ANNUAL REPORT 2002

His Highness Sheikh Zayed bin Sultan Al Nahyan
President of the United Arab Emirates and Ruler of Abu Dhabi

His Highness Sheikh Maktoum bin Rashid Al Maktoum
Vice President & Prime Minister of the United Arab Emirates and Ruler of Dubai

Our Commitment

We are committed to putting our customers at the centre of all we do.

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We will serve their financial needs by providing Unique Value in every solution.

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Ours will be an exciting and rewarding place to work in, generating in turn Added Value for our shareholders and the community at large.

Contents

Mashreqbank psc Established in 1967

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Board of Directors

Chairman
Mr. Abdulla Bin Ahmed Al Ghurair
(Pictured on the right)

Vice-Chairman
Mr. Ali Rashid Ahmed Loutah

Director & Chief Executive Officer
Mr. Abdul Aziz Abdulla Al Ghurair
(Pictured on the left)

Directors
Mr. Abdul Aziz Hussain Salatt
Mr. Abdulla Nasser Bin Huwaillel
Mr. Mohammed Abdulla Al Ghurair
Mr. Abdulla Mohamed Ibrahim Obaid-Ullah

Chairman's Report

On behalf of the Board of Directors, I am pleased to present the Annual Report of Mashreqbank Group for the year 2002.The performance of your Bank during the year under review has been gratifying indeed.

Strategies in respect of new business development, growth, quality of earnings, risk management, revenue and cost control were all effectively deployed and resulted in more than satisfactory performance on all counts. 2002 was the first year of our 3-year Strategic Plan developed last year. The outstanding performance of this year has vindicated our strategy and the chartered path we paved for ourselves.

Financial performance

Effective balance sheet management to improve Return on Assets remained the cornerstone of our strategy. The Total Assets increased by 4% reaching AED 23.7 Billion. The selective growth in Advances across the targeted industry segments helped to increase Advances by 19% to reach AED 12.6 Billion as compared to AED10.5 Billion last year. Customer Deposits increased by around 4%. Advances to Customer Deposits ratio was optimized at 75% against last year's 65%. Liquidity remained very comfortable with Liquid Assets to Total Assets ratio at 42%. Equity (net of proposed dividend) to Total Assets ratio improved from 12.4% to 13.4%.

Due to optimal balance sheet usage and prudent Interest Rate Risk Management, all profitability indicators improved. Net Interest Income went up by 6.4%. Our emphasis on growing Commission Income by providing value-added services resulted in an increase of 24.4% in Commission Income. Growth in Fee and Other Income was also satisfactory at 6.1%. The Gross Income improved by 8.4% to reach AED 1.236 Billion.

Substantial increase in business volumes was largely supported by overall productivity improvements. Nevertheless, growth in Operating Expenses was substantially lower than revenue growth at 4%. Concerted efforts on Collection and Recovery of Bad Debts helped us to keep the Net Allowances for Bad and Doubtful Debts at AED 205 Million. The efforts in all directions as mentioned above brought significant improvement of around 25% in our Net Profit over last year, bringing it up to AED 504.9 Million. Return on Average Assets improved from 1.81% to 2.18% and Return on Average Equity from 15.1% to 16.9%. Earnings per share improved significantly from AED 56.6 to AED 70.5.

Inspite of higher profits, your Board has recommended a cash dividend of 30%, same as last year. This prudent measure will allow us to retain AED 290 Million to ensure that future growth in balance sheet is supported by adequate equity funds.

Operating Environment

Despite a gloomy economic scenario in the United States and large parts of Europe, the UAE economy remained buoyant during 2002. The political uncertainties in the region had marginal impact. Robust growth of non-oil economy witnessed in 2001 continued in 2002. Pragmatic policies of the Government, coupled with strong oil prices during the year, helped the economy and boosted the overall GDP of the country.

Buoyancy in the Real Estate sector went on unabated, with several large projects coming to the market. Large investments in petro-chemical industries and expansion of Dubal would enhance the Manufacturing sector's contribution significantly. Federal Government and the respective Emirates' investments for infrastructure development like roads, airports, power, aviation etc., contributed to growth in non-oil economy. Dubai, having established itself as a Tourism and Leisure Centre of the Middle East, attracted a large number of foreign visitors, which fuelled the growth of the service sector. Dubai Development and Investment Authority (DDIA) announced plans for a major Medical and Healthcare Centre. The proposed Dubai Healthcare City project is estimated to cost $ 1.8 billion. The developments initiated to stage the IMF-World Bank meeting in September 2003 in Dubai are close to completion. The proposed meeting will establish Dubai as a major Convention Centre in the Middle East giving a further fillip to its service sector.

All these developments and initiations will ensure increased economic activities in 2003 and beyond. Hence, prospects for the future will augur well for all the participants.

The year 2002 was the best year so far for the UAE banks. The interest rate reached at its lowest level, not seen for many decades. The credit demand which started picking up from the middle of last year remained high. The consumer confidence in the economy remained strong. Increased competition among banks led to further sophistication of the market by introducing innovative and complex products to meet the needs of the customer. Aggregate balance sheet of the banks increased by 2.1% in the first six months, whereas gross credit to residents and non-residents increased by 5%.

Outlook for 2003

The strong performance in the first year of our current Strategic Plan period has strengthened our resolve to achieve the lofty goals of our 3-year plan. Projections for 2003 have been drawn in the light of the current operating environment and in line with our 3-year plan. We always set stretched goals for ourselves and 2003 is no exception, notwithstanding, we are confident that with the support of all stakeholders we will achieve them. Our emphasis will be to further diversify our revenue streams, improve fee income, realize productivity gains and manage credit risk effectively. We will closely monitor and manage all financial and non-financial indicators and attain greater success in the year 2003.

Before I conclude, I would like to extend, on my behalf, and, on behalf of the Board, our thanks and appreciation for the dedicated efforts of the Chief Executive Officer and his professional team. This outstanding performance would not have been possible without their commitment and vision. I would also like to thank our customers and the Government for their continued support.

Thank you.

Abdulla Bin Ahmed Al Ghurair
Chairman

Important Indicators	2002	2001
Advances to Total Deposits	65%	56%
Liquidity (Liquid Assets to Total Assets)	42%	48%
Equity to Total Assets	13.4%	12.4%
Return on Average Equity (Pre-tax)	17%	16%
Return on Average Equity (After-tax)	17%	15%
Return on Average Assets (Pre-tax)	2.24%	1.92%
Return on Average Assets (After-tax)	2.18%	1.81%

Leadership Forum

Left to Right: Majid Husain, Ambi Venkateswaran, Omar Bouhadiba, Abdul Aziz Abdulla Al Ghurair
Ali Raza Khan, Nabeel Waheed, Steven Pinto, Irfan W. Malik

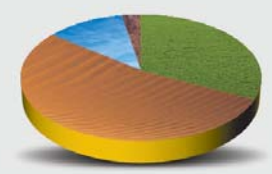
Chief Executive Officer's Review

The fiscal 2002 was the year of all-round achievements for Mashreqbank. Our key objectives of building our franchise, delivering superior financial results and positioning Mashreqbank for long-term future success were well accomplished. All key performance indicators were improved. Our business goals in terms of revenue diversification, productivity gains, emiratisation of workforce, strengthening of franchise, streamlining of decision-making process and development of our human resources were met.

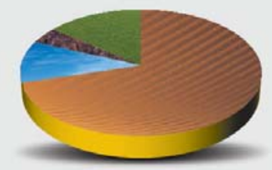
It is our belief that for a sustainable long-term growth, we need to have an agile organisation which promotes innovation, encourages empowerment, values sense of urgency and develops leaders who accept challenges. It is the mindset of our business leaders along with the right resources and tools which ensures the achievement of organisational shared vision and goals. I am delighted to say that our efforts and investments in creating such an organisation have been amply rewarded.

In our pursuit for excellence, we constantly review our systems, policies, processes and organisational structure and reposition it in line with changing market reality. We keep developing competencies of our home grown leaders to meet the challenges of the fast-changing financial world and also add to the management pool by inducting fresh blood as and when needed. During the year, we strengthened our Credit Risk Management and Compliance functions by reorganising them. The changed processes within Credit Risk Management will ensure timely decision-making and greater accountability. The Compliance function was made more effective by restaffing it and institutionalizing the compliance culture across all businesses within the bank.

