividend income from other financial assets measured at FVTOCI	29	26,878	7,318	26,088	7,103
Net cash used in investing activities					
		(1,554,657)	(423,265)	(625,071)	(170,179)
Cash flows from financing activities					
Dividend paid		(726,775)	(197,870)	(694,437)	(189,064)
Additional contribution by non-controlling interest	22	-	-	3,110	847
Net cash used in financing activities					
		(726,775)	(197,870)	(691,327)	(188,217)
Net increase in cash and cash equivalents					
Net foreign exchange difference		675,255	183,843	3,383,273	921,121
Cash and cash equivalents at 1 January		(239,549)	(65,219)	1,926	524
		19,877,731	5,411,852	16,492,532	4,490,207
Cash and cash equivalents at 31 December					
	35	20,313,437	5,530,476	19,877,731	5,411,852

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

ANNUAL REPORT 2015

WE MAKE POSSIBLE

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Board of Directors

Chairman

Abdulla Bin Ahmad Al Ghurair

Vice-Chairman

Ali Rashed Ahmad Lootah

Director & Chief Executive Officer

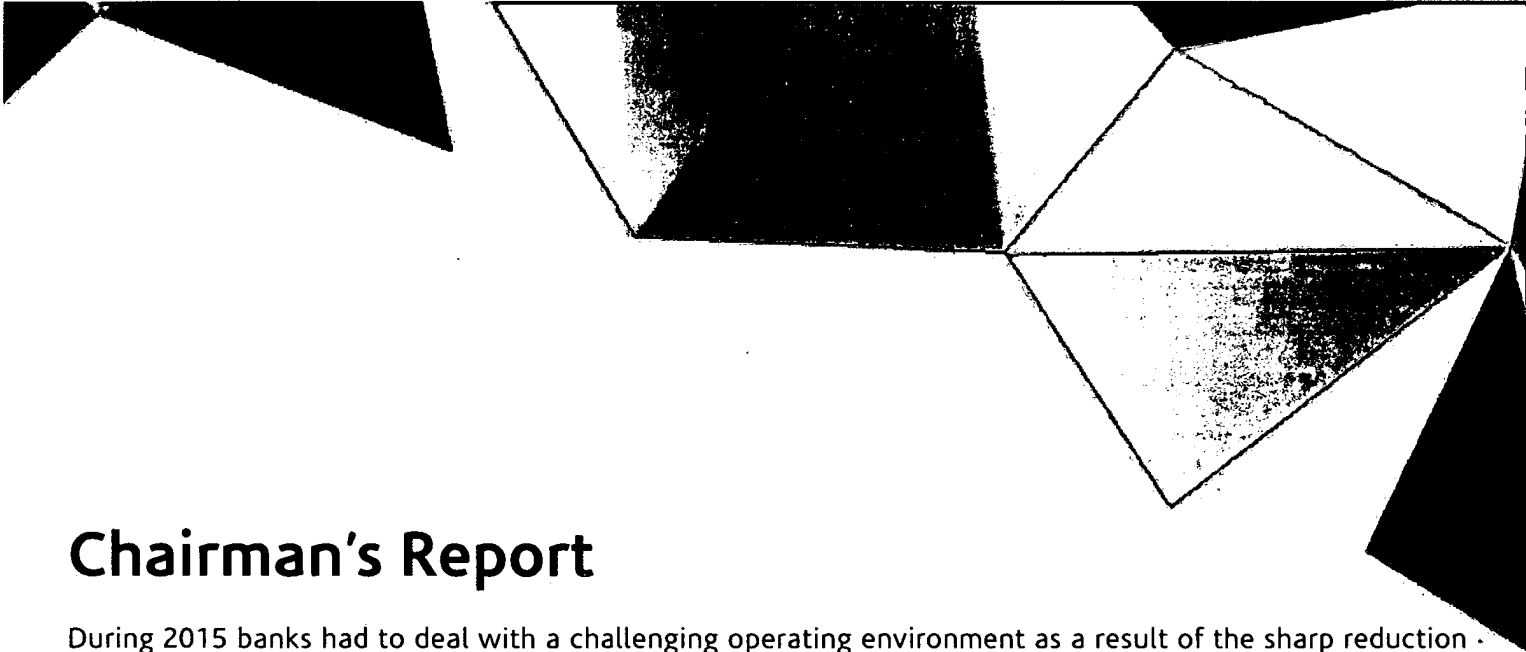
H.E. Abdul Aziz Abdulla Al Ghurair

Directors

Rashed Saif Saeed Al Jarwan

Sultan Abdulla Ahmed Al Ghurair

Rashed Saif Ahmed Al Ghurair



Chairman's Report

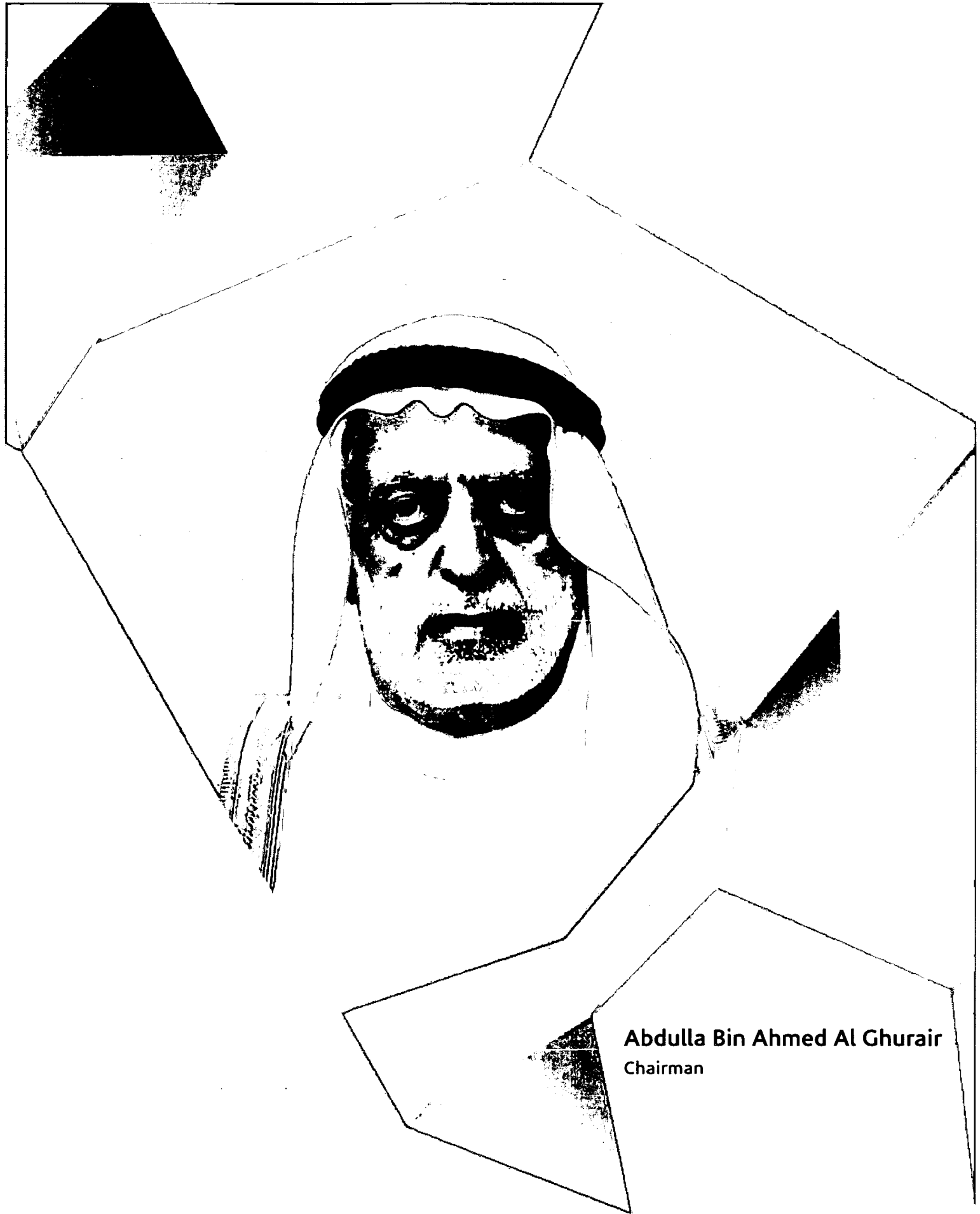
During 2015 banks had to deal with a challenging operating environment as a result of the sharp reduction in oil prices. Though we began the year with cautious optimism it quickly became clear that the prolonged low oil prices added to regional geo-political tensions was negatively impacting consumer and corporate sentiment and leading to a larger than expected economic slowdown. In this backdrop, we repositioned our growth strategy midway and were able to steer the bank to a cautious growth mode in a fast deteriorating risk environment. One of our key strengths had been the diversity of our revenue streams making us not overly dependent on any one particular business segment or product. Building on that strength in 2015, our retail and international franchises recorded double-digit growth rates and improved their contribution to bank revenue pool.

During uncertain market conditions managing risk reward equation becomes more challenging but I am happy to state that our investment in risk management people, systems and processes helped us to maintain a healthy balance with risk cost contained well within the given risk parameters.

The bank's Total Assets increased by 8.8% to reach AED 115.2 billion in 2015, Loans and Advances grew by 3.7% to reach AED 60.2 billion during the year and Customer Deposits grew at a rate of 7.5% to reach AED 73.6 billion. The faster growth in deposits helped us to improve our 2015 Advances to Deposits ratio to 81.7% versus 84.8% at the end of 2014. In these times of tighter liquidity, it is heartening to state that we remain one of the most liquid banks in UAE with both a low Advances to Deposits ratio of 81.7% against a market net ratio of around 96% and a high liquid assets to total assets ratio of 29.9% at year end.

Net interest/profit income saw a healthy growth of 7.3% in the year on the back of a 9.0% year on year increase in average loan volumes. We were also successful in maintaining stable Net Interest Margin (NIM) and it continues to remain high at 3.1%. Mashreq's best-in-class Fee and Other Income contribution to total operating income ratio also stayed high at 45.4% and both these led to us achieving a full year Total operating income of almost AED 6.0 billion for 2015. As we continue to invest for growth, Operating Expenses of the bank grew at 11.9% leading to an Efficiency Ratio (Expenses to Income ratio) of 41.4% in 2015.

Asset quality continued to improve as the Non-Performing Loans to Gross Loans ratio declined from 3.7% in December 2014 to 2.8% at the end of December 2015. The bank continued with its prudent provisioning policy in the year and the Total Provisions coverage for Non-Performing Loans stood at 145% as on December 31, 2015 – an improvement from 120.4% coverage last year.



Abdulla Bin Ahmed Al Ghurair
Chairman

Notwithstanding market uncertainties, Mashreq delivered stable financial results for the year ending December 2015, reporting a net profit of AED 2.4 billion with a resulting Earnings per share of AED 13.53.

The bank continued to maintain healthy Tier-1 and Total Capital Adequacy ratio of 15.9% and 16.9% respectively. Your Board, in keeping with its established practice of funding the growth through internal capitalization, is recommending a cash dividend of 40% of paid up capital. This cash dividend will constitute only 29% of the profit for 2015, thereby retaining remaining profit so as to maintain high capital adequacy ratios for further growth going forward.

UAE Economy

The overarching theme for the UAE economy for 2015 was the sustained fall in global oil prices and its associated transmission channels into the economy. The slump in oil prices led to weaker real estate and corporate activity and resulted in a real GDP growth of around 3 percent for the year. The stock markets also had a muted year with the Dubai (DFM) and Abu Dhabi (ADX) stock indices moving down by 16.5% and 4.9% respectively and seeing over 60% drop in total trading values. Oil GDP grew marginally on the back of increased oil production and non-oil GDP grew by around 4 percent driven by trade, tourism and transportation. Operating conditions in the non-oil private sector economy continue to remain healthy with the UAE Purchasing Manager's Index (PMI) standing at 53.3 in December.

The UAE banking sector activity showed a modest growth in assets of 7.4% in 2015 reaching AED 2.5 trillion and Gross credit increased by 7.8% to reach AED 1.5 trillion in December 2015. The lending to the private sector was the major driver of growth in 2015 and contributed to around 75% of loan growth. Lending to Government and GRE's was also healthy and contributed to around 15% of total loan growth. Within the private sector the business and industrial sector credit was the major contributor.

Bank deposits, on the other hand, grew by only 3.5% to reach AED 1.5 trillion in December 2015. Within deposits, resident deposits contributed to 65% of the deposit growth and the increase in private sector deposit growth was offset by the steep decline in Government deposits. Banking sector liquidity has tightened compared to the previous years and the gross loan to deposit ratio has increased by around 400 bps during the course of the year for the sector. UAE banking sector Capital Adequacy ratio as on December 2015 remained high at 18.3%, a reflection of the intrinsic strength of the sector. Tier 1 ratio also remained strong at 16.6% as on December 2015.