Classification of Assets	2001	2002
Cash and Bank Balances	42.3%	**32.3%**
Advances	46.4%	**53.1%**
Investments	8.4%	**11.7%**
Other Assets	2.9%	**2.9%**



Classification of Liabilities	2001	2002
Customer Deposits	71.0%	**70.6%**
Bank Deposits	11.7%	**10.7%**
Long Term and Other Liabilities	4.0%	**4.4%**
Shareholders' Funds	13.3%	**14.3%**



Commercial Banking

The year in review has proven to be another successful year for Commercial Banking. Solid revenue growth together with strict discipline on expenses and a culture of sound risk management have made this performance possible.

The quality of earnings has also improved, with fees and commission increasing to 51% of total revenues, compared to 46% in 2001. The strategy to leverage off the balance sheet further helped raise RAROC to 16.75% from 16.05% in 2001.

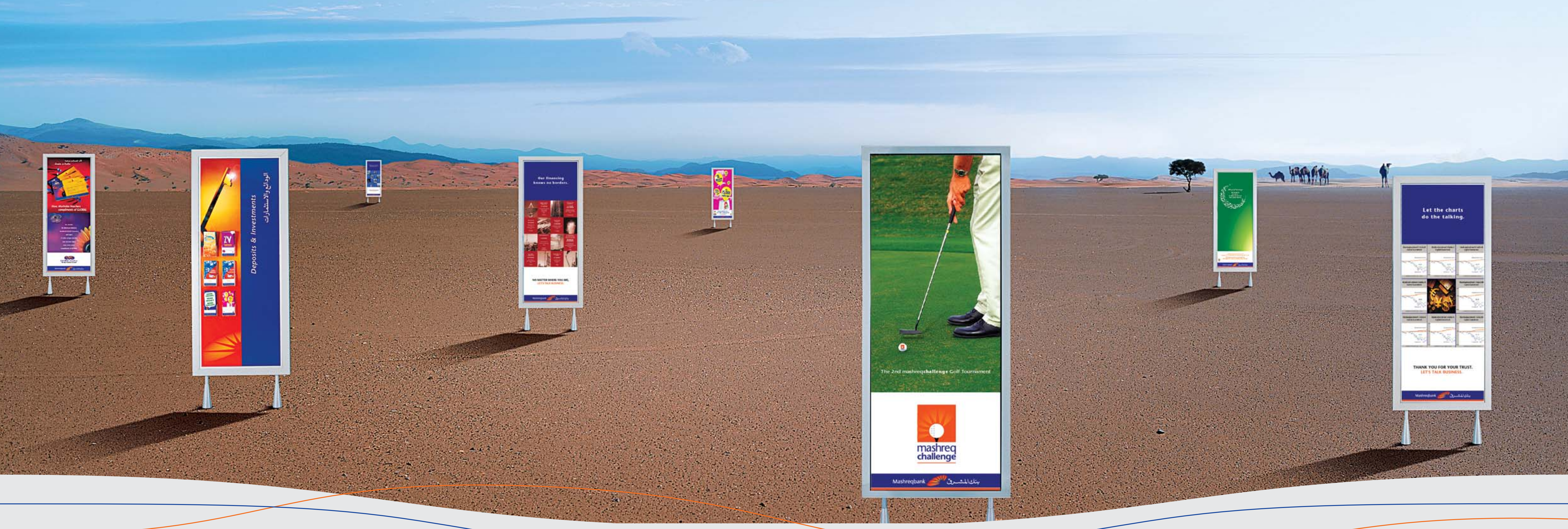
A well-planned and executed campaign helped enhance our relationship with some of the most prominent business houses and Government entities in the country, including Emirates Airlines, DUBAL, ENOC, Etisalat and the upcoming Dubai International Financial Centre. The Project Finance Unit had also a particularly successful year with the Bank playing a senior role in some of the major transactions in the region. Among those are the refinancing of Oman LNG and Qatar Fuel Additives Co., in addition to financing new projects such as Oman India Fertilizer Co. and Ajman Waste Water Project. Meanwhile, the Contracting Finance Division continued to support contractors on developing landmark projects, both in the UAE and the region. The Palm Island, West Marina Towers, Abu Dhabi Conference Palace, ADIA Headquarters in UAE, San Stefano Complex in Egypt and Shaikh Khalifa Bin Salman Bridge in Bahrain, are among such projects. Infrastructure projects on the other hand includes Shuwaihat Water Desalination Plant, Ruwais/ Shuwaihat Gas Pipeline in UAE, Ras Laffan Water Pipeline in Qatar, Sulaibya Waste Water Treatment Plant in Kuwait and the Alexandria Gas Network scheme in Egypt. Mashreqbank is now prepared more than ever to extend its corporate finance support to such high profile transactions and enhance its leading position in the local and regional markets.

In line with a new strategy devised for international division, the focus has moved to GCC countries. A new unit, which operates out of the head office, has been made responsible for soliciting business from high profile Sovereign borrowers, Government-owned corporations and major private sector corporate entities. In line with the second part of the strategy, the international branch network has been restructured. Mashreqbank is in the process of exiting from Sri Lanka and Pakistan.

The Internet Banking platform was renamed as mashreqbusinessonline. The inquiry module was made more user-friendly, a number of new features were added and a new transaction module has been developed and tested. The new platform allows corporate customers to make payments to other accounts and to other banks, issue pay orders and demand drafts, open letters of credit and guarantees and pay their salaries. The enhancement of our Internet Banking offering places Mashreqbank at the forefront of banks providing web-based platform in the country.

Additionally, the Group has developed a series of Cash Management products that will provide a comprehensive, multi-channel collection and reconciliation package to small and large-sized customers.

The future looks most promising for Commercial Banking. We have positioned ourselves as an innovative and aggressive bank that has regularly brought to the market new initiatives. We will continue to leverage off our strengths to generate more revenues, reduce the reliance on risk assets, improve profitability and optimize the risk/return ratio.



Retail Banking

The Retail Banking Group has had a very strong performance this year with every segment of the business making a solid contribution. The Group comprises our branch retail franchises in the UAE and Qatar as also the retail elements of Osool finance. A well-honed, three-year strategy that leverages the key strengths of the Bank was put in place at the start of the year. It envisaged an improvement in the competitive position of existing products and services, the testing of new initiatives such as Retail Investment and Insurance products, a significant enhancement in distribution and delivery capability and tighter management of Risk and Cost factors. Execution of this strategy has been the task of a team of professionals.

As a local national institution, it has been our endeavor to be an "all things to all people" financial services provider.
In aggregate, we are today the leading Retail Financial institution, considering that we bank almost one in two bankable households in the country. In every segment, it is our goal to be amongst the top three in market share and there has been very strong focus to achieving this goal.

The GLOBAL packaged Current Account is a unique offering which has taken day-to-day banking to new heights, for not only does it offer unrestricted premium service but also a whole package of benefits ranging from free Credit Cards to Auto-assist services to Marhaba Airport Services.

The Consumer Loans business has been an extremely competitive affair, as with falling Corporate Loan spreads, more and newer banks have entered the arena.
We welcome competition as most often it spurs new demand and market growth.
We have consistently focused on building value propositions for customers which are both viable and sustainable over time – an approach which has also helped profitability this year.

Our Credit Card and Merchant Sales business has performed most impressively this year, contributing strongly to the Mashreqbank brand.
We are now market leaders in the share of new Cards issued, and the underlying profitability of this business has recorded significant growth as delinquencies and losses have been minimized.

We continue to add new building blocks to our already formidable Retail franchise. During the year, we have very successfully embedded Retail Investment products into our core offerings.
The business in Qatar has grown, with the addition of one new branch and expansion of the product range.
Insurance products have also been added to the range during the year with some mentionable success.

Mashreqbank's promise that the 'Sun never sets for You' has been most amply fulfilled with a full choice of channels now available to customers to access their account – from branches to ATM's to telephone, mobile phone and the Internet.
We added two new branches in the UAE. We have also retained the services of a leading international firm to assist us in designing and re-modelling our branches to contemporary standards.

The Retail Business revolves around optimizing customer-driven revenues, delivery costs and Credit losses.
Over the past year, we have significantly refined our business model, striking a fine balance between these key variables.
We are exceedingly pleased with the development of our Retail franchise which is staffed by a group of fine professionals, driven by the most contemporary technology and which serves every meaningful market niche with value-added products and services.

Correspondent Banking

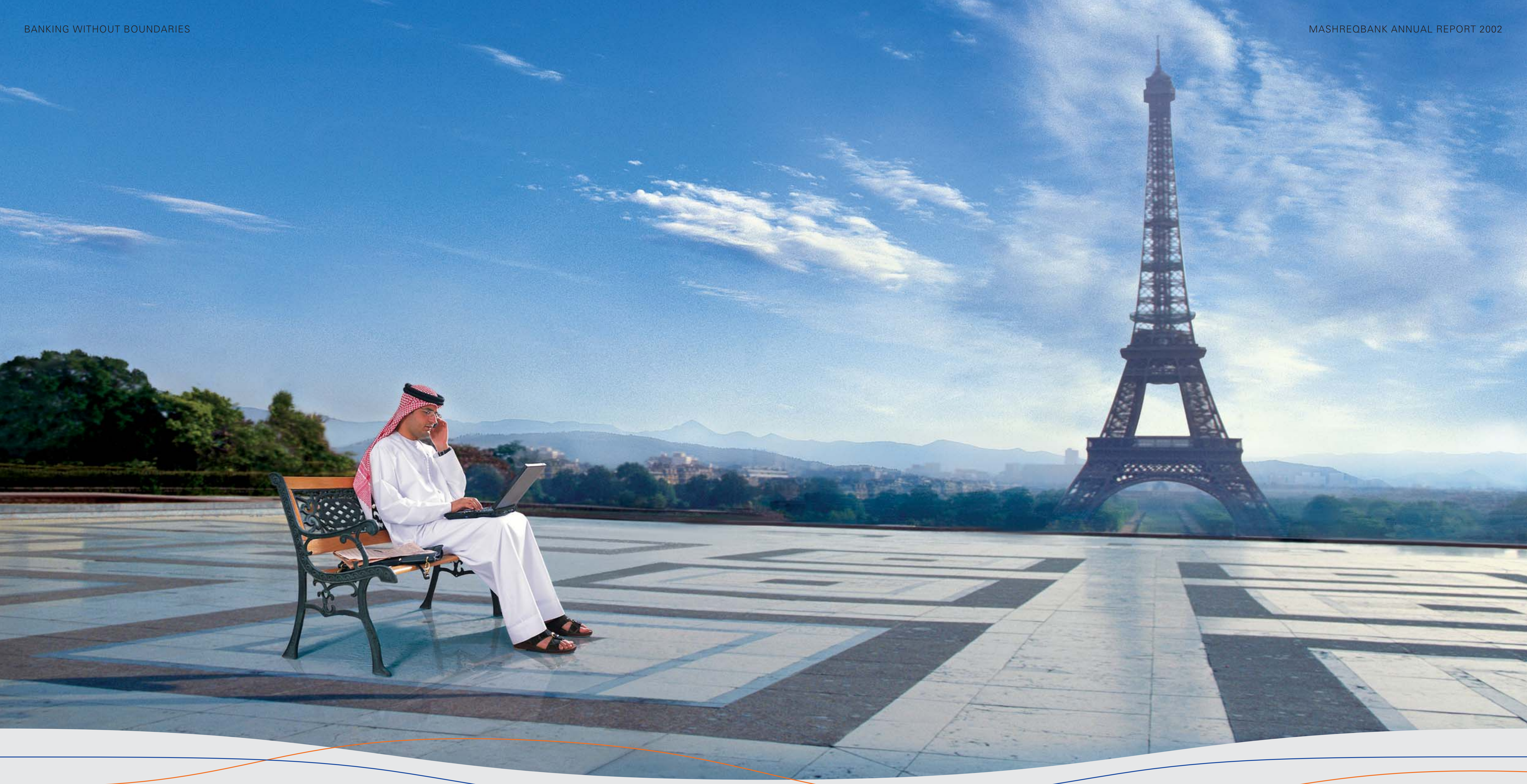
2002 was a record year for our correspondent banking business.
The strategies put into place in the earlier years have proved to work for us.
Not only the revenue from correspondent banking business has increased over the periods but its quality has also improved.
This year the fee-based income has shown a significant jump besides the overall revenue growth whereas quality of the portfolio was maintained.

Credit guidelines have been made more stringent along with the restructuring and improvement briefed in the Credit Management section. A new Internet based cross-border exposure management system was implemented to facilitate online monitoring of Bank/FI risk as well as support in quick business decision-making.

The focus of the business has remained Trade Finance and related Cash Management. The strategy was of overall growth through better service, capitalization of the existing relationships and cautiously opening up new markets.
New online product/service has been introduced for customers having an account relationship with us in New York.
The same service will be introduced from other Correspondent Banking Units in the next year. This was in addition to our aim and developed flexibility to packaging each and every product and service for the customers on individualized basis for most of the time.

As indicated last year, we have also been able to further expand our alliances with other banks to source more indirect business. We have plans to continue with this strategy and have a greater push in this area next year. Similarly, as planned, we have developed our London branch into Euro Clearing Centre for our customers. We are now member of a Euro Clearing System and would be able to position ourselves for new business and serve our existing customers better.

Correspondent Banking will remain our fast-growing business line as it diversifies our revenue and portfolio base, positively.



Treasury & Capital Markets

Treasury & Capital Markets continued to be a strong contributor to Mashreqbank's earnings. The product scope was enhanced from foreign exchange to exotic derivative products across the board for all major markets. The focus was in providing innovative solutions to meet the individual customer investment and hedging requirements in foreign exchange, interest rates, and equities.

Investment Management prospered as a business and the Bank successfully launched and closed various principal guaranteed funds diversified across asset classes. In such times of continuing global economic and market uncertainties, our focus remained on introducing defensive investment opportunities. The Treasury Group brought to market the best-in-class investment products which were successfully offered to both, Corporate/Institutional and Retail customers.

The Bank successfully launched a principal secured Islamic Investment Product during the year to meet the growing need of the franchise. This was the Bank's first venture into Islamic Finance and it served as an extension to the philosophy of capital preservation.

Treasury & Capital Markets serve Mashreqbank's clients to meet their investment needs, locally and internationally.

Our subsidiary, MashreqSecurities is an accredited broker at Dubai Financial Markets.

Our business model in Treasury & Capital Markets evolves around customer relationships and anticipating investor requirements, and we will endeavor to expand our product offerings to satisfy these needs.

Risk Management

During the year, the Credit Risk Management function at Mashreqbank was considerably strengthened in line with our strategy to build a robust credit culture across the Bank.

Credit Risk Management encompasses credit policy, portfolio management and credit approvals across all businesses of Mashreqbank. The function seeks to adopt and institutionalize the best industry practices in terms of underwriting standards, quality of credit analysis, response time to clients, effective control of risk assets and allocation of capital.

Credit Risk Managers have independent decision-making authority, and are active partners with the business in terms of growing a strong and profitable asset portfolio within acceptable parameters of risk.

Credit Risk Management within all businesses was consolidated Bank-wide bringing greater focus to the function. It has also brought uniformity in credit risk evaluation and monitoring. Mashreqbank credit policy is reviewed on a continual basis to update it based on the changing market conditions and changing risk factors across industry segments and lines of businesses. Collection and recovery of delinquent debts came under closer focus with very encouraging results. During the coming years, Mashreqbank's internal risk rating methodology will be reviewed in preparation of the new Basel II Capital Accord implementation.

Mashreqbank as a policy carries a very limited market risk in its portfolio which is closely monitored. The interest rate risk is measured and monitored regularly by using Simulation Modeling tools.

Risk Review at Mashreqbank comprises of Corporate Credit Portfolio Review, Consumer Loan Examination, Audit, and now Compliance. Compliance was institutionalized during the year as a new initiative in view of the need to increase the focus on both Regulatory and Anti-Money Laundering matters which have received so much attention internationally.

Risk Review not only undertakes to pre-empt, monitor, help resolve issues relating to composite risks as they arise across the risk spectrum in the banking business, but also, with the resources available to it, is in a position to analyze risk in all its dimensions from end-to-end. Its independence and its unique vantage point allow proactive participation in identifying and quantifying risks. The diversity and complexity of the risks, from the traditional credit risk and market risk through to operational risk, that affect the business are actively monitored/analyzed as the business evolves and risk mitigation solutions put in place.

Productivity and Efficiency

In order to remain competitive in the market, we constantly look for ways and means to improve productivity.