Economic growth for 2016 is expected to slow in the new low oil price environment as reduced oil revenues impact public expenditure. The weak outlook for oil prices and reservations about global growth prospects have accelerated moves towards fiscal consolidation, tightened liquidity, impacted consumer and corporate sentiment, while also muting activity in stock markets.



However, robust macroeconomic fundamentals, large external savings, a resilient banking system, and relatively diversified economic activity should ensure economic growth holds at around 3 percent through 2016. The current environment of low oil prices should also increase policy initiatives boosting diversification as the UAE further enhances its role as a regional hub for finance, trade, transport and tourism. The Non-oil sector growth is thus poised to be resilient at rates of near 5 percent in 2016. This sector will continue to be led higher by buoyant levels of activity in the tourism and construction (particularly in transport and hospitality) sectors. Activity in the construction sector is also set to accelerate as the Dubai Expo 2020 draws closer.

Outlook for 2016

Looking forward, a number of economic uncertainties loom on the horizon like further hike in US interest rates; fiscal constraints brought on by sustained low oil prices; and impact of removal of sanctions on Iran by the West. In the backdrop of this shifting operating paradigm we persist in our quiet confidence about the performance outlook for the bank and are confident of sustaining the strides we have achieved in the recent past. We have assembled a strong senior leadership and management team that we believe can drive the bank forward in these times. All the business segments of the bank will continue to leverage their market leading positions and deliver on their established plans in the coming year. Customers are at the heart of the bank and the aspiration to provide them the most innovative products and services will remain our core tenet.

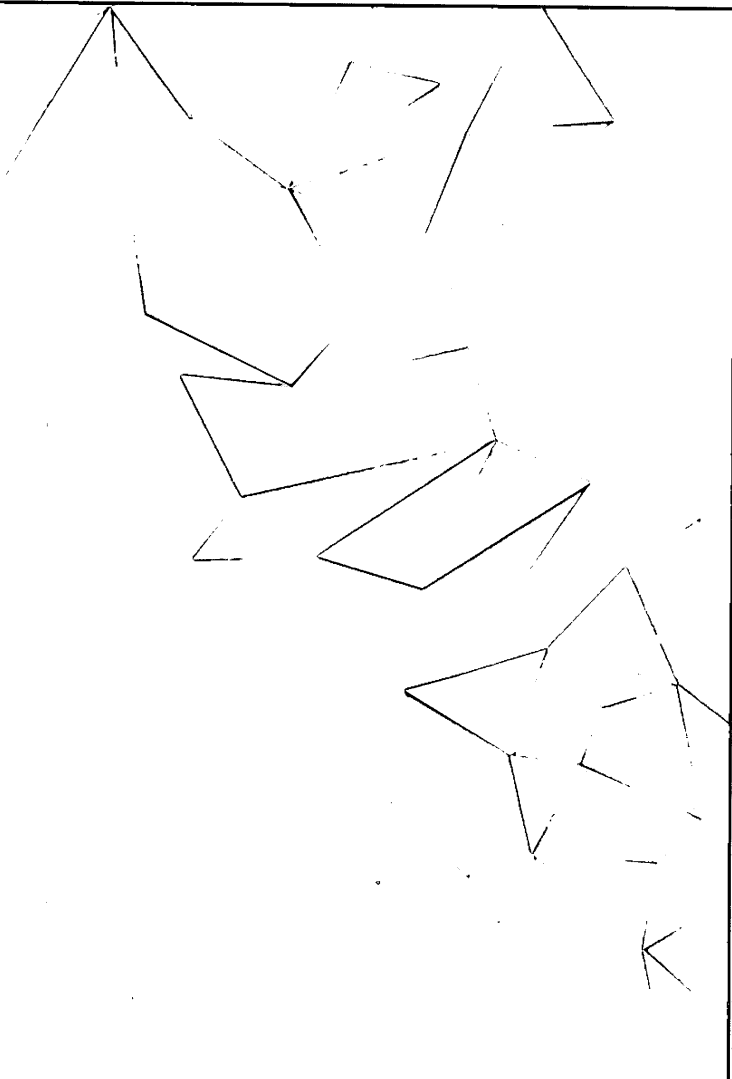
Our foundation for sustained success is our greatest asset – our employees. We continuously invest in ensuring a work environment which is second to none and Mashreq's workplace culture is an achievement that we take great pride in. For a second running year Mashreq has won the Gallup Great Workplace Award. Mashreq is one of an elite group of 40 companies from across the world that has won the award for 2015. This second award is even more important, because it shows that we have sustained our excellence in building a world-class Workplace culture. It is this culture that will allow us to continuously deliver on our mission.

I take this opportunity to thank the CEO and the staff of Mashreq for their commitment and dedication and for delivering a sustained performance in these challenging times. I also want to express my thanks to our customers, the Central Bank and the Government of UAE for their continued support.

Thank you.

Abdulla Bin Ahmed Al Ghurair
Chairman





Board of Directors' Report

Board of Directors' Report

The Board of Directors has pleasure in submitting their report and the audited consolidated financial statements for the year ended 31 December 2015.

Incorporation and registered offices

Mashreqbank psc was incorporated in the Emirate of Dubai in 1967 under a decree issued by The Ruler of Dubai. The address of the registered office is P.O. Box 1250, Dubai, United Arab Emirates.

Principal activities

The principal activities of the Bank are retail banking, commercial banking, investment banking, Islamic banking, brokerage and asset management these activities are carried out through its branches in the United Arab Emirates, Bahrain, Kuwait, Egypt, Hong Kong, India, Qatar, the United Kingdom and the United States of America.

Financial position and results

The financial position and results of the Group for the year ended 31 December 2015 are set out in the accompanying consolidated financial statements.

Dividend

The Directors recommend the distribution of a 40% cash dividend in respect of the year ended 31 December 2015, subject to the Central Bank's approval.

Directors

The following were the Directors of the Bank for the year ended 31 December 2015:

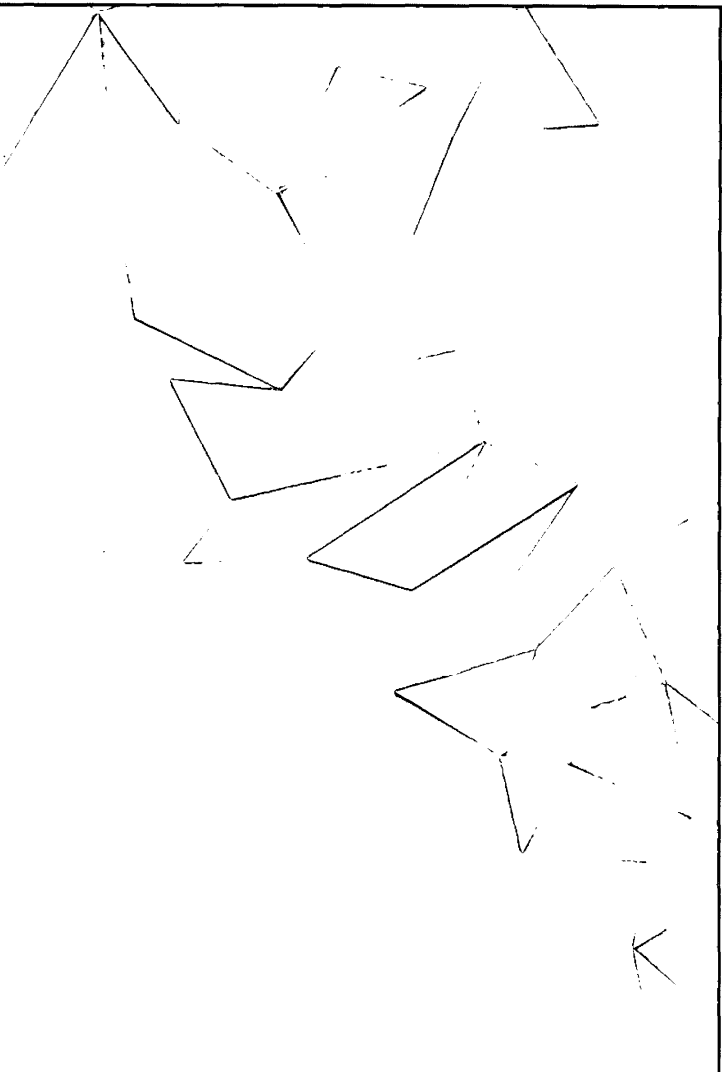
Chairman:	Abdulla Bin Ahmad Al Ghurair
Vice Chairman:	Ali Rashed Ahmad Lootah
Director & Chief Executive Officer:	H.E. Abdul Aziz Abdulla Al Ghurair
Directors:	Rashed Saif Saeed Al Jarwan
	Sultan Abdulla Ahmed Al Ghurair
	Rashed Saif Ahmed Al Ghurair

Auditors

The consolidated financial statements for the year ended 31 December 2015 have been audited by Deloitte & Touche (M.E.) and, being eligible, offer themselves for reappointment.

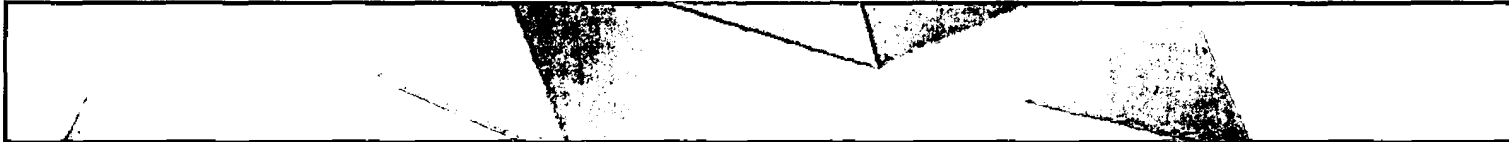
By order of the Board of Directors

Abdulla Bin Ahmad Al Ghurair
Chairman
27 January 2016



Independent Auditor's Report

MashreqBank PSC Group
Report and consolidated financial statements for the year ended 31 December 2015



Independent auditor's report to the shareholders of Mashreqbank psc

Report on the financial statements

We have audited the accompanying consolidated financial statements of Mashreqbank psc (the "Bank"), a Public Shareholding Company, and its **Subsidiaries** (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and its preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent auditor's report to the shareholders of Mashreqbank psc (continued)

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of **Mashreqbank psc and its subsidiaries** as at 31 December 2015 and the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

- i) We have obtained all the information we considered necessary for the purposes of our audit;
- ii) The consolidated financial statements of the Group have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- iii) The Group has maintained proper books of account;
- iv) The financial information included in the Directors' report is consistent with the books of account of the Group;
- v) As disclosed in Note 7 to the consolidated financial statements, the Group has purchased or invested in shares during the financial year ended 31 December 2015;
- vi) Note 37 to the consolidated financial statements of the Group discloses material related party transactions and the terms under which they were conducted;
- vii) Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Bank has contravened during the financial year ended 31 December 2015 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2015; and
- viii) Note 31 to the consolidated financial statements of the Group discloses social contributions made during the year ended 31 December 2015.

Further, as required by the UAE Union Law No (10) of 1980, as amended, we report that we have obtained all the information and explanations we considered necessary for the purpose of our audit.

Deloitte & Touche (M.E.)