Use of Information Technology remains our mainstay in this endeavor. During the year, we took significant steps to upgrade our technology platform. New peripheral systems were introduced to support the innovative product launches, be it Investment Management, Cash Management or Internet banking offering. We acquired state-of-the-art Retail Lending and Collection processing capability which will provide us the added advantage of updating our credit scoring and collection systems. As a prelude to the introduction of the Smart Card technology, we upgraded our POS machines to handle Smart Cards and also acquired Smart Card management software, which will provide us the capability of realising the full potential of Smart Cards.

We selectively used the option of partnering with industry leaders to manage services like Print Room operations, Mail Room operations and Cheque Book production. These initiatives gave us tremendous advantage towards improving quality and reducing cost.

Business processes were reviewed and rationalised in critical areas to do more with less in shorter period. The major success story was the Retail Loan process which was reengineered from end-to-end improving the turnaround time by 50%.

Human Resources Management

We, being in the service industry, believe that Human Resources are our most valuable assets. We scout not only for the best talent in the market but also develop in-house talent to match the best-in-class. Our commitment to people is to be an exciting and rewarding place to work in. Our reward, besides market-linked financial compensation, includes opportunitie to learn, liberating their creativity and empowerment to act within the banking norms. It is our intention and fulfillment of our promise that makes Mashreqbank the preferred employer in the market.

During the year, we introduced Incentive schemes and a revised Reward strategy which promotes and encourages performance based culture. Our investment in employee learning is second to none in the market. Mashreqbank's most modern Learning Centre is busy round the year providing training in technical and soft skills. During the year, 135 programs were organised and a total of 2978 participants went through these programs.

Mashreqbank has an aggressive Emiratisation agenda and is in the forefront of attracting national talent by participating in career fairs and on-campus recruitment. We also arrange summer learning programs and work placements for local schools/colleges to help youngsters to understand the dynamics of the business world. During the year, Mashreqbank recruited 80 nationals. We have as a policy made 30% of all offers to nationals during the year.

Conclusion

We are proud of our performance of 2002 as we have been able to provide value-added products and services to our customers, satisfied the financial and self-development needs of our employees, provided a higher return to our shareholders and contributed to the community. The excellent performance during the year bygone has also raised the bar for us. Understandably, the expectations of our stakeholders will be higher for the next year. However, enormity of the task has not daunted our resolve. Without underestimating the unpredictability of the future, we have done our best to face it with preparedness and conviction. I have a talented and motivated team and together we are committed to deliver even better performance next year.

Thank you.

Abdul Aziz Abdulla Al Ghurair
Chief Executive Officer

Worldwide Presence

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Fax: 04-8816628

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Fax: 04-3367803

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Fax: 04-3212574

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Fax: 06-5745334

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Fax: 06-8822416

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Fax: 09-2443831

Kalba
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Fax: 09-2778950

Khorfakkan
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Fax: 09-2387189

Ras Al Khaimah
Ras Al Khaimah Main
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Al Nakheel
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Umm Al Quwain
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Tlx: 44712 MSHQ PK

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Fax: (973) 213516
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9566 MSHQ BN

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971943 MSHQ NY

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Tlx: 46030 OIC EM

Osool – A Finance Co. (10 Branches In UAE)
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Mashreq Securities LLC
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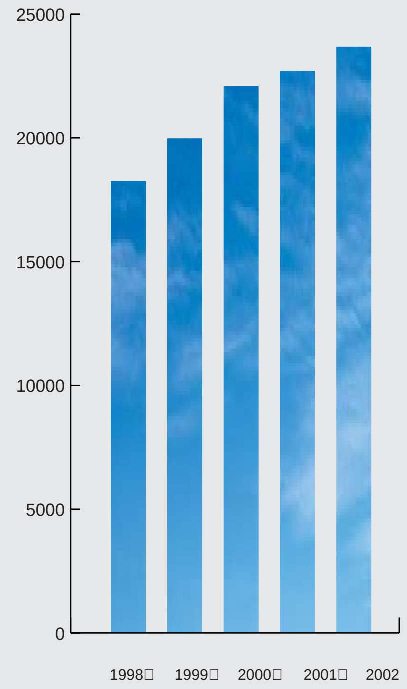
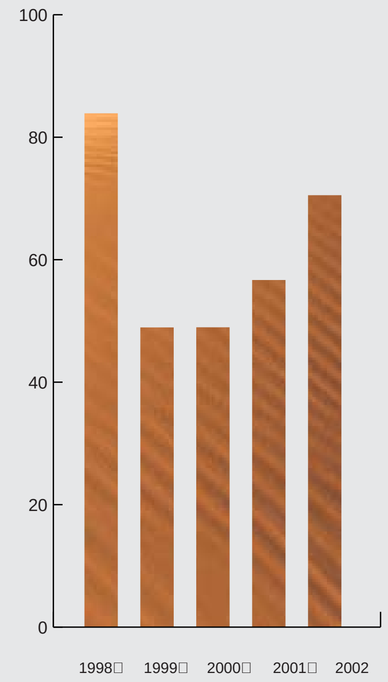
Financial Highlights

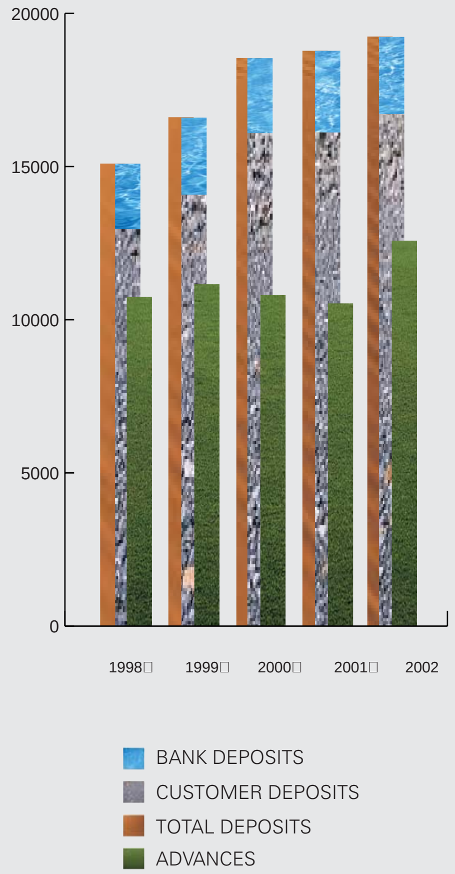
TOTAL ASSETS
(MILLION DIRHAMS)



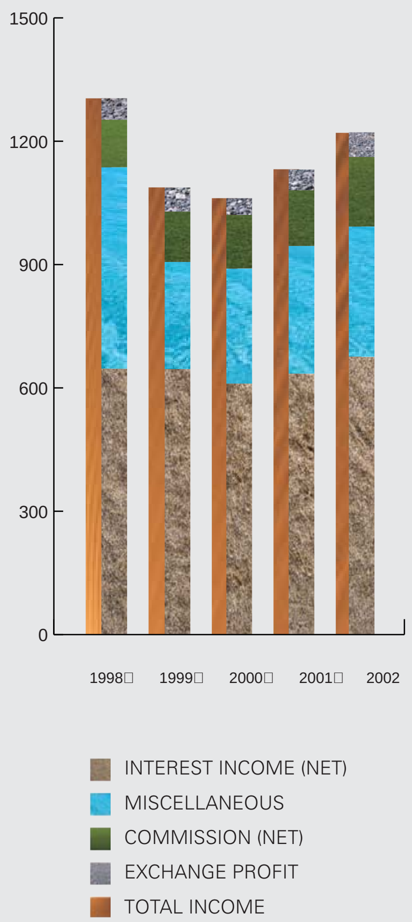
EARNINGS PER SHARE (AFTER TAX)
(DIRHAMS)



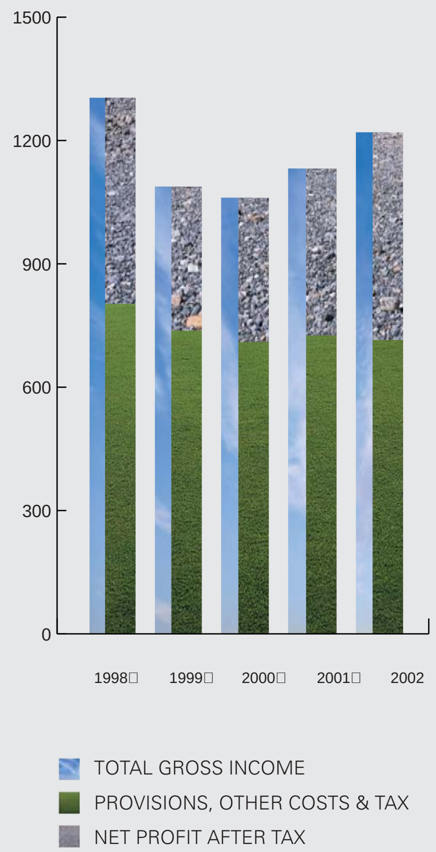
CUSTOMER DEPOSITS
BANK DEPOSITS AND ADVANCES
(MILLION DIRHAMS)



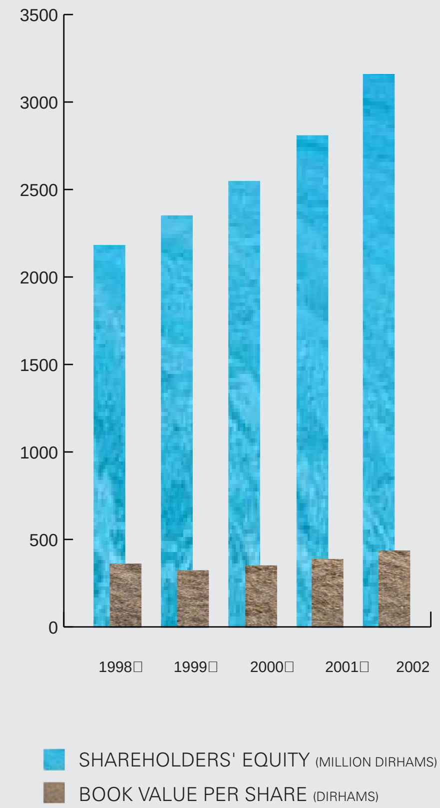
TOTAL INCOME
(MILLION DIRHAMS)



GROWTH PATTERN OF GROSS INCOME,
OPERATING COSTS AND NET PROFITS
(AFTER TAX)
(MILLION DIRHAMS)



SHAREHOLDERS' EQUITY
AND BOOK VALUE PER SHARE



INDEPENDENT AUDITOR'S REPORT

The Shareholders
Mashreqbank psc
Dubai
United Arab Emirates

We have audited the accompanying consolidated balance sheet of **Mashreqbank psc** ("the Bank") and its Subsidiaries (collectively "the Group") as of December 31, 2002 and the related consolidated statements of income, changes in equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Directors of the Group. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2002 and the consolidated results of its operations and its cash flows for the year then ended in conformity with International Accounting Standards.

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

Deloitte & Touche

Dubai
January 12, 2003

Musa F. Dajani (Reg. No. 323)

CONSOLIDATED BALANCE SHEET

as at December 31

		2002		2001	
	Note	**AED'000**	**US$'000 Equivalent**	AED'000	US$'000 Equivalent
Assets					
Cash and balances with central banks	3	**3,079,178**	**838,328**	5,895,498	1,605,090
Deposits and balances due from banks	4	**4,563,578**	**1,242,466**	3,697,284	1,006,612
Loans and advances (net)	5	**12,582,010**	**3,425,540**	10,533,761	2,867,891
Interest receivable and other assets	6	**503,484**	**137,077**	456,215	124,208
Investments in securities	7	**2,660,916**	**724,453**	1,792,378	487,987
Investment property	8	**112,099**	**30,520**	111,767	30,429
Fixed assets	9	**181,915**	**49,528**	213,117	58,022
Total assets		**23,683,180**	**6,447,912**	22,700,020	6,180,239
Liabilities					
Customers' deposits	10	**16,713,671**	**4,550,414**	16,111,790	4,386,548
Deposits and balances due to banks	11	**2,529,103**	**688,566**	2,666,013	725,841
Insurance and life assurance funds	12	**97,273**	**26,483**	77,254	21,033
Long-term loans	13	**57,065**	**15,537**	62,904	17,126
Interest payable and other liabilities	14	**766,874**	**208,787**	641,247	174,583
Total liabilities		**20,163,986**	**5,489,787**	19,559,208	5,325,131
Minority interest	15	**139,474**	**37,973**	110,686	30,135
Shareholders' equity					
Share capital	16(a)	**715,864**	**194,899**	715,864	194,899
Statutory and legal reserves	16(b)	**366,770**	**99,856**	362,324	98,645
General reserve		**312,000**	**84,944**	312,000	84,944
Cumulative translation adjustment		**(119,387)**	**(32,504)**	(121,199)	(32,997)
Cumulative changes in fair values and other reserves		**127,365**	**34,676**	69,722	18,982
Retained earnings		**1,762,349**	**479,811**	1,476,656	402,030
		3,164,961	**861,682**	2,815,367	766,503
Proposed dividend		**214,759**	**58,470**	214,759	58,470
Total shareholders' equity		**3,379,720**	**920,152**	3,030,126	824,973
Total liabilities and shareholders' equity		**23,683,180**	**6,447,912**	22,700,020	6,180,239

Abdulla Bin Ahmed Al Ghurair
Chairman

Abdul Aziz Abdulla Al Ghurair
Chief Executive Officer

The accompanying notes form an integral part of these consolidated financial statements.
The financial statements on pages 25 to 45 were approved and signed on January 12, 2003.

CONSOLIDATED STATEMENT OF INCOME

for the year ended December 31

	Note	2002 AED'000	2002 US$'000 Equivalent	2001 AED'000	2001 US$'000 Equivalent
Interest income		**1,073,687**	**292,319**	1,404,401	382,358
Interest expense		**(398,756)**	**(108,564)**	(769,861)	(209,600)
Net interest income		**674,931**	**183,755**	634,540	172,758
Net commission income		**168,983**	**46,007**	135,866	36,991
Other income	18	**391,894**	**106,695**	369,394	100,570
		1,235,808	**336,457**	1,139,800	310,319
General and administrative expenses	19	**(497,190)**	**(135,363)**	(478,149)	(130,180)
Allowances for loans and advances, investments and others (net of recoveries)		**(204,796)**	**(55,757)**	(223,810)	(60,934)
Income before taxes and minority interest		**533,822**	**145,337**	437,841	119,205
Income taxes		**(13,531)**	**(3,684)**	(24,088)	(6,558)
Net income before minority interest		**520,291**	**141,653**	413,753	112,647
Minority interest		**(15,393)**	**(4,191)**	(8,011)	(2,181)
Net income for the year		**504,898**	**137,462**	405,742	110,466
Earnings per share	20	**AED 70.53**	**US$ 19.20**	AED 56.68	US$ 15.43
Proposed dividend per share		**AED 30**	**US$ 8.17**	AED 30	US$ 8.17

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended December 31

	Note	Share capital AED'000	Statutory and legal reserves AED'000	General reserve AED'000	Cumulative translation adjustment AED'000	Cumulative changes in fair values and other reserves AED'000	Retained earnings AED'000	Proposed dividend AED'000	Total AED'000	Total US$'000
Balance at January 1, 2001		715,864	361,769	312,000	(121,826)	-	1,286,228	157,490	2,711,525	738,231
Effect of implementation of IAS 39 at January 1, 2001		-	-	-	-	-	109,086	-	109,086	29,699
Effect of implementation of IAS 40 at January 1, 2001		-	-	-	-	-	15,775	-	15,775	4,295
Transfer to cumulative changes in fair values of investment properties		-	-	-	-	15,775	(15,775)	-	-	-
Transfer of cumulative changes in fair value of securities		-	-	-	-	109,086	(109,086)	-	-	-
Change in fair value of investment during the year		-	-	-	-	(24,918)	-	-	(24,918)	(6,784)
Net profit for the year		-	-	-	-	-	405,742	-	405,742	110,466
Transfer to statutory and legal reserves		-	555	-	-	-	(555)	-	-	-
Proposed dividend		-	-	-	-	-	(214,759)	214,759	-	-
Dividend paid		-	-	-	-	-	-	(157,490)	(157,490)	(42,877)
Overseas entities' translation adjustment		-	-	-	627	-	-	-	627	171
Minority interest in cumulative change in fair values	15	-	-	-	-	(30,221)	-	-	(30,221)	(8,228)
Balance at December 31, 2001		**715,864**	**362,324**	**312,000**	**(121,199)**	**69,722**	**1,476,656**	**214,759**	**3,030,126**	**824,973**
Change in fair value of investment during the year		**-**	**-**	**-**	**-**	**78,308**	**-**	**-**	**78,308**	**21,320**
Net profit for the year		**-**	**-**	**-**	**-**	**-**	**504,898**	**-**	**504,898**	**137,462**
Transfer to statutory and legal reserves		**-**	**4,446**	**-**	**-**	**-**	**(4,446)**	**-**	**-**	**-**
Proposed dividend		**-**	**-**	**-**	**-**	**-**	**(214,759)**	**214,759**	**-**	**-**
Dividend paid		**-**	**-**	**-**	**-**	**-**	**-**	**(214,759)**	**(214,759)**	**(58,470)**
Overseas entities' translation adjustment		**-**	**-**	**-**	**1,812**	**-**	**-**	**-**	**1,812**	**493**
Minority interest in cumulative change in fair values	**15**	**-**	**-**	**-**	**-**	**(20,665)**	**-**	**-**	**(20,665)**	**(5,626)**
Balance at December 31, 2002		**715,864**	**366,770**	**312,000**	**(119,387)**	**127,365**	**1,762,349**	**214,759**	**3,379,720**	**920,152**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31