Anis Sadek

Registration Number 521

27 January 2016

Group Financial Statements

Consolidated statement of financial position at 31 December 2015

		2015		2014	
	Notes	AED'000	USD'000 Equivalent	AED'000	USD'000 Equivalent
ASSETS					
Cash and balances with central banks	5	19,423,463	5,288,174	15,159,258	4,127,214
Deposits and balances due from banks	6	15,009,990	4,086,575	14,211,256	3,869,114
Other financial assets measured at fair value	7	3,924,965	1,068,599	3,209,334	873,764
Loans and advances measured at amortised cost	8	53,555,070	14,580,743	52,246,614	14,224,507
Islamic financing and investment products measured at amortised cost	9	6,610,606	1,799,784	5,799,094	1,578,844
Other financial assets measured at amortised cost	7	7,993,072	2,176,170	7,579,700	2,063,626
Other assets	10	6,928,970	1,886,461	6,011,997	1,636,808
Goodwill	11	18,150	4,940	26,588	7,239
Investment properties	12	527,525	143,622	490,317	133,492
Property and equipment	13	1,165,370	317,280	1,106,120	301,149
Total assets		115,157,181	31,352,348	105,840,278	28,815,757
LIABILITIES AND EQUITY					
Liabilities					
Deposits and balances due to banks	14	9,231,913	2,513,453	8,224,533	2,239,187
Repurchase agreements with banks	15	734,564	199,990	623,036	169,626
Customers' deposits	16	65,243,790	17,763,079	63,305,377	17,235,333
Islamic customers' deposits	17	8,391,490	2,284,642	5,182,766	1,411,044
Insurance and life assurance funds	18	1,559,704	424,640	1,655,139	450,623
Other liabilities	19	7,404,136	2,015,828	5,922,634	1,612,478
Medium-term loans	20	4,105,856	1,117,848	4,008,243	1,091,272
Total liabilities		96,671,453	26,319,480	88,921,728	24,209,563
Equity					
Capital and reserves					
Issued and paid up capital	21(a)	1,775,308	483,340	1,690,770	460,324
Statutory and legal reserves	21(b)	896,595	244,104	852,582	232,121
General reserve	21(c)	312,000	84,944	312,000	84,944
Cumulative translation adjustment	21(d)	(60,610)	(16,501)	(53,315)	(14,515)
Investments revaluation reserve	21(e)	(276,416)	(75,256)	(152,150)	(41,424)
Cash flow hedging reserve	21(f)	9,221	2,510	-	-
Retained earnings		15,112,512	4,114,487	13,512,995	3,679,008
Equity attributable to owners of the Parent		17,768,610	4,837,628	16,162,882	4,400,458
Non-controlling interests	22	717,118	195,240	755,668	205,736
Total equity		18,485,728	5,032,868	16,918,550	4,606,194
Total liabilities and equity		115,157,181	31,352,348	105,840,278	28,815,757

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

Abdulla Bin Ahmad Al Ghurair
Chairman

Abdul Aziz Abdulla Al Ghurair
Chief Executive Officer

Consolidated income statement for the year ended 31 December 2015

	Notes	2015		2014	
		AED'000	USD'000 Equivalent	AED'000	USD'000 Equivalent
Interest income	24	4,101,946	1,116,784	3,782,541	1,029,823
Income from Islamic financing and investment products	25	258,293	70,322	242,692	66,075
Total interest income and income from Islamic financing and investment products		4,360,239	1,187,106	4,025,233	1,095,898
Interest expense	26	(1,033,192)	(281,294)	(934,226)	(254,350)
Distribution to depositors – Islamic products	27	(65,258)	(17,767)	(51,184)	(13,935)
Net interest income and income from Islamic products net of distribution to depositors		3,261,789	888,045	3,039,823	827,613
Fee and commission income	28	3,024,587	823,465	3,004,431	817,977
Fee and commission expenses	28	(1,300,179)	(353,983)	(1,295,810)	(352,793)
Net fee and commission income		1,724,408	469,482	1,708,621	465,184
Net investment income	29	169,106	46,040	187,969	51,176
Other income, net	30	822,202	223,850	908,466	247,336
Operating income		5,977,505	1,627,417	5,844,879	1,591,309
General and administrative expenses	31	(2,472,527)	(673,163)	(2,209,627)	(601,586)
Allowances for impairment, net	32	(999,805)	(272,204)	(1,074,717)	(292,599)
Profit before taxes		2,505,173	682,050	2,560,535	697,124
Overseas income tax expense		(70,528)	(19,202)	(74,265)	(20,219)
Profit for the year		2,434,645	662,848	2,486,270	676,905
Attributed to:					
Owners of the Parent		2,402,107	653,990	2,401,259	653,760
Non-controlling interests		32,538	8,858	85,011	23,145
		2,434,645	662,848	2,486,270	676,905
Earnings per share	33	AED 13.53	USD 3.68	AED 13.53	USD 3.68

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

Consolidated statement of comprehensive income for the year ended 31 December 2015

	2015		2014	
	AED'000	USD'000 Equivalent	AED'000	USD'000 Equivalent
Profit for the year	2,434,645	662,848	2,486,270	676,905
Other comprehensive (loss)/income				
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Changes in fair value of financial assets measured at fair value through other comprehensive income, net [Note 7(l)]	(178,066)	(48,480)	5,962	1,623
<i>Items that will be reclassified subsequently to profit or loss:</i>				
Exchange difference arising on translating the foreign operations	(743)	(202)	(3,991)	(1,087)
Loss on hedging instruments designated in hedges of the net assets of foreign operations	(6,552)	(1,784)	(7,211)	(1,963)
Cash flow hedges - fair value gain arising during the year [Note 21(f)]	9,221	2,510	-	-
Total other comprehensive loss for the year	(176,140)	(47,956)	(5,240)	(1,427)
Total comprehensive income for the year	2,258,505	614,892	2,481,030	675,478
Attributed to:				
Owners of the Parent	2,282,036	621,299	2,392,209	651,296
Non-controlling interests	(23,531)	(6,407)	88,821	24,182
	2,258,505	614,892	2,481,030	675,478

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

Consolidated statement of changes in equity for the year ended 31 December 2015

	Issued and paid up capital	Statutory and legal reserves	General reserve	Cumulative translation adjustment	Investments revaluation reserve	Cash flow hedging reserve	Retained earnings	Equity attributable to owners of the Parent AED'000	Non- controlling interests	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Balance at 1 January 2014	1,690,770	850,172	312,000	(42,113)	(157,309)	-	11,793,461	14,446,981	673,547	15,120,528
Profit for the year	-	-	-	-	-	-	2,401,259	2,401,259	85,011	2,486,270
Other comprehensive income/(loss) for the year	-	-	-	(11,202)	2,152	-	-	(9,050)	3,810	(5,240)
Total comprehensive income/(loss) for the year	-	-	-	(11,202)	2,152	-	2,401,259	2,392,209	88,821	2,481,030
Transfer from investment revaluation reserve to retained earnings	-	-	-	-	3,007	-	(3,007)	-	-	-
Transfer to statutory and legal reserves	-	2,410	-	-	-	-	(2,410)	-	-	-
Payment of dividends [Note 21(g)]	-	-	-	-	-	-	(676,308)	(676,308)	(16,789)	(693,097)
Additional contribution attributable to the new non-controlling interest shareholders (Note 22)	-	-	-	-	-	-	-	-	10,089	10,089
Balance at 31 December 2014	1,690,770	852,582	312,000	(53,315)	(152,150)	-	13,512,995	16,162,882	755,668	16,918,550
Profit for the year	-	-	-	-	-	-	2,402,107	2,402,107	32,538	2,434,645
Other comprehensive income/(loss) for the year	-	-	-	(7,295)	(121,997)	9,221	-	(120,071)	(56,069)	(176,140)
Total comprehensive income/(loss) for the year	-	-	-	(7,295)	(121,997)	9,221	2,402,107	2,282,036	(23,531)	2,258,505
Issue of bonus shares [Note 21(a)]	84,538	-	-	-	-	-	(84,538)	-	-	-
Transfer from investment revaluation reserve to retained earnings	-	-	-	-	(2,269)	-	2,269	-	-	-
Transfer to statutory and legal reserves	-	44,013	-	-	-	-	(44,013)	-	-	-
Payment of dividends [Note 21(g)]	-	-	-	-	-	-	(676,308)	(676,308)	(18,129)	(694,437)
Additional contribution attributable to the new non-controlling interest shareholders (Note 22)	-	-	-	-	-	-	-	-	3,110	3,110
Balance at 31 December 2015	1,775,308	896,595	312,000	(60,610)	(276,416)	9,221	15,112,512	17,768,610	717,118	18,485,728

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

Consolidated statement of cash flows for the year ended 31 December 2015

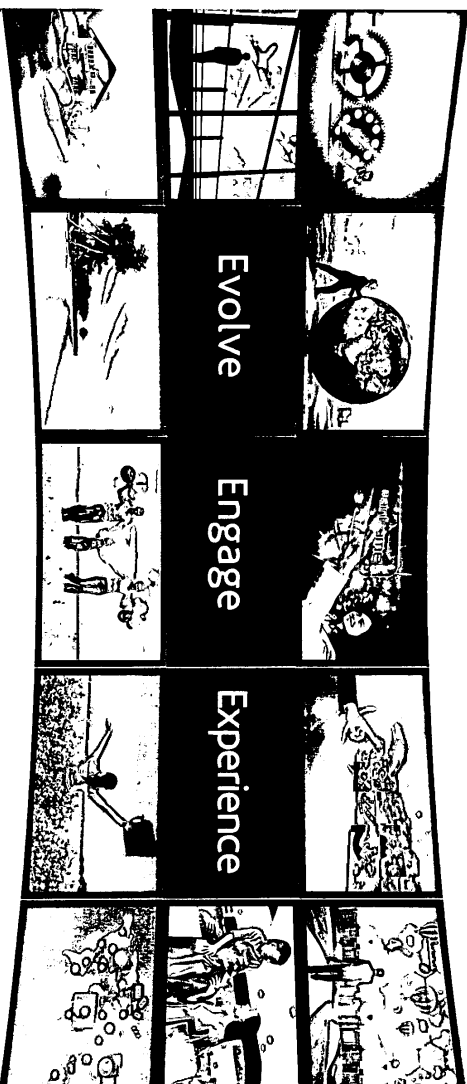
		2015		2014	
	Notes	AED'000	USD'000 Equivalent	AED'000	USD'000 Equivalent
Cash flows from operating activities					
Profit for the year		2,434,645	662,848	2,486,270	676,905
Adjustments for:					
Depreciation of property and equipment	13	148,637	40,467	147,185	40,072
Allowances for impairment, net	32	999,805	272,204	1,074,717	292,599
Loss/(gain) on disposal of property and equipment	30	4,959	1,350	(24,414)	(6,647)
Gain from disposal of investment properties	30	-	-	(16,807)	(4,576)
Fair value adjustments of other financial assets measured at FVTPL	29	41,291	11,242	(33,174)	(9,032)
Fair value adjustments of investment properties	30	(34,196)	(9,310)	(82,406)	(22,436)
Net realised gain from sale of other financial assets measured at FVTPL	29	(33,305)	(9,068)	(36,407)	(9,912)
Dividend income from financial assets measured at FVTOCI	29	(26,088)	(7,103)	(36,116)	(9,833)
Net realised loss from sale of other financial assets measured at amortised cost	29	10,345	2,816	4,048	1,102
Fair value adjustment – derivatives	30	(7,070)	(1,925)	(4,328)	(1,178)
Operating cash flows before changes in operating assets and liabilities		3,539,023	963,521	3,478,568	947,064
Increase in deposits with central banks		(1,674,668)	(455,940)	(2,306,909)	(628,072)
Increase in deposits and balances due from banks maturing after three months		(3,333)	(907)	(1,378,924)	(375,422)
Increase in loans and advances measured at amortised cost		(2,282,576)	(621,447)	(8,967,286)	(2,441,406)
(Increase)/decrease in Islamic financing and investment products measured at amortised cost		(832,666)	(226,699)	335,396	91,314
Increase in other assets		(939,587)	(255,809)	(136,528)	(37,171)
Increase in other financial assets carried at FVTPL		(856,247)	(233,119)	(503,142)	(136,984)
Increase/(decrease) in repurchase agreements with banks		111,528	30,364	(422,060)	(114,909)
Increase in customers' deposits		1,938,413	527,747	9,147,229	2,490,397
Increase in Islamic customers' deposits		3,208,724	873,598	737,235	200,717
Increase in medium-term loans (not qualified as Tier 2 capital)		97,613	26,576	1,470,320	400,305
Increase in deposits and balances due to banks		1,007,380	274,266	3,143,484	855,836
(Decrease)/increase in insurance and life assurance funds		(95,435)	(25,983)	228,140	62,113
Increase in other liabilities		1,481,502	403,349	82,994	22,596
Net cash generated from operating activities		4,699,671	1,279,517	4,908,517	1,336,378

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

Consolidated statement of cash flows for the year ended 31 December 2015 (Continued)

		2015		2014	
	Notes	AED'000	USD'000 Equivalent	AED'000	USD'000 Equivalent
Cash flows from investing activities					
Purchase of property and equipment	13	(231,119)	(62,924)	(191,286)	(52,079)
Proceeds from sale of property and equipment		18,273	4,975	63,682	17,338
Purchase of investment properties	12	(3,012)	(820)	(6,415)	(1,746)
Net increase in other financial assets measured at amortised cost		(389,865)	(106,143)	(2,250,058)	(612,594)
Net increase in other financial assets measured at FVTOCI		(45,436)	(12,370)	(41,339)	(11,254)
Dividend income from other financial assets measured at FVTOCI	29	26,088	7,103	36,116	9,833
Proceeds from disposal of investment properties		-	-	88,270	24,032
Net cash used in investing activities		(625,071)	(170,179)	(2,301,030)	(626,470)
Cash flows from financing activities					
Dividend paid		(694,437)	(189,064)	(693,097)	(188,701)
Additional contribution by non-controlling interest	22	3,110	847	10,089	2,747
Net cash used in financing activities		(691,327)	(188,217)	(683,008)	(185,954)
Net increase in cash and cash equivalents		3,383,273	921,121	1,924,479	523,954
Net foreign exchange difference		1,926	524	(11,202)	(3,050)
Cash and cash equivalents at 1 January		16,492,532	4,490,207	14,579,255	3,969,303
Cash and cash equivalents at 31 December	35	19,877,731	5,411,852	16,492,532	4,490,207