	2002		2001	
	AED'000	**US$'000 Equivalent**	AED'000	US$'000 Equivalent
Cash flows from operating activities:				
Net income for the year	**504,898**	**137,462**	405,742	110,466
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation of fixed assets	**47,911**	**13,044**	48,916	13,318
Cumulative translation adjustment, net	**1,812**	**493**	627	171
Allowance for impairment of loans and advances	**264,127**	**71,911**	205,903	56,058
Impairment in investments	-	-	9,304	2,533
Gain on sale of fixed assets	**(39,610)**	**(10,784)**	(1,286)	(350)
Gain on sale of trading investment	**(25,675)**	**(6,990)**	(11,789)	(3,210)
Changes in operating assets and liabilities:				
Increase in deposits with central banks for regulatory purposes	**(58,513)**	**(15,931)**	(17,765)	(4,837)
Increase in bank deposits maturing after three months	**(519,103)**	**(141,329)**	(336,920)	(91,729)
(Increase)/decrease in advances to customers	**(2,312,377)**	**(629,561)**	411,645	112,073
Increase in interest receivable and other assets	**(47,269)**	**(12,869)**	(69,020)	(18,791)
Increase in trading securities	**(823,137)**	**(224,105)**	(5,623)	(1,531)
Increase in customer deposits	**601,881**	**163,866**	23,294	6,342
Decrease in long-term loans	**(5,838)**	**(1,590)**	(9,591)	(2,611)
(Decrease)/increase in deposits and balances due to banks	**(136,910)**	**(37,275)**	210,143	57,213
Increase in insurance and life assurance funds	**20,019**	**5,450**	3,936	1,072
Increase in interest payable and other liabilities	**125,627**	**34,203**	35,493	9,663
Net cash (used in)/provided by operating activities	**(2,402,157)**	**(654,005)**	903,009	245,850
Cash flows from investing activities:				
Purchase of fixed assets	**(31,069)**	**(8,459)**	(16,034)	(4,365)
Proceeds from sale of fixed assets	**53,970**	**14,694**	8,905	2,424
Sale/(purchase) of non-trading investments, net	**37,585**	**10,233**	(248,609)	(67,685)
Net cash provided by/(used in) investing activities	**60,486**	**16,468**	(255,738)	(69,626)
Cash flows from financing activities:				
Dividend paid	**(214,759)**	**(58,470)**	(157,490)	(42,877)
Minority interest	**28,788**	**7,838**	794	216
Net cash used in financing activities	**(185,971)**	**(50,632)**	(156,696)	(42,661)
(Decrease)/increase in cash and cash equivalents (Note 22)	**(2,527,642)**	**(688,169)**	490,575	133,563

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2002

1 Status and activities

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

During the year the Bank entered into an "agreement to sell" its Sri Lanka Branch effective April 1, 2002 and also agreed to spin off its Pakistan Branches into a specially formed company in which Mashreqbank will hold a minority stake (Note 32). Since these arrangements are not yet finalized, these branches continue to be included in these consolidated financial statements.

At December 31, 2002, Mashreqbank psc Group ("the Group") comprises the Bank and its following subsidiaries:

	Country of incorporation	**Ownership interest %**
Mashreq Asia Limited	Hong Kong	100
Osool - A Finance Company	United Arab Emirates	98
Oman Insurance Company Limited	United Arab Emirates	63.65
Mindscape Information Technology	United Arab Emirates	99
Mashreq Securities LLC	United Arab Emirates	99

Ersaal FZ LLC, a 99% owned subsidiary, which was included in the consolidated Group accounts in 2001 was dissolved in the current year.

2 Significant accounting policies

(a) Accounting convention

(i) The consolidated financial statements of Mashreqbank psc Group are prepared under the historical cost convention, except for certain financial instruments and investment property which are carried at fair value, using International Accounting Standards as issued by the International Accounting Standards Committee.

(ii) Basis of consolidation

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

(b) Changes in accounting policies

Effective January 1, 2001, the Group adopted IAS 39 "Financial Instruments: Recognition and Measurement". This resulted in changes in the accounting policies of the Group in respect of recognition and measurement of derivatives, as well as the measurement of certain non-derivative financial instruments.

Also, with effect from January 1, 2001, the Group adopted IAS 40, Investment Property. This resulted in changes in the accounting policy of the Group in respect of recognition and measurement of investment property.

(i) Derivative financial instruments

As at the beginning of the financial year 2001, the Group recognized for the first time the fair value of all derivative financial instruments in its balance sheet as either assets or liabilities at their fair values. Gains or losses (net of adjustments to related assets or liabilities) on fair value hedges at December 31, 2000 were adjusted against the balance of retained earnings on January 1, 2001.

(ii) Non-derivative financial instruments

Effective January 1, 2001, the Group reclassified its investments into "originated loans and receivables", "held to maturity", "available for sale" and "trading" and re-measured to fair value those investments classified as "available for sale". The gain or loss on re-measuring to fair value was taken to retained earnings on January 1, 2001. As permitted by IAS 39, the Bank elected that subsequent changes in fair value relating to "available for sale" investments will be taken to equity.

(iii) Effect of the changes in accounting policy with respect to IAS 39 and IAS 40

In accordance with the transitional provisions of IAS 39 and IAS 40, the Group had elected to account for the changes in accounting policies with effect from January 1, 2001 and not to restate fiscal 2000 comparative amounts. In relation to this change in policy, the effect of the change has been to increase the carrying amount of investments by AED 109.1 million and AED 15.775 million respectively with a corresponding increase to the opening retained earnings as of January 1, 2001. This adjustment had been reflected in the statement of changes in equity for the year ended December 31, 2001.

(c) Trade and settlement date accounting
All regular way purchases and sales of financial assets are recognized on the settlement date.

(d) Derivative financial instruments and hedging

Derivative financial instruments including forward foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, currency and interest rate options (both written and purchased) are initially measured at cost and are subsequently re-measured at fair value. All derivatives are carried at their fair value in assets where the fair value is positive and in liabilities where the fair value is negative.

Fair values are generally obtained by reference to quoted market prices, discounted cash flow models and pricing models as appropriate.

Any changes in the fair value of derivatives that are held for trading purposes are taken directly to income for the period and disclosed in trading income. Derivatives held for trading also include those derivatives, which do not qualify for hedge accounting described below.

For the purpose of hedge accounting, hedges are classified into two categories: (a) fair value hedges which hedge the exposure to changes in the fair value of a recognized asset or liability; and (b) cash flow hedges which hedge exposure to variability in cash flows that are either attributable to a particular risk associated with a recognized asset or liability, or a forecasted transaction / firm commitment that will affect future reported net income.

In order to qualify for hedge accounting, it is required that the hedge should be expected to be highly effective, i.e., the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item and should be reliably measurable. At inception of the hedge, the risk management objective and strategy is documented including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Bank will assess the effectiveness of hedging relationship. Subsequently, the hedge is required to be assessed and determined to be an effective hedge on an ongoing basis.

In relation to fair value hedges, which meet the criteria for hedge accounting, any gain or loss from re-measuring the hedging instruments to fair value is recognized in the statement of income.

In relation to cash flow hedges which meet the criteria for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized initially in other reserves under shareholders' equity and the ineffective portion, if any, is recognized in the statement of income. For cash flow hedges affecting future transactions, the gains or losses recognized in other reserves, are transferred to the statement of income in the same period in which the hedged transaction affects the statement of income. Where the hedged forecasted transaction or firm commitment results in the recognition of an asset or a liability, then, at the time the asset or liability is recognized, the associated gains or losses that had previously been recognized in other reserves are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability. For all other cash flow hedges, gains or losses recognized initially in other reserves are transferred to the statement of income in the period in which the hedged transaction impacts the statement of income.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point of time, any cumulative gain or loss on the cash flow hedging instrument that was recognized in other reserves is retained in shareholders' equity until the forecasted transaction occurs. Where the hedged forecasted transaction is no longer expected to occur, the net cumulative gain or loss recognized in other reserves is transferred to the statement of income for the period.

(e) Revenue recognition

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

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

(f) Foreign currencies

The reporting currency of the Group is the U.A.E. Dirham (AED). However, for presentation purposes only, additional columns for US Dollar equivalent amounts have been presented in the consolidated financial statements.

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

Monetary assets and liabilities of foreign branches and subsidiaries are translated into U.A.E. Dirhams at the rates of exchange ruling at the year end, and non-monetary assets and liabilities are translated at historical rates of exchange. Income and expenses are translated at average rates of exchange during the year. The resulting differences are included under shareholders' equity as cumulative translation adjustment.

(g) Loans and advances

Loans and advances are stated at cost less any amounts written off and allowance for impairment. They include investments in debt instruments acquired from the original issuer, which are classified as "originated loans and receivables".

Allowance for impairment is made against loans and advances when their recovery is in doubt and as per Central Bank guidance taking into consideration IAS 39 requirements for fair value measurement.

(h) Investments

Trading portfolio
These are carried at fair value with any gain or loss arising from changes in fair value included in the statement of income for the period in which it arises.

Non-trading investments
These are classified as follows:
- Held-to-maturity
- Available for sale

All investments are initially recognised at cost, being the fair value of the consideration given including acquisition costs associated with the investment.

Premiums and discounts on investments designated as held to maturity or available for sale are amortised on a systematic basis to maturity using the effective interest method and taken to interest income.

Held-to-maturity
Investments which have fixed or determinable payments and which are intended to be held-to-maturity, are subsequently measured at amortised cost, less provision for impairment in value. Amortised cost is calculated by taking into account any discount or premium on acquisition.

Available for sale
After initial recognition, investments which are classified as "available for sale" are re-measured at fair value. Unless unrealised gains and losses on re-measurement to fair value are part of an effective hedging relationship, they are reported as a separate component of equity until the investment is sold, collected or otherwise disposed off, or the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the statement of income for the period. In relation to investments, which are part of an effective hedging relationship, any gain or loss arising from a change in fair value is recognised directly in the statement of income.

Fair values
For investments traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same, or is based on the expected cash flows, or the underlying net asset base of the investment.

Impairment and uncollectability of financial assets
An assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of future anticipated cash flows, recognised for the difference between the recoverable amount and the carrying amount as follows:

For financial assets at amortised cost – the carrying amount of the asset is reduced to its estimated recoverable amount either directly or through the use of an allowance account and the amount of the loss is included in the statement of income. For financial assets at fair value – where a loss has been recognised directly in equity as a result of the write-down of the asset to recoverable amount, the cumulative net loss, recognised in equity, is transferred to the statement of income.

Financial assets are written off only in circumstances where effectively all possible means of recovery have been exhausted.

(i) Investment property

Investment property comprises investment in buildings and freehold land held for capital appreciation and to earn rentals. These are initially stated at cost comprising purchase price and any directly attributable expenditure. For subsequent measurement purposes, the Group has chosen the fair value model as permitted by IAS 40, "Investment property", under which the investment property is carried at fair value.

(j) Fixed assets and depreciation

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

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

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

(k) Staff end-of-service benefits

Provision is made for estimated amounts required to cover end-of-service indemnity at the balance sheet date as per U.A.E. Labour Law. In the opinion of management, the provision would not have been materially different had it been calculated on an actuarial basis.

(l) Pension and national insurance

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

(m) Taxes on income

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

(n) Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and reported net in the balance sheet only when there is a legally enforceable right to set off the recognized amounts or when the Group intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(o) Off-balance sheet financial instruments

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

3 Cash and balances with central banks

	2002 AED'000	2001 AED'000
Cash	**114,004**	96,545
Balances with central banks	**2,965,174**	5,798,953
	3,079,178	5,895,498

In accordance with regulations, the Bank is required to maintain statutory deposits with various central banks on demand, time and other deposits as per the statutory requirements.

4 Deposits and balances due from banks

	2002 AED'000	2001 AED'000
Banks abroad	**3,605,194**	3,249,903
Banks in the U.A.E.	**958,384**	447,381
	4,563,578	3,697,284

5 Loans and advances (net)

	2002 AED'000	2001 AED'000
(a)		
Overdrafts	**2,373,751**	2,488,303
Loans	**10,960,229**	8,523,373
Credit cards	**552,083**	425,876
Other	**33,792**	247,558
	13,919,855	11,685,110
Less: Allowance for impairment	**(1,337,845)**	(1,151,349)
	12,582,010	10,533,761

(b) Loans include an amount equivalent to AED 367.3 million (2001: AED 367.3 million) which is secured by bonds held by the Bank in a fiduciary capacity.

	2002 AED'000	2001 AED'000
(c) Analysis by economic activities		
Manufacturing	**1,892,290**	1,174,253
Construction	**988,059**	1,012,506
Trade	**3,080,156**	2,683,704
Transport and communication	**534,107**	233,274
Services	**1,582,021**	1,206,462
Banks	**64,860**	71,016
Personal	**4,713,784**	4,422,055
Government	**91,850**	109,215
Others	**972,728**	772,625
	13,919,855	11,685,110
Less: Allowance for impairment	**(1,337,845)**	(1,151,349)
	12,582,010	10,533,761

(d) At December 31, 2002 the fair values of collateral taken was AED 3,848 million (2001: AED 4,012 million).

(e) The Bank continues to carry classified doubtful debts and delinquent accounts on its books even after making 100% allowance for impairment. Interest is accrued on most of those accounts for litigation purposes but is not taken to income. Such accrual has increased gross loans and advances receivable. Accounts are written-off only when all legal and other avenues for recovery or settlement are exhausted. Total loans and advances, including fully provided accounts on which interest is not taken to income amounted to AED 1,373 million at December 31, 2002 (2001: AED 1,285 million). Accounts, fully provided for, written off during the year amounted to AED 190.7 million (2001: AED 1,629 million).

(f) The movements in the allowance for the impairment of loans and advances during the year were as follows:

	2002 AED'000	2001 AED'000
Balance at beginning of the year	**1,151,349**	2,313,232
Impairment allowance for the year	**434,443**	496,884
Amounts written off during the year	**(190,763)**	(1,628,724)
Recoveries during the year	**(57,184)**	(30,043)
Balance at end of year	**1,337,845**	1,151,349

The amount of impairment allowance for the year includes interest accrued on impaired loans and advances for litigation purposes which is not charged to income.

6 Interest receivable and other assets

	2002 AED'000	2001 AED'000
Interest receivable	**62,573**	92,812
Prepaid interest and expenses	**20,755**	16,497
Inward orders for payment pending	**7,346**	14,876
Income taxes paid in advance	**46,541**	56,141
Clearing suspense	**4,196**	7,265
Positive fair value of derivatives (Note 29)	**186,624**	67,962
Others	**175,449**	200,662
	503,484	456,215

7 Investments in securities

	2002 AED '000	2001 AED '000
Trading Portfolio		
Debt securities	**598,298**	41,872
Equities	**71,954**	104,688
Discretionary managed fund	**556,995**	307,623
Other investments	**174,988**	124,915
	1,402,235	579,098
Available for Sale		
Debt securities	**437,845**	289,177
Equities	**516,928**	440,180
Others	**23,094**	6,146
	977,867	735,503
Held-to-Maturity		
Debt securities	**280,814**	477,777
Total	**2,660,916**	1,792,378

The market value of investments classified under Held-to-Maturity amounted to AED 290 million as on December 31, 2002 (2001: AED 487 million).