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



Performance Empowered
by Innovation

Annual Report 2014

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Mashreqbank psc established in 1967

Head Office: P.O. Box 1250, Dubai, United Arab Emirates, Tel: 009714-2223333,
SWIFT: BOMLAHAD, Website: www.mashreqbank.com

Board of Directors

Chairman

Mr. Abdulla Bin Ahmad Al Ghurair

Vice Chairman

Mr. Ali Rashed Ahmad Lootah

Director & Chief Executive Officer

H.E. Abdul Aziz Abdulla Al Ghurair

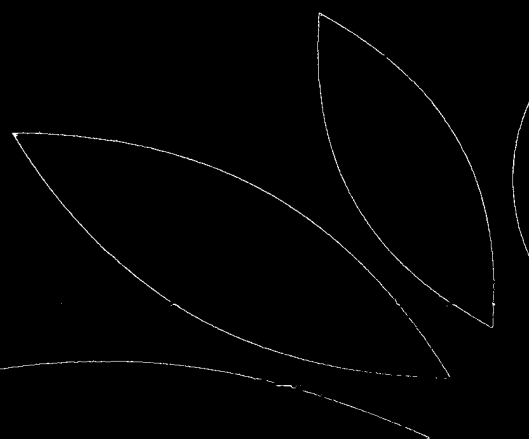
Directors

Mr. Sultan Abdulla Ahmed Al Ghurair

Mr. Rashed Saif Saeed Al Jarwan

Mr. Abdul Rahman Saif Al Ghurair

Mr. Rashed Saif Ahmed Al Ghurair



Chairman's Report



**Mr. Abdulla Bin
Ahmad Al Ghurair**
Chairman

While presenting our report for 2013, we had articulated our belief that the world-class infrastructure that the bank had created coupled with the growth strategy we had set for ourselves would enable us to outperform the market in 2014. I am very happy to state that our belief has held true as we clearly outperformed the market on many critical

performance measures and have posted an outstanding performance for the year. 2014 saw a continuation of the growth strategy that the bank had embarked on starting 2012 and we have witnessed all-round profitable growth with all the major business segments recording strong double-digit growth rates in operating income.

The intrinsic growth in our core business has seen the bank's Total Assets cross AED 100 Billion for the first time in its history. Loans and Advances grew by 15.1% in the year; from AED 50.4 Billion in 2013 to AED 58.0 Billion in 2014 and Customer Deposits grew at an even faster rate of 16.9% to reach AED 68.5 billion and helped us to maintain

conservative Advances to Deposits ratio of 84.8% at the end of 2014. Of particular note is that the growth in Customer deposits was predominantly led by Current and Savings (CASA) growth of 28% and our CASA proportion continues to be market leading at 62% of total deposits.

A shift in balance sheet structure towards higher proportion of earning assets and reduced cost of funds driven by high CASA have been the key reasons of Net Interest Margin (NIM) improvement from 2.9% in 2013 to 3.2% in 2014. This helped the bank to achieve a 28.9% increase in Net Interest Income in 2014 over 2013. Non-interest income also registered a good growth of 13.7% in the year predominantly driven by fee and commission income and the bank continues to be best-in-class in this regard with a 48% Fee and Other Income contribution to total Operating Income. The resulting Total operating income of AED 5.8 billion for 2014 was an increase of 20.8% against last year operating income of AED 4.8 billion.

Compared to revenue growth of 20.8%, Operating Expenses of the bank grew at a much slower pace of only 8.2% leading to an improvement in

Efficiency Ratio (Expenses to Income ratio) from 42.2% in 2013 to 37.8% in 2014.

Asset quality continued to improve as the Non-Performing Loans to Gross Loans ratio declined from 5.1% in December 2013 to 3.7% at the end of December 2014. The bank continued with its prudent provisioning policy in the year and the Total Provisions coverage for Non-Performing Loans stood at 120.4% as on December 31, 2014 – an improvement from 96.1% coverage last year.

This fundamental all round growth of core business supplemented by optimization of expenses helped the bank to post a Net Profit of AED 2.4 Billion in 2014, an outstanding growth of 33.0% over the AED 1.8 Billion achieved in 2013.

The bank's Tier-1 ratio remained above average at 15.3% and Total Capital Adequacy ratio stood at 16.6% despite the healthy growth in Assets. Your Board, continuing with its prudent policy of funding the growth through internal capitalization, is pleased to recommend a cash dividend of 40% of paid up capital. This cash dividend will constitute only 28% of the profit for 2014.

UAE ECONOMY

2014 was a tale of two chapters for the UAE economy. The first (9 months) chapter of the year saw impressive growth in the economy and the stock markets. Both oil economy and non-oil economy are estimated to have grown at around 3-4% for the first 9 months and the Dubai and Abu Dhabi stock indices saw growths of around 60% and 22% respectively over year end 2013 at their peaks. That is in contrast with the second chapter (last quarter) of the year which saw the same stock markets lose most of the initial gains in the year and post full year gains of only 12% in Dubai and 5% in Abu Dhabi mainly driven by the sharp fall in oil prices.

Overall GDP growth in 2014 is estimated to be 4.3% supported by higher oil production and continued strong recovery in domestic demand and as per preliminary estimates Dubai is expected to have grown 4.5% in 2014. The UAE's non-oil growth was driven by trade, tourism, transportation and a strong recovery in the real estate sector. Operating conditions in the non-oil private sector economy continue to remain healthy with the HSBC UAE Purchasing Managers' Index (PMI) closing the year at 58.4

after reaching a record high of 61.2 in October.

With regard to the UAE banking sector, 2014 was a year of good growth for the industry as it continued with the gains seen in 2013. The growth in Loans and Advances was at 9.6% in 2014 (YTD November) as compared with the full year growth of 7.7% seen in 2013. UAE continued to benefit from its safe haven status and deposits increased by 11.5% in the year (YTD November); up from the 9.5% growth in 2013. The banking sector Gross Advances to Deposit ratio further improved to 98% in November 2014 and the UAE banking sector Capital Adequacy ratio as on September 2014 remained high at 18.3% reflecting the core strength of the sector. Tier 1 ratio also remained strong at 16.3% as on September 2014.

The economic forecast for 2015 is guarded given the current level of oil prices. The International Monetary Fund has lowered its growth projection for the overall UAE economy in 2015 to 3.5% from earlier estimate of 4.5%, citing lower oil production as reason. However, Dubai is still expected to grow by 4.5% in 2015 and though Abu Dhabi is expected to grow at 3%, the

non-oil part of the economy for Abu Dhabi is expected to grow at over 5.5% in 2015. The expectation is that the fast growth in the non-oil economy especially in the sectors of services, construction, logistics and manufacturing will help to bridge the potential shortfalls in the growth of the oil economy and UAE's position as an unparalleled economic hub in the region will be further confirmed.

OUTLOOK FOR 2015

We continue to be optimistic about the performance outlook for the bank and are confident of maintaining the current growth trajectory. The strategies developed over the last few years have borne fruit and will enable the bank to post another stellar performance in 2015. Innovation will continue to be the key for the bank and we plan to maintain our lead in this important aspect in customer related products and processes as well as internal processes. All the business segments of the bank are well positioned in the market and have clearly articulated plans to focus on growth opportunities in the coming year.

Our employees continue to be the reason for our enduring

success. We undertake multiple initiatives to facilitate a convivial working environment and to ensure that our employees stay committed to the bank. As a result, the bank was recognized as one of the world's great workplaces through the receipt of the 'Gallup Great Workplace Award', one of only 36 companies globally to receive this award in the year. The annual employee engagement survey carried out by the Gallup Organization in 2014 also shows that the bank continues to rank in the top decile of companies globally.

Before I end, I would like to take this opportunity to thank the management and the staff of the bank for their commitment and dedication that helped us to deliver this record year. I would also like to thank our customers, the Central Bank and the government of UAE for their continued support.

Thank you.

Abdulla Bin Ahmed Al Ghurair
Chairman

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

The Shareholders
Mashreqbank psc
Dubai
United Arab Emirates

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of **Mashreqbank psc** (the "Bank"), a Public Shareholding Company, and its **Subsidiaries** (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatements whether due to fraud or error.

Auditor's responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Mashreqbank psc and its subsidiaries** as at 31 December 2014, and the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

Also, in our opinion, proper books of account are maintained by the Bank. According to the information available to us, there were no contraventions during the year of the U.A.E. Federal Commercial Companies Law No. (8) of 1984 (as amended), or of the Bank's Articles of Association which might have a material effect on the financial position of the Bank or its financial performance.

Deloitte & Touche (M.E.)

Anis Sadek
Registration Number 521
18 January 2015

Group Financial Statements

**Consolidated statement of financial position
at 31 December 2014**

		2014		2013	
	Notes	AED'000	USD'000 Equivalent	AED'000	USD'000 Equivalent
ASSETS					
Cash and balances with central banks	5	15,159,258	4,127,214	10,830,218	2,948,603
Deposits and balances due from banks	6	14,211,256	3,869,114	12,946,841	3,524,868
Other financial assets measured at fair value	7	3,209,334	873,764	2,589,310	704,958
Loans and advances measured at amortised cost	8	52,246,614	14,224,507	44,280,339	12,055,633
Islamic financing and investment products measured at amortised cost	9	5,799,094	1,578,844	6,150,796	1,674,597
Other financial assets measured at amortised cost	7	7,579,700	2,063,626	5,385,140	1,466,142
Other assets	10	6,011,997	1,636,808	5,871,436	1,598,539
Goodwill	11	26,588	7,239	26,588	7,239
Investment properties	12	490,317	133,492	472,959	128,766
Property and equipment	13	1,106,120	301,149	1,101,287	299,833
Total assets		105,840,278	28,815,757	89,654,914	24,409,178
LIABILITIES AND EQUITY					
Liabilities					
Deposits and balances due to banks	14	8,224,533	2,239,187	5,081,049	1,383,351
Repurchase agreements with banks	15	623,036	169,626	1,045,096	284,535
Customers' deposits	16	63,305,377	17,235,333	54,158,148	14,744,935
Islamic customers' deposits	17	5,182,766	1,411,044	4,445,531	1,210,327
Insurance and life assurance funds	18	1,655,139	450,623	1,426,999	388,510
Other liabilities	19	5,922,634	1,612,478	5,839,640	1,589,884
Medium-term loans	20	4,008,243	1,091,272	2,537,923	690,967
Total liabilities		88,921,728	24,209,563	74,534,386	20,292,509
Equity					
Capital and reserves					
Issued and paid up capital	21(a)	1,690,770	460,324	1,690,770	460,324
Statutory and legal reserves	21(b)	852,582	232,121	850,172	231,465
General reserve	21(c)	312,000	84,944	312,000	84,944
Cumulative translation adjustment	21(d)	(53,315)	(14,515)	(42,113)	(11,466)
Investments revaluation reserve	21(e)	(152,150)	(41,424)	(157,309)	(42,828)
Retained earnings		13,512,995	3,679,008	11,793,461	3,210,852
Equity attributable to owners of the Parent		16,162,882	4,400,458	14,446,981	3,933,291
Non-controlling interests	22	755,668	205,736	673,547	183,378
Total equity		16,918,550	4,606,194	15,120,528	4,116,669
Total liabilities and equity		105,840,278	28,815,757	89,654,914	24,409,178

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

**Consolidated income statement
for the year ended 31 December 2014**

	Notes	2014		2013	
		AED'000	USD'000 Equivalent	AED'000	USD'000 Equivalent
Interest income	24	3,782,541	1,029,823	3,002,403	817,425
Income from Islamic financing and investment products	25	242,692	66,075	262,826	71,556
Total interest income and income from Islamic financing and investment products		4,025,233	1,095,898	3,265,229	888,981
Interest expense	26	(934,226)	(254,350)	(857,025)	(233,331)
Distribution to depositors – Islamic products	27	(51,184)	(13,935)	(50,410)	(13,724)
Net interest income and income from Islamic products net of distribution to depositors		3,039,823	827,613	2,357,794	641,926
Fee and commission income	28	3,004,431	817,977	2,556,037	695,899
Fee and commission expenses	28	(1,295,810)	(352,793)	(1,116,312)	(303,924)
Net fee and commission income		1,708,621	465,184	1,439,725	391,975
Net investment income	29	187,969	51,176	168,060	45,756
Other income, net	30	908,466	247,336	871,811	237,357
Operating income		5,844,879	1,591,309	4,837,390	1,317,014
General and administrative expenses	31	(2,209,627)	(601,586)	(2,041,718)	(555,872)
Allowances for impairment, net	32	(1,074,717)	(292,599)	(873,338)	(237,772)
Profit before taxes		2,560,535	697,124	1,922,334	523,370
Overseas income tax expense		(74,265)	(20,219)	(40,471)	(11,019)
Profit for the year		2,486,270	676,905	1,881,863	512,351
Attributed to:					
Owners of the Parent		2,401,259	653,760	1,805,665	491,605
Non-controlling interests		85,011	23,145	76,198	20,746
		2,486,270	676,905	1,881,863	512,351
Earnings per share	33	AED 14.20	USD 3.87	AED 10.68	USD 2.91

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

**Consolidated statement of comprehensive income
for the year ended 31 December 2014**

	2014		2013	
	AED'000	USD'000 Equivalent	AED'000	USD'000 Equivalent
Profit for the year	2,486,270	676,905	1,881,863	512,351
Other comprehensive (loss)/income				
<i><u>Items that will not be reclassified subsequently to profit or loss:</u></i>				
Changes in fair value of financial assets measured at fair value through other comprehensive income, net [Note 7(1)]	5,962	1,623	64,355	17,521
<i><u>Items that will be reclassified subsequently to profit or loss:</u></i>				
Exchange difference arising on translating the foreign operations	(3,991)	(1,087)	(9,719)	(2,646)
Loss on hedging instruments designated in hedges of the net assets of foreign operations	(7,211)	(1,963)	(318)	(87)
Total other comprehensive (loss)/income for the year	(5,240)	(1,427)	54,318	14,788
Total comprehensive income for the year	2,481,030	675,478	1,936,181	527,139
Attributed to:				
Owners of the Parent	2,392,209	651,296	1,854,663	504,945
Non-controlling interests	88,821	24,182	81,518	22,194
	2,481,030	675,478	1,936,181	527,139

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

**Consolidated statement of changes in equity
for the year ended 31 December 2014**

	Issued and paid up capital	Statutory and legal reserves	General reserve	Cumulative translation adjustment	Investments revaluation reserve	Retained earnings	Equity at- tributable to owners of the Parent	Non-con- trolling interests	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Balance at 1 January 2013	1,690,770	848,385	312,000	(32,076)	(163,794)	10,579,527	13,234,812	585,443	13,820,255
Profit for the year	-	-	-	-	-	1,805,665	1,805,665	76,198	1,881,863
Other comprehensive income/(loss) for the year	-	-	-	(10,037)	59,035	-	48,998	5,320	54,318
Total comprehensive income/(loss) for the year	-	-	-	(10,037)	59,035	1,805,665	1,854,663	81,518	1,936,181
Transfer from investment revaluation reserve to retained earnings	-	-	-	-	(52,550)	52,550	-	-	-
Transfer to statutory and legal reserves	-	1,787	-	-	-	(1,787)	-	-	-
Payment of dividends [Note 21(f)]	-	-	-	-	-	(642,494)	(642,494)	(8,395)	(650,889)
Additional contribution attributable to the new non-controlling interest shareholders (Note 22)	-	-	-	-	-	-	-	14,981	14,981
Balance at 31 December 2013	1,690,770	850,172	312,000	(42,113)	(157,309)	11,793,461	14,446,981	673,547	15,120,528
Profit for the year	-	-	-	-	-	2,401,259	2,401,259	85,011	2,486,270
Other comprehensive income/(loss) for the year	-	-	-	(11,202)	2,152	-	(9,050)	3,810	(5,240)
Total comprehensive income/(loss) for the year	-	-	-	(11,202)	2,152	2,401,259	2,392,209	88,821	2,481,030
Transfer from investment revaluation reserve to retained earnings	-	-	-	-	3,007	(3,007)	-	-	-
Transfer to statutory and legal reserves	-	2,410	-	-	-	(2,410)	-	-	-
Payment of dividends [Note 21(f)]	-	-	-	-	-	(676,308)	(676,308)	(16,789)	(693,097)
Additional contribution attributable to the new non-controlling interest shareholders (Note 22)	-	-	-	-	-	-	-	10,089	10,089
Balance at 31 December 2014	1,690,770	852,582	312,000	(53,315)	(152,150)	13,512,995	16,162,882	755,668	16,918,550

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

**Consolidated statement of cash flows
for the year ended 31 December 2014**

		2014		2013	
	Notes	AED'000	USD'000 Equivalent	AED'000	USD'000 Equivalent
Cash flows from operating activities					
Profit for the year		2,486,270	676,905	1,881,863	512,351
Adjustments for:					
Depreciation of property and equipment	13	147,185	40,072	143,440	39,053
Allowances for impairment, net	32	1,074,717	292,599	873,338	237,772
(Gain)/loss on sale of property and equipment	30	(24,414)	(6,647)	15,251	4,152
Gain from redemption of medium term loans	30	-	-	(900)	(245)
Gain from disposal of investment properties	30	(16,807)	(4,576)	-	-
Fair value adjustments of other financial assets measured at FVTPL	29	(33,174)	(9,032)	(25,332)	(6,897)
Fair value adjustments of investment properties	30	(82,406)	(22,436)	(104,593)	(28,476)
Net realised gain from redemption/sale of other financial assets measured at FVTPL	29	(36,407)	(9,912)	(20,620)	(5,614)
Dividend income from financial assets measured at FVTOCI	29	(36,116)	(9,833)	(34,691)	(9,445)
Net realised loss from sale of other financial assets measured at amortised cost	29	4,048	1,102	40	11
Fair value adjustment – derivatives	30	(4,328)	(1,178)	(353)	(96)
Operating cash flows before changes in operating assets and liabilities		3,478,568	947,064	2,727,443	742,566
(Increase)/decrease in deposits with central banks		(2,306,909)	(628,072)	147,227	40,084
Increase in deposits and balances due from banks maturing after three months		(1,378,924)	(375,422)	(918,047)	(249,945)
Increase in loans and advances measured at amortised cost		(8,967,286)	(2,441,406)	(8,905,643)	(2,424,624)
Decrease/(increase) in Islamic financing and investment products measured at amortised cost		335,396	91,314	(926,732)	(252,309)
Increase in other assets		(136,528)	(37,171)	(561,476)	(152,866)
Increase in other financial assets carried at FVTPL		(503,142)	(136,984)	(6,799)	(1,851)
Decrease in repurchase agreements with banks		(422,060)	(114,909)	(110,273)	(30,023)
Increase in customers' deposits		9,147,229	2,490,397	11,727,493	3,192,892
Increase/(decrease) in Islamic customers' deposits		737,235	200,717	(576,384)	(156,925)
Increase in medium-term loans (not qualified as Tier 2 capital)		1,470,320	400,305	1,058,072	288,068
Increase/(decrease) in deposits and balances due to Banks		3,143,484	855,836	(901,659)	(245,483)
Increase in insurance and life assurance funds		228,140	62,113	198,103	53,935
Increase in other liabilities		82,994	22,596	590,682	160,817
Net cash generated by operating activities		4,908,517	1,336,378	3,542,007	964,336

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

**Consolidated statement of cash flows
for the year ended 31 December 2014 (continued)**

	Notes	2014		2013	
		AED'000	USD'000 Equivalent	AED'000	USD'000 Equivalent
Cash flows from investing activities					
Purchase of property and equipment	13	(191,286)	(52,079)	(137,609)	(37,465)
Proceeds from sale of property and equipment		63,682	17,338	5,301	1,443
Purchase of investment properties	12	(6,415)	(1,746)	(4,121)	(1,122)
Net increase in other financial assets measured at amortised cost		(2,250,058)	(612,594)	(997,590)	(271,601)
Net (increase)/decrease in other financial assets measured at FVTOCI		(41,339)	(11,254)	287,235	78,202
Dividend income from other financial assets measured at FVTOCI	29	36,116	9,833	34,691	9,445
Proceeds from disposal of investment properties		88,270	24,032	-	-
Net cash used in investing activities		(2,301,030)	(626,470)	(812,093)	(221,098)
Cash flows from financing activities					
Dividend paid		(693,097)	(188,701)	(650,889)	(177,209)
Decrease in medium term loans (qualified as Tier 2 capital)		-	-	(13,793)	(3,755)
Additional contribution by non-controlling interest	22	10,089	2,747	14,981	4,079
Net cash used in financing activities		(683,008)	(185,954)	(649,701)	(176,885)
Net increase in cash and cash equivalents		1,924,479	523,954	2,080,213	566,353
Net foreign exchange difference		(11,202)	(3,050)	(10,037)	(2,733)
Cash and cash equivalents at 1 January		14,579,255	3,969,303	12,509,079	3,405,683
Cash and cash equivalents at 31 December	35	16,492,532	4,490,207	14,579,255	3,969,303

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

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Mashreqbank psc established in 1967

Head Office: P.O. Box 1250, Dubai, United Arab Emirates, Tel: 009714-2223333,
SWIFT: BOMLAHAD, Website: www.mashreqbank.com

Board of Directors

Chairman

Mr. Abdulla Bin Ahmad Al Ghurair

Vice Chairman

Mr. Ali Rashed Ahmad Lootah

Director & Chief Executive Officer

H.E. Abdul Aziz Abdulla Al Ghurair

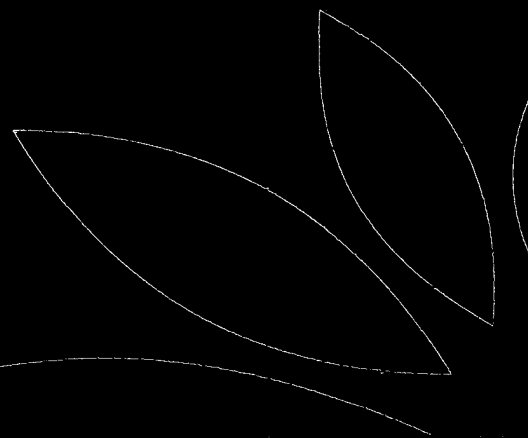
Directors

Mr. Sultan Abdulla Ahmed Al Ghurair

Mr. Rashed Saif Saeed Al Jarwan

Mr. Abdul Rahman Saif Al Ghurair

Mr. Rashed Saif Ahmed Al Ghurair



Chairman's Report



**Mr. Abdulla Bin
Ahmad Al Ghurair**
Chairman

The Year 2013 closed on a high note with Dubai winning its bid to host EXPO 2020. This well deserved success came at an opportune time and is expected to give further impetus to strong economic recovery which UAE has experienced during the year.

Expecting a strong trajectory of growth, we had made

aggressive plans for 2013 and I am very pleased to state that we were able to achieve our plans and have posted an outstanding performance for 2013. Our bank has achieved an all round growth that has outperformed the market on most critical measures of performance.

The bank, participating in all

sectors of economy, increased its Loans and Advances from AED 41.4 Billion in 2012 to AED 50.4 Billion in 2013, an impressive growth of 21.8%. In order to maintain healthy Advances to Deposits ratio, we managed a higher growth in Customer Deposits which went up from AED 47.4 Billion in 2012 to AED 58.6 Billion in 2013, an increase of 23.5%.

The resultant Advances to Deposits ratio at 86.05 is one of the best in the market. Cash management products launched during the last few years helped the bank to increase current account balances and at the end of 2013, our Current and Savings account constituted an impressive 56% of our Total Deposits.

The growth in Customer Deposits and Advances at the bank led to an increase in Total Assets from AED 76.4 Billion in 2012 to AED 89.7 Billion 2013, a growth of 17.4%. Maintaining comfortable liquidity remained the major priority of the management and Liquid Assets to Total Assets ratio remained at a comfortable level of 26.5%.

The growth in interest bearing Assets and low cost liabilities improved the bank's Net Interest margin from 2.6% in 2012 to 2.9% in 2013. The improved margin coupled with positive realignment of balance sheet helped the bank to achieve a 23.4% increase in Net Interest Income in 2013 over 2012. Fee and Other Income also improved by a healthy 13.8%. This led to a growth of 18.4% in our Operating Income which went up from AED 4.1 Billion in 2012 to AED 4.8 Billion in 2013.

The Fee and Other Income to Total Income ratio declined marginally from 51.5% in 2012 to 49.5% in 2013, but remained best-in-class.

Compared to revenue growth of 18.4%, Operating Expenses of the bank grew at a much slower pace of only 10%. Thus Expenses to Income ratio improved from 45.4% in 2012 to 42.2% in 2013.

The impact of credit policy revamp and focused attention on risk management practices came through during the year and Asset quality improved significantly with NPL to Gross Loans ratio declining from 9.4% in 2012 to 6.0% in 2013. However, the bank maintained the provision charge level for impaired loans increasing the coverage for Non-performing loans from 57% to 97%.

The all round growth in Assets, Liabilities and Revenue and optimization of expenses and risk cost helped the bank to post a Net Profit of AED 1.806 Billion in 2013, an outstanding growth of 38% over AED 1.312 Billion achieved in 2012.

In spite of the healthy growth in Assets, bank's Tier-1 ratio remained above average at 16.4% and Total Capital Adequacy ratio at 18.15%.

Continuing its prudent policy of funding the growth through internal capitalization, your Board is pleased to recommend a cash dividend of 40% of paid up capital. This cash dividend will constitute only 37% of the profit for 2013.

UAE ECONOMY

2013 was a turnaround year for the UAE economy with all indicators exceeding the forecasts. The GDP of the country grew by an estimated 4.5%. The Oil economy remained buoyant and contributed well to GDP as oil prices stayed high averaging US\$ 109 per barrel. The Non-oil economy contribution went up significantly particularly in tourism, hospitality, logistics, construction and financial sectors. Abu Dhabi non-oil economy growth rate exceeded 10%. The stock market went up substantially posting a growth of over 100% in 2013.

The economic forecast for 2014 is equally bullish. The GDP growth is expected in the range of 4.5% to 5%. Abu Dhabi oil production is expected to reach 2.8 Million barrels a day in 2014 and price forecast of around US\$ 100 per barrel, therefore the contribution of oil to Abu Dhabi and UAE GDP is expected to decline. However,

non-oil economy is expected to pick-up steam further enhancing its contribution to the GDP and helping to achieve the forecasted growth rate.

Abu Dhabi has unveiled massive infrastructure investments plan. It is expected that over AED 340 Billion will be invested to develop and improve the infrastructure in the emirates in the next 6 years. The foreign direct investment in 2014 is expected to reach AED 44 Billion.

Tourism sector is forecasting a growth of 11% and on the back of strong growth in tourist flow hospitality and retail sector is also poised for a double digit growth in 2014.

As the UAE economy picked up the momentum in 2013 the pace of the banking sector growth also accelerated. The growth in Loans and Advances which had averaged at 2.6% per annum from 2009 - 2012 period went up to 7.2% in the first 9 months of 2013. The banking sector Advances to Deposit ratio further improved to 93% in September 2013 with ample liquidity in the market. The UAE banking sector Capital Adequacy ratio as on September 2013 remained high at 19% reflecting the core strength of

the sector. UAE maintained its position as the most attractive destination for international financial institutions to set up a base in the region with DIFC posting a growth of 14% in a number of companies registered with them.

OUTLOOK FOR 2014

2014 outlook for the bank mirrors the strong growth forecasted for the UAE economy. The world-class infrastructure that the bank built by upgrading its technology platform, changing core banking system and re-vamping its policies and procedures provides it a strong foundation which will enable it to continue to improve its market share in 2014. The strategies developed last year for 2013-2015 period are in full play. We have identified the right customer segments, developed the required product line, aligned the distribution channels and have set up systems to manage and monitor end-to-end customer fulfillment process. As a customer centric organization all our processes and systems have been reviewed and aligned to customer needs. Areas identified for growth have the required business focus and resources have been allocated to ensure that

planned growth for 2014 is achieved.

Here I may highlight that our success is due to our employees who are our most valuable asset. We continuously invest in learning and development of our people and ensure a work environment which is second to none and one that thrives on innovation and empowerment. Annually, we obtain feedback through a third party independent survey from our employees on their level of engagement and issues faced by them. I am delighted to report that the employee engagement level measured by Gallup International in 2013 was the highest and is in line with global world-class companies in their database.

Before I end, I would like to thank the management and staff of the bank for their unrelenting efforts in achieving this sterling performance. I would also like to thank our customers, the Central Bank and the government of UAE for their continued support.

Thank you.

Abdulla Bin Ahmed Al Ghurair
Chairman

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

The Shareholders
Mashreqbank psc
Dubai
United Arab Emirates

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of **Mashreqbank psc** (the "Bank"), a Public Shareholding Company, and its **Subsidiaries** (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatements whether due to fraud or error.

Auditor's responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Mashreqbank psc and its subsidiaries** as at 31 December 2013, and the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

Also, in our opinion, proper books of account are maintained by the Bank. According to the information available to us, there were no contraventions during the year of the U.A.E. Federal Commercial Companies Law No. (8) of 1984 (as amended), or of the Bank's Articles of Association which might have a material effect on the financial position of the Bank or its financial performance.

Deloitte & Touche (M.E.)

Anis Sadek
Registration Number 521
26 January 2014

Group Financial Statements

**Consolidated statement of financial position
at 31 December 2013**

		2013		2012	
	Notes	AED'000	USD'000 Equivalent	AED'000	USD'000 Equivalent
ASSETS					
Cash and balances with central banks	5	10,830,218	2,948,603	10,767,087	2,931,415
Deposits and balances due from banks	6	12,946,841	3,524,868	10,176,676	2,770,671
Other financial assets measured at fair value	7	2,589,310	704,958	2,759,439	751,277
Loans and advances measured at amortised cost	8	44,280,339	12,055,633	36,183,916	9,851,325
Islamic financing and investment products measured at amortised cost	9	6,150,796	1,674,597	5,224,028	1,422,278
Other financial assets measured at amortised cost	7	5,385,140	1,466,142	4,387,590	1,194,552
Interest receivable and other assets	10	5,871,436	1,598,539	5,336,691	1,452,952
Goodwill	11	26,588	7,239	26,588	7,239
Investment properties	12	472,959	128,766	364,245	99,168
Property and equipment	13	1,101,287	299,833	1,157,040	315,013
Total assets		89,654,914	24,409,178	76,383,300	20,795,890
LIABILITIES AND EQUITY					
Liabilities					
Deposits and balances due to banks	14	5,081,049	1,383,351	5,982,708	1,628,834
Repurchase agreements with banks	15	1,045,096	284,535	1,155,369	314,557
Customers' deposits	16	54,158,148	14,744,935	42,430,655	11,552,043
Islamic customers' deposits	17	4,445,531	1,210,327	5,021,915	1,367,252
Insurance and life assurance funds	18	1,426,999	388,510	1,228,896	334,576
Interest payable and other liabilities	19	5,839,640	1,589,884	5,248,958	1,429,066
Medium-term loans	20	2,537,923	690,967	1,494,544	406,900
Total liabilities		74,534,386	20,292,509	62,563,045	17,033,228
Equity					
Capital and reserves					
Issued and paid up capital	21(a)	1,690,770	460,324	1,690,770	460,324
Statutory and legal reserves	21(b)	850,172	231,465	848,385	230,979
General reserve	21(c)	312,000	84,944	312,000	84,944
Cumulative translation adjustment	21(d)	(42,113)	(11,466)	(32,076)	(8,733)
Investments revaluation reserve	21(e)	(157,309)	(42,828)	(163,794)	(44,594)
Retained earnings		11,793,461	3,210,852	10,579,527	2,880,351
Equity attributable to shareholders of the Parent		14,446,981	3,933,291	13,234,812	3,603,271
Non-controlling interests	22	673,547	183,378	585,443	159,391
Total equity		15,120,528	4,116,669	13,820,255	3,762,662
Total liabilities and equity		89,654,914	24,409,178	76,383,300	20,795,890

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

**Consolidated income statement
for the year ended 31 December 2013**

	Notes	2013		2012	
		AED'000	USD'000 Equivalent	AED'000	USD'000 Equivalent
Interest income	24	3,002,403	817,425	2,821,438	768,156
Income from Islamic financing and investment products	25	262,826	71,556	242,654	66,064
Total interest income and income from Islamic financing and investment products		3,265,229	888,981	3,064,092	834,220
Interest expense	26	(857,025)	(233,331)	(1,045,063)	(284,526)
Distribution to depositors – Islamic products	27	(50,410)	(13,724)	(115,427)	(31,426)
Net interest income and income from Islamic products net of distribution to depositors		2,357,794	641,926	1,903,602	518,268
Fee and commission income	28	2,556,037	695,899	2,011,862	547,744
Fee and commission expenses	28	(1,116,312)	(303,924)	(824,318)	(224,426)
Net fee and commission income		1,439,725	391,975	1,187,544	323,318
Net investment income	29	168,060	45,756	285,739	77,794
Other income, net	30	871,811	237,357	707,552	192,636
Operating income		4,837,390	1,317,014	4,084,437	1,112,016
General and administrative expenses	31	(2,041,718)	(555,872)	(1,855,347)	(505,131)
Allowances for impairment, net	32	(873,338)	(237,772)	(826,540)	(225,031)
Profit before taxes		1,922,334	523,370	1,402,550	381,854
Overseas income tax expense		(40,471)	(11,019)	(31,914)	(8,689)
Profit for the year		1,881,863	512,351	1,370,636	373,165
Attributed to:					
Shareholders of the Parent		1,805,665	491,605	1,312,309	357,285
Non-controlling interests		76,198	20,746	58,327	15,880
		1,881,863	512,351	1,370,636	373,165
Earnings per share	33	AED 10.68	USD 2.91	AED 7.76	USD 2.11

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

Consolidated statement of comprehensive income
for the year ended 31 December 2013

	2013		2012	
	AED'000	USD'000 Equivalent	AED'000	USD'000 Equivalent
Profit for the year	1,881,863	512,351	1,370,636	373,165
Other comprehensive income/(loss)				
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Changes in fair value of financial assets measured at fair value through other comprehensive income, net [Note 7(i)]	64,355	17,521	(36,436)	(9,920)
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Exchange difference arising on translating the foreign operations	(9,719)	(2,646)	3,169	863
Loss on hedging instruments designated in hedges of the net assets of foreign operations	(318)	(87)	(2,223)	(604)
Total other comprehensive income/(loss) for the year	54,318	14,788	(35,490)	(9,661)
Total comprehensive income for the year	1,936,181	527,139	1,335,146	363,504
Attributed to:				
Shareholders of the Parent	1,854,663	504,945	1,310,156	356,699
Non-controlling interests	81,518	22,194	24,990	6,805
	1,936,181	527,139	1,335,146	363,504

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

**Consolidated statement of changes in equity
for the year ended 31 December 2013**

	Issued and paid up capital	Statutory and legal reserves	General reserve	Cumulative translation adjustment	Investments revaluation reserve	Retained earnings	Equity at- tributable to shareholders of the Parent	Non-con- trolling interests	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Balance at									
1 January 2012	1,690,770	846,745	312,000	(33,022)	(346,145)	9,792,462	12,262,810	541,040	12,803,850
Profit for the year	-	-	-	-	-	1,312,309	1,312,309	58,327	1,370,636
Other comprehensive income/(loss) for the year	-	-	-	946	(3,099)	-	(2,153)	(33,337)	(35,490)
Total comprehensive income for the year	-	-	-	946	(3,099)	1,312,309	1,310,156	24,990	1,335,146
Transfer from investment revaluation reserve to retained earnings	-	-	-	-	185,450	(185,450)	-	-	-
Transfer to statutory and legal reserves	-	1,640	-	-	-	(1,640)	-	-	-
Payment of dividends [Note 21 (f)]	-	-	-	-	-	(338,154)	(338,154)	-	(338,154)
NCI arising on acquisiton of a subsidiary	-	-	-	-	-	-	-	(25,545)	(25,545)
Additional contribution attributable to the new non-controlling interest shareholders [Note 22]	-	-	-	-	-	-	-	44,958	44,958
Balance at 31									
December 2012	1,690,770	848,385	312,000	(32,076)	(163,794)	10,579,527	13,234,812	585,443	13,820,255
Profit for the year	-	-	-	-	-	1,805,665	1,805,665	76,198	1,881,863
Other comprehensive income/(loss) for the year	-	-	-	(10,037)	59,035	-	48,998	5,320	54,318
Total comprehensive income/(loss) for the year	-	-	-	(10,037)	59,035	1,805,665	1,854,663	81,518	1,936,181
Transfer from investment revaluation reserve to retained earnings [Note 7 (f)]	-	-	-	-	(52,550)	52,550	-	-	-
Transfer to statutory and legal reserves	-	1,787	-	-	-	(1,787)	-	-	-
Payment of dividends [Note 21 (f)]	-	-	-	-	-	(642,494)	(642,494)	(8,395)	(650,889)
Additional contribution attributable to the new non-controlling interest shareholders (Note 22)	-	-	-	-	-	-	-	14,981	14,981
Balance at 31									
December 2013	1,690,770	850,172	312,000	(42,113)	(157,309)	11,793,461	14,446,981	673,547	15,120,528

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

**Consolidated statement of cash flows
for the year ended 31 December 2013**

	Notes	2013		2012	
		AED'000	USD'000 Equivalent	AED'000	USD'000 Equivalent
Cash flows from operating activities					
Profit for the year		1,881,863	512,351	1,370,636	373,165
Adjustments for:					
Depreciation of property and equipment	13	143,440	39,053	144,270	39,279
Allowances for impairment, net	32	873,338	237,772	826,540	225,031
Loss on sale of property and equipment	30	15,251	4,152	4,569	1,244
Gain from redemption of medium term loans	30	(900)	(245)	(14,526)	(3,955)
Fair value adjustment of other financial assets measured at FVTPL	29	(25,332)	(6,897)	(49,849)	(13,572)
Fair value adjustments of investment properties	30	(104,593)	(28,476)	59,818	16,286
Net realized gain from sale of other financial assets measured at FVTPL	29	(20,620)	(5,614)	(14,224)	(3,873)
Dividend income from financial assets measured at FVTOCI	29	(34,691)	(9,445)	(47,525)	(12,939)
Net realized loss/(gain) from sale of other financial assets measured at amortised cost	29	40	11	(95,607)	(26,030)
Fair value adjustment - derivatives	30	(353)	(96)	11,868	3,231
Operating cash flow before changes in operating assets and liabilities		2,727,443	742,566	2,195,970	597,867
Decrease in deposits with central banks		147,227	40,084	5,743,137	1,563,609
Increase in deposits and balances due from banks maturing after three months		(918,047)	(249,945)	(139,154)	(37,886)
Increase in loans and advances measured at amortised cost		(8,905,643)	(2,424,624)	(4,258,116)	(1,159,302)
Increase in Islamic financing and investment products measured at amortised cost		(926,732)	(252,309)	(207,379)	(56,460)
(Increase)/decrease in interest receivable and other assets		(561,476)	(152,866)	135,904	37,001
Increase in other financial assets carried at FVTPL		(6,799)	(1,851)	(715,978)	(194,930)
Decrease in repurchase agreements with banks		(110,273)	(30,023)	(1,349,796)	(367,491)
Increase in customers' deposits		11,727,493	3,192,892	2,253,635	613,568
Decrease in Islamic customers' deposits		(576,384)	(156,925)	(217,948)	(59,338)
Increase in medium-term loans (not qualified as Tier 2 capital)		1,058,072	288,068	473,651	128,955
Decrease in deposits and balances due to banks		(901,659)	(245,483)	(1,240,662)	(337,779)
Increase in insurance and life assurance funds		198,103	53,935	79,215	21,567
Increase/(decrease) in interest payable and other liabilities		590,682	160,817	(461,059)	(125,527)
Net cash flows generated by operating activities		3,542,007	964,336	2,291,420	623,854

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

**Consolidated statement of cash flows
for the year ended 31 December 2013 (continued)**

	Notes	2013		2012	
		AED'000	USD'000 Equivalent	AED'000	USD'000 Equivalent
Cash flows from investing activities					
Purchase of property and equipment	13	(137,609)	(37,465)	(245,094)	(66,729)
Proceeds from sale of property and equipment		5,301	1,443	21,909	5,965
Purchase of investment properties	12	(4,121)	(1,122)	-	-
Net (increase)/decrease in other financial assets measured at amortized cost		(997,590)	(271,601)	2,889,610	786,717
Net decrease in other financial assets measured at FVTOCI		287,235	78,202	536,964	146,192
Dividend income from other financial assets measured at FVTOCI		34,691	9,445	47,525	12,939
Cash received on acquisition of a subsidiary		-	-	71,930	19,583
Net cash (used in)/generated by investing activities		(812,093)	(221,098)	3,322,844	904,667
Cash flows from financing activities					
Dividend paid	21	(650,889)	(177,209)	(338,154)	(92,065)
Decrease in medium term loans (qualified as Tier 2 capital)		(13,793)	(3,755)	(3,598,593)	(979,742)
Additional contribution by non-controlling interest	22	14,981	4,079	44,958	12,240
Net cash used in financing activities		(649,701)	(176,885)	(3,891,789)	(1,059,567)
Net increase in cash and cash equivalents		2,080,213	566,353	1,722,475	468,954
Net foreign exchange difference		(10,037)	(2,733)	946	258
Cash and cash equivalents at 1 January		12,509,079	3,405,683	10,785,658	2,936,471
Cash and cash equivalents at 31 December	35	14,579,255	3,969,303	12,509,079	3,405,683

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



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SWIFT: BOMLAEAD, Website: www.mashreqbank.com

Board of Directors

Chairman

Mr. Abdulla Bin Ahmad Al Ghurair

Vice-Chairman

Mr. Ali Rashed Ahmad Lootah

Director & Chief Executive Officer

H.E. Abdul Aziz Abdulla Al Ghurair

Directors

Mr. Sultan Abdulla Ahmad Majid Al Ghurair

Mr. Abdulla Mohamed Ibrahim Obaidalla

Mr. Abdul Rahman Saif Ahmad Al Ghurair

Mr. Rashid Saif Al Ghurair

Chairman's Report



**Mr. Abdulla Bin
Ahmad Al Ghurair
Chairman**

It gives me a great pleasure to present Mashreqbank financials for 2012. While presenting last year's results, I forecasted a stronger performance for this year, and today I stand vindicated as Mashreq's performance in the fiscal 2012 had been outstanding.

Though this year, the much anticipated recovery in the Western hemisphere did not

materialize; however, the UAE economy continued to improve. High oil prices kept all GCC economies in good stead, but the UAE performed significantly better due to a strong growth by non-oil sectors also. For the UAE, the non-oil sector is particularly critical as it constitutes over 60% of the country's GDP. Mashreq, as always, had repositioned itself well in advance in preparation

of this spurt in the economic activity and actively participated and contributed to the economic growth of various sectors in the UAE during 2012.

Mashreq maintaining its cautious approach towards Assets growth selectively increased loan and advances to customers including Islamic financing in 2012 by 10%. However, due to optimization

of balance sheet structure, Total Assets declined by 4% during the same period. In line with the Bank's policy to maintain comfortable liquidity, Liquid Assets to Total Assets ratio stood at 27.4% at the end of 2012, out of which Cash and Balances with Central Bank represented a robust 14.1% of Total Assets. During the year, the bank repaid Ministry of Finance loan well before its final maturity of October 2016. Greater focus on liability management during the year resulted in a significant reduction in average Cost of Deposits. At the same time, increase in Customer Deposits and Islamic Deposits were increased by 4.5% over last year which led to a healthy Advances to Deposits ratio of 87% in 2012 against 83% in 2011. Through active management of balance sheet, the bank was able to improve its Net Interest Margin in 2012 to 2.6% as compared to 2.4% in 2011.

On the back of an improved Net Interest margin in 2012, the Bank was able to maintain Net Interest Income (including Interest Income on marketable securities) at AED 1.98 Billion same as last year despite reduced assets level. Fee and Other Income during the year had a strong growth of 11.5% over 2011, and Fee and Other Income to Total Income ratio further improved from 48.7% in 2011 to 51.5% in 2012. This high contribution of Fee and Other Income to

Total Income is a testimony of Mashreq's strength as a universal bank with a strong cross-sell capability. The Total Operating Income in 2012 reached AED 4.1 Billion, a growth of 5.5% over 2011. Continuous focus on cost management ensured slower growth of 3.4% in Operating Expenses and helped to improve efficiency ratio from 46.3% in 2011 to 45.4% in 2012. Effective risk management improved asset quality significantly and the risk cost during the year declined by 30.9% as compared to 2011. The impact of all these developments on Net Profit for 2012 was significant leading to a 60% increase over last year reaching AED 1.3 Billion.

The Bank's Tier-1 Capital ratio improved from 16.2% in 2011 to 17.2% in 2012 which is above the 12% minimum requirements by the UAE Central Bank. The total Capital Adequacy ratio remained high at 19.3%.

In view of the excellent growth in Net Profit and high Capital Adequacy ratio, your Board has proposed a cash dividend of 38% which will keep dividend payout ratio below 50% of profit.

UAE ECONOMY

The UAE economy defying negative global trends continued to grow strongly in 2012 and are expected to post over 4% growth in GDP to reach AED 1.3 Trillion this year. As the 2nd largest economy in the Arab world, it

continued to scale new heights, and in 2012 is forecasted to be more than 25% of combined GDP of GCC states. The GDP growth is driven primarily by high oil prices, growing retail sector, continued investment in the infrastructure and fast recovering service sector. The Real Estate sector which had bottomed out in 2010 staged fast recovery in 2012 and real estate prices in Dubai increased as much as 30% to 40% in certain areas. The Government of Dubai owned developer Nakheel returned to profit and posted handsome results. Many mega projects including Sh. Mohammed Bin Rashid City developments and Sh. Mohammed Bin Rashid Solar Energy Park were announced. The UAE in general and Dubai in particular remained a magnet for high net worth investors. Liberal policies of the Government, high quality infrastructure, and abundance of options for education and health care attracted high-end residents and tourists alike to Dubai from the region and beyond.

UAE is least dependant on oil as compared to its neighbors; still oil remains a mainstay of its economy contributing 38% to its GDP. The country's leadership showed its foresight and maintained its investment in hydrocarbon development projects even during the economic slowdown. Abu Dhabi's oil production increased to 2.5 Million bpd during the year and is planned to reach 3.5 Million bpd

by 2017. Abu Dhabi is planning to invest US\$ 25 Billion for the development of its gas resources in the coming years. Built with multi-billion dollar investment, the region's most advanced Sh. Khalifa Port has been commissioned in Abu Dhabi, and will provide strong impetus to the growth of import/export trade in Abu Dhabi.

Travel, tourism, and leisure industry had a strong growth as tourist inflow to Dubai grew 25% reaching a new peak. Dubai International Airport overtook Hong Kong to become the third busiest airport in the world handling over 56 Million passengers during the year. If continued to grow at this rate it is expected to become the number one bypassing Paris and London in the next few years. Dubai announced its official bid for hosting World Expo 2020 with ambitious development plans to meet the needs of such a mega event which if successful will further enhance Dubai's position as prime location for trade and tourism.

Dubai has announced its 2013 fiscal budget which reduced the deficit to less than 0.5% of Emirates GDP. 26% of the spending is for health, education and social development. The infrastructure projects have been allocated 16% of the budgeted expenditure.

The UAE banking sector growth during the year was stable in the first 11 months of the year, Advances to Customers grew by 3% whereas Customer Deposits grew by 11% improving market liquidity and bringing the Sector Advances to Deposit ratio to 94%. UAE Central Bank introduced quite a few proposed regulatory changes in respect of large exposure, Basel III liquidity ratio and mortgage lending parameters. These regulations are under consultation with the Banking community and once finalized will have far reaching effects on the banking industry in the UAE.

FUTURE OUTLOOK

In response to the fast improving economic scenario, the Bank decided to redraw its strategy for 2013–2015 period. This pre-emptive preparation was aimed to meet the challenges of the new market realities.

The extensive work done on organizational transformation during the last 2 years in the area of technology upgrade, customer segmentation, process re-engineering and organizational design has provided the foundation for future strategic growth.

The financial plan for 2013 is reasonably aggressive keeping in view strong growth trajectory of the UAE economy – and the

bank's revised strategic agenda set by transformational exercise conducted during 2011 and 2012. This bottoms-up plan is built unit by unit at customer level, product level, portfolio level and geographic level. I have full confidence in the management team's ability to execute its strategy precisely and effectively to deliver a sterling performance in 2013.

Before I close, I would like to thank the leadership team and the staff of the bank for the hard work and unwavering commitment in delivering such outstanding performance during the year. I also would like to put on record our gratitude to our customers, the Central Bank and the Government of the UAE for their support.

Thank you.

Abdullah Bin Ahmed Al Ghurair
Chairman

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

**The Shareholders
Mashreqbank psc
Dubai
United Arab Emirates**

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Mashreqbank psc (the "Bank"), a Public Shareholding Company, and its Subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatements whether due to fraud or errors.

Auditor's responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mashreqbank psc and its subsidiaries as at 31 December 2012, and the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

Also, in our opinion, proper books of account are maintained by the Bank. According to the information available to us, there were no contraventions during the year of the U.A.E. Federal Commercial Companies Law No. (8) of 1984 (as amended), or of the Bank's Articles of Association which might have a material effect on the financial position of the Bank or its financial performance.

Deloitte & Touche (M.E.)

Anis Sadek
Registration Number 521
3 February 2013

Group Financial Statements

**Consolidated statement of financial position
at 31 December 2012**

		2012		2011	
	Notes	AED'000	USD'000 Equivalent	AED'000	USD'000 Equivalent
ASSETS					
Cash and balances with central banks	5	10,767,087	2,931,415	14,731,800	4,010,836
Deposits and balances due from banks	6	10,176,676	2,770,671	10,147,675	2,762,776
Other financial assets measured at fair value	7	2,759,439	751,277	2,552,788	695,014
Loans and advances measured at amortised cost	8	36,183,916	9,851,325	32,665,962	8,893,537
Islamic financing and investment products measured at amortised cost	9	5,224,028	1,422,278	5,028,547	1,369,057
Other financial assets measured at amortised cost	7	4,387,590	1,194,552	7,181,593	1,955,239
Interest receivable and other assets	10	5,336,691	1,452,952	5,417,102	1,474,844
Goodwill	11	26,588	7,239	-	-
Investment properties	12	364,245	99,168	318,028	86,585
Property and equipment	13	1,157,040	315,013	1,197,827	326,117
Total assets		76,383,300	20,795,890	79,241,322	21,574,005
LIABILITIES AND EQUITY					
Liabilities					
Deposits and balances due to banks	14	5,982,708	1,628,834	7,223,370	1,966,613
Repurchase agreements with banks	15	1,155,369	314,557	2,505,165	682,049
Customers' deposits	16	42,430,655	11,552,043	40,177,020	10,938,475
Islamic customers' deposits	17	5,021,915	1,367,252	5,239,863	1,426,589
Insurance and life assurance funds	18	1,228,896	334,576	972,867	264,870
Interest payable and other liabilities	19	5,248,958	1,429,066	5,685,175	1,547,829
Medium-term loans	20	1,494,544	406,900	4,634,012	1,261,642
Total liabilities		62,563,045	17,033,228	66,437,472	18,088,067
Equity					
Capital and reserves					
Issued and paid up capital	21(a)	1,690,770	460,324	1,690,770	460,324
Statutory and legal reserves	21(b)	848,385	230,979	846,745	230,532
General reserve	21(c)	312,000	84,944	312,000	84,944
Cumulative translation adjustment	21(d)	(32,076)	(8,733)	(33,022)	(8,990)
Investments revaluation reserve	21(e)	(163,794)	(44,594)	(346,145)	(94,240)
Retained earnings		10,579,527	2,880,351	9,792,462	2,666,066
Equity attributable to shareholders of the Parent		13,234,812	3,603,271	12,262,810	3,338,636
Non-controlling interests	22	585,443	159,391	541,040	147,302
Total equity		13,820,255	3,762,662	12,803,850	3,485,938
Total liabilities and equity		76,383,300	20,795,890	79,241,322	21,574,005

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

Abdulla Ahmad Al Ghurair
Chairman

Abdul Aziz Abdulla Al Ghurair
Chief Executive Officer

**Consolidated income statement
for the year ended 31 December 2012**

	Notes	2012		2011	
		AED'000	USD'000 Equivalent	AED'000	USD'000 Equivalent
Interest income	24	2,821,438	768,156	3,135,446	853,647
Income from Islamic financing and investment products	25	242,654	66,064	252,762	68,816
Total interest income and income from Islamic financing and investment products		3,064,092	834,220	3,388,208	922,463
Interest expense	26	(1,045,063)	(284,526)	(1,334,303)	(363,273)
Distribution to depositors – Islamic products	27	(115,427)	(31,426)	(109,834)	(29,903)
Net interest income and income from Islamic products net of distribution to depositors		1,903,602	518,268	1,944,071	529,287
Fee and commission income	28	2,011,862	547,744	1,940,984	528,447
Fee and commission expenses	28	(824,318)	(224,426)	(957,928)	(260,803)
Net fee and commission income		1,187,544	323,318	983,056	267,644
Net investment income	29	285,739	77,794	123,367	33,588
Other income, net	30	707,552	192,636	821,839	223,751
Operating income		4,084,437	1,112,016	3,872,333	1,054,270
General and administrative expenses	31	(1,855,347)	(505,131)	(1,793,683)	(488,343)
Allowances for impairment, net	32	(826,540)	(225,031)	(1,195,839)	(325,576)
Profit before taxes		1,402,550	381,854	882,811	240,351
Overseas income tax expense		(31,914)	(8,689)	(21,769)	(5,926)
Profit for the year		1,370,636	373,165	861,042	234,425
Attributed to:					
Shareholders of the Parent		1,312,309	357,285	820,379	223,354
Non-controlling interests		58,327	15,880	40,663	11,071
		1,370,636	373,165	861,042	234,425
Earnings per share	33	AED 7.76	USD 2.11	AED 4.85	USD 1.32

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

**Consolidated statement of comprehensive income
for the year ended 31 December 2012**

	2012		2011	
	AED'000	USD'000 Equivalent	AED'000	USD'000 Equivalent
Profit for the year	1,370,636	373,165	861,042	234,425
Other comprehensive (loss)/income				
Changes in fair value of financial assets measured at fair value through other comprehensive income, net (Note 7)	(36,436)	(9,920)	(80,501)	(21,918)
Exchange difference arising on translating the foreign operations	3,169	863	(11,531)	(3,140)
Loss on hedging instruments designated in hedges of the net assets of foreign operations [Note 21(d)]	(2,223)	(604)	(2,008)	(546)
Total other comprehensive loss for the year	(35,490)	(9,661)	(94,040)	(25,604)
Total comprehensive income for the year	1,335,146	363,504	767,002	208,821
Attributed to:				
Shareholders of the Parent	1,310,156	356,699	756,221	205,886
Non-controlling interests	24,990	6,805	10,781	2,935
	1,335,146	363,504	767,002	208,821

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

**Consolidated Statement of Changes in Equity
for the year ended 31 December 2012**

	Issued and paid up capital	Statutory and legal reserves	General reserve	Cumulative translation adjustment	Investments revaluation reserve	Retained earnings	Equity at- tributable to shareholders of the Parent	Non-con- trolling interests	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Balance at 1 January 2011	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 year	-	-	-	-	-	820,379	820,379	40,663	861,042
Other comprehensive loss for the year	-	-	-	(13,539)	(50,619)	-	(64,158)	(29,882)	(94,040)
Total comprehensive income for the year	-	-	-	(13,539)	(50,619)	820,379	756,221	10,781	767,002
Transfer from investment revaluation reserve to retained earnings	-	-	-	-	(11,406)	11,406	-	-	-
Transfer to statutory and legal reserves	-	1,360	-	-	-	(1,360)	-	-	-
Payment of dividends [Note 21 (f)]	-	-	-	-	-	(338,154)	(338,154)	(8,400)	(346,554)
Purchase of non- controlling interest	-	-	-	-	-	-	-	(1,580)	(1,580)
Balance at 31 December 2011	1,690,770	846,745	312,000	(33,022)	(346,145)	9,792,462	12,262,810	541,040	12,803,850
Profit for the year	-	-	-	-	-	1,312,309	1,312,309	58,327	1,370,636
Other comprehensive income/(loss) for the year	-	-	-	946	(3,099)	-	(2,153)	(33,337)	(35,490)
Total comprehensive income for the year	-	-	-	946	(3,099)	1,312,309	1,310,156	24,990	1,335,146
Transfer from investment revaluation reserve to retained earnings	-	-	-	-	185,450	(185,450)	-	-	-
Transfer to statutory and legal reserves	-	1,640	-	-	-	(1,640)	-	-	-
Payment of dividends [Note 21 (f)]	-	-	-	-	-	(338,154)	(338,154)	-	(338,154)
NCI arising on acquisiton of a subsidiary (Note 11)	-	-	-	-	-	-	-	(25,545)	(25,545)
Additional contribution attributable to the new non-controlling interest shareholders arising on acquisition (Note 22)	-	-	-	-	-	-	-	44,958	44,958
Balance at 31 December 2012	1,690,770	848,385	312,000	(32,076)	(163,794)	10,579,527	13,234,812	585,443	13,820,255

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

**Consolidated Statement of Cash Flows
for the year ended 31 December 2012**

	Notes	2012		2011	
		AED'000	USD'000 Equivalent	AED'000	USD'000 Equivalent
Cash flows from operating activities					
Profit for the year		1,370,636	373,165	861,042	234,425
Adjustments for:					
Depreciation of property and equipment	13	144,270	39,279	158,961	43,278
Allowances for impairment	32	826,540	225,031	1,195,839	325,576
Loss/(gain) on sale of property and equipment	30	4,569	1,244	(15,824)	(4,308)
Gain from redemption of medium term loans	30	(14,526)	(3,955)	(31,859)	(8,674)
Fair value adjustment of other financial assets measured at FVTPL	29	(49,849)	(13,572)	13,189	3,591
Fair value adjustments of investment property	30	59,818	16,286	61,188	16,659
Net realized investment gain from sale of other financial assets measured at FVTPL	29	(14,224)	(3,873)	(7,373)	(2,007)
Dividend income from financial assets measured at FVTOCI	29	(47,525)	(12,939)	(43,056)	(11,722)
Net realized investment gain from sale of other financial assets measured at amortised cost	29	(95,607)	(26,030)	(42,888)	(11,677)
Loss on sale of loans and advances in a secondary market		-	-	2,571	700
Fair value adjustment - derivatives	30	11,868	3,231	9,216	2,509
Operating cash flow before changes in operating assets and liabilities		2,195,970	597,867	2,161,006	588,350
Decrease/(increase) in deposits with central banks		5,743,137	1,563,609	(4,478,593)	(1,219,328)
(Increase)/decrease in deposits and balances due from banks maturing after three months		(139,154)	(37,886)	2,971,127	808,910
(Increase)/decrease in loans and advances measured at amortised cost		(4,258,116)	(1,159,302)	2,276,477	619,787
(Increase)/decrease in Islamic financing and investment products measured at amortised cost		(207,379)	(56,460)	231,377	62,994
Decrease/(increase) in interest receivable and other assets	11	135,904	37,001	(588,843)	(160,317)
Increase in other financial assets carried at FVTPL		(715,978)	(194,930)	(428,710)	(116,719)
Decrease in repurchase agreements with banks		(1,349,796)	(367,491)	(863,828)	(235,183)
Increase/(decrease) in customers' deposits		2,253,635	613,568	(6,587,838)	(1,793,585)
(Decrease)/increase in Islamic customers' deposits		(217,948)	(59,338)	751,048	204,478
Increase/(decrease) in medium-term loans (not qualified as Tier 2 capital)		473,651	128,955	(1,101,900)	(300,000)
(Decrease)/increase in deposits and balances due to banks		(1,240,662)	(337,779)	1,184,744	322,555
Increase in insurance and life assurance funds	11	79,215	21,567	76,280	20,768
(Decrease)/increase in interest payable and other liabilities	11	(461,059)	(125,527)	685,267	186,569
Net cash flows generated by/(used in) operating activities		2,291,420	623,854	(3,712,386)	(1,010,721)

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

Consolidated Statement of Cash Flows
for the year ended 31 December 2012 (continued)

		2012		2011	
	Notes	AED'000	USD'000 Equivalent	AED'000	USD'000 Equivalent
Cash flows from investing activities					
Purchase of property and equipment	13, 11	(245,094)	(66,729)	(378,252)	(102,982)
Proceeds from sale of property and equipment		21,909	5,965	43,004	11,708
Purchase of investment properties	12	-	-	(93,105)	(25,348)
Net decrease in other financial assets measured at amortized cost		2,889,610	786,717	940,306	256,005
Net decrease in other financial assets measured at FVTOCI		536,964	146,192	12,285	3,345
Dividend income from other financial assets measured at FVTOCI		47,525	12,939	43,056	11,722
Cash received on acquisition of a subsidiary	11	71,930	19,583	-	-
Purchase of non-controlling interest		-	-	(1,580)	(430)
Net cash generated by investing activities		3,322,844	904,667	565,714	154,020
Cash flows from financing activities					
Dividend paid	21	(338,154)	(92,065)	(346,554)	(94,352)
Decrease in medium term loans (qualified as Tier 2 capital)		(3,598,593)	(979,742)	(135,263)	(36,826)
Additional contribution by non-controlling interest	22	44,958	12,240	-	-
Net cash used in financing activities		(3,891,789)	(1,059,567)	(481,817)	(131,178)
Net increase/(decrease) in cash and cash equivalents		1,722,475	468,954	(3,628,489)	(987,879)
Net foreign exchange difference		946	258	(13,539)	(3,686)
Cash and cash equivalents at 1 January		10,785,658	2,936,471	14,427,686	3,928,036
Cash and cash equivalents at 31 December	35	12,509,079	3,405,683	10,785,658	2,936,471

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