8 Investment property

	2002 AED'000	2001 AED'000
Interest in buildings and freehold land	**111,767**	111,767
Disposals during the year	**(2,809)**	-
Change in fair value during the year	**3,141**	-
	112,099	111,767

9 Fixed assets

	Total AED'000	Properties for own use AED'000	Properties acquired in settlement of debts AED'000	Improvements to freehold properties and others AED'000	Furniture, fixtures, equipment & vehicles AED'000
Cost					
January 1, 2002	476,720	153,919	32,677	166,583	123,541
Additions	31,069	-	-	11,022	20,047
Disposals/write-offs	(64,398)	(837)	(11,807)	(44,400)	(7,354)
December 31, 2002	**443,391**	**153,082**	**20,870**	**133,205**	**136,234**
Accumulated Depreciation					
January 1, 2002	263,603	57,841	1,247	117,260	87,255
Charge for the year	47,911	4,963	70	26,357	16,521
Disposals/write-offs	(50,038)	(162)	-	(43,786)	(6,090)
December 31, 2002	**261,476**	**62,642**	**1,317**	**99,831**	**97,686**
Net Book Value December 31, 2002	**181,915**	**90,440**	**19,553**	**33,374**	**38,548**
Net Book Value December 31, 2001	**213,117**	**96,078**	**31,430**	**49,323**	**36,286**

At the balance sheet date, the fair value of properties acquired in settlement of debts was AED 80.753 million (2001: AED 149.305 million).

10 Customers' deposits

	2002 AED'000	2001 AED'000
Time deposits	**13,825,705**	13,497,676
Saving accounts	**461,872**	459,600
Current and other accounts	**2,426,094**	2,154,514
	16,713,671	16,111,790

11 Deposits and balances due to banks

	2002 AED'000	2001 AED'000
Due to overseas central banks	**6,340**	10,456
Banks abroad	**1,775,563**	1,938,713
Banks in the U.A.E.	**747,200**	716,844
	2,529,103	2,666,013

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

12 Insurance and life assurance funds of Oman Insurance Company Limited

	Outstanding claims AED'000	Unearned premium reserve AED'000	Additional reserve AED'000	Life assurance fund AED'000	2002 Total AED'000	2001 Total AED'000
January 1,	24,698	28,453	13,698	10,405	**77,254**	73,318
Increase	4,257	9,808	4,549	1,405	**20,019**	3,936
December 31,	**28,955**	**38,261**	**18,247**	**11,810**	**97,273**	77,254

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

13 Long-term loans

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

14 Interest payable and other liabilities

	2002 AED'000	2001 AED'000
Accrued interest payable	**91,220**	100,654
Interest and income received in advance	**23,194**	27,525
Provision for staff terminal benefits	**62,607**	59,285
Provision for taxation	**51,118**	56,525
Pay orders issued	**37,574**	35,706
Negative fair value of derivatives (Note 29)	**184,914**	66,020
Others	**316,247**	295,532
	766,874	641,247

15 Minority interest

	2002 AED'000	2001 AED'000
Balance as at January 1	**110,686**	79,671
Dividends	**(7,270)**	(7,217)
Share in changes in fair values	**20,665**	30,221
Share of net income for the year	**15,393**	8,011
	139,474	110,686

16 Shareholders' equity

(a) Share capital

The authorised share capital of the Bank is AED 1,500 million divided into 15,000,000 ordinary shares of AED 100 each. As of December 31, 2002, 7,158,638 ordinary shares of AED 100 each (2001: 7,158,638 ordinary shares of AED 100 each) were issued and fully paid.

(b) Statutory and legal reserves

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

17 Contra accounts and commitments

	2002 AED'000	2001 AED'000
(a) Contra accounts (memoranda)		
Guarantees	**6,367,593**	6,180,423
Letters of credit	**2,300,483**	1,462,274
Acceptances	**779,882**	450,419
	9,447,958	8,093,116
(b) Derivative financial instruments (Note 29)	**12,386,644**	9,392,014
(c) Other commitments		
Uncalled capital on investments held	**5,842**	5,842
Total contra account and commitments (a + b + c)	**21,840,444**	17,490,972

(d) Contra accounts – maturity profile

The maturity profile of the Bank's contra accounts were as follows:

2002

	Within 3 months AED'000	Over 3 to 6 months AED'000	Over 6 to 12 months AED'000	Over 1 year AED'000	Total AED'000
Guarantees	**4,936,460**	**482,935**	**611,342**	**336,856**	**6,367,593**
Letters of credit	**1,455,076**	**380,381**	**367,834**	**97,192**	**2,300,483**
Acceptances	**592,828**	**140,302**	**22,280**	**24,472**	**779,882**
Total	**6,984,364**	**1,003,618**	**1,001,456**	**458,520**	**9,447,958**

2001

	Within 3 months AED'000	Over 3 to 6 months AED'000	Over 6 to 12 months AED'000	Over 1 year AED'000	Total AED'000
Guarantees	4,252,594	615,368	788,181	524,280	6,180,423
Letters of credit	939,760	263,642	244,587	14,285	1,462,274
Acceptances	335,241	103,324	7,148	4,706	450,419
Total	5,527,595	982,334	1,039,916	543,271	8,093,116

18 Other income

	2002 AED'000	2001 AED'000
Fees, bank charges and other	**238,803**	207,069
Foreign exchange gains	**59,918**	50,488
Insurance underwriting profit	**48,592**	34,779
Investment securities	**40,122**	72,440
Net rental income	**4,459**	4,618
	391,894	369,394

19 General and administrative expenses

	2002 AED'000	2001 AED'000
Salaries and employee related expenses	**285,480**	282,980
Occupancy cost	**30,377**	31,012
Depreciation	**47,911**	48,915
Other general and administration expenses	**133,422**	115,242
	497,190	478,149

General and administrative expenses include AED 54.7 million (2001: AED 40.7 million) incentive bonus to employees and executive officers of the Group.

The number of employees of the Group was 1,778 as of December 31, 2002 (1,758 as of December 31, 2001).

20 Earnings per share

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

	2002	2001
Net income for the year (AED'000)	**504,898**	405,742
Number of ordinary shares outstanding	**7,158,638**	7,158,638
Earnings per share (AED)	**70.53**	56.68

21 Foreign restricted assets

Net assets equivalent to AED 128.8 million as of December 31, 2002 (2001: AED 112.6 million) maintained by certain overseas branches of the Bank operating outside the United Arab Emirates, are subject to exchange control regulations of the countries in which these branches operate.

22 Cash and cash equivalents

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

(i)	**2002 AED'000**	**2001 AED'000**
Cash on hand, current accounts and deposits with central banks	**3,079,178**	**5,895,498**
Banks in the U.A.E.	**958,384**	**447,381**
Banks abroad	**3,605,194**	**3,249,903**
	7,642,756	**9,592,782**
Less: Deposits with central banks for regulatory purposes	**(476,326)**	**(417,813)**
Less: Deposits maturing after 3 months	**(1,259,563)**	**(740,460)**
	5,906,867 (a)	**8,434,509 (b)**
Decrease in cash and cash equivalents – 2002 [(a) – (b)]		**(2,527,642)**

(ii)	2001 AED'000	2000 AED'000
Cash on hand, current accounts and deposits with central banks	5,895,498	5,684,607
Banks in the U.A.E.	447,381	263,151
Banks abroad	3,249,903	2,799,764
	9,592,782	8,747,522
Less: Deposits with central banks for regulatory purposes	(417,813)	(400,048)
Less: Deposits maturing after 3 months	(740,460)	(403,540)
	8,434,509 (a)	7,943,934 (b)
Increase in cash and cash equivalents – 2001 [(a) – (b)]		490,575

23 Related party transactions

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

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

	2002 AED'000	2001 AED'000
Advances to customers	**414,709**	286,287
Deposits from customers	**978,878**	570,605
Letters of credit, guarantees and acceptances	**751,889**	636,639

Net income for the year includes related party transaction as follows:

Interest income	**13,831**	24,294
Interest expense	**11,524**	22,257
Other income	**26,753**	15,870

24 Interest rate sensitivity – 2002

The Bank's interest sensitivity position, based on the contractual re-pricing or maturity dates, whichever dates are earlier as at December 31, 2002 was as follows:

	Within 3 months AED'000	Over 3 to 6 months AED'000	Over 6 to 12 months AED'000	Over 1 year AED'000	Non-interest sensitive AED'000	Total AED'000
Assets						
Cash and balances with central banks	2,271,890	19,669	-	-	787,619	3,079,178
Deposits and balances due from banks	3,239,942	533,213	457,280	259,854	73,289	4,563,578
Advances to customers less provisions	7,467,860	1,345,815	1,369,882	2,303,236	95,217	12,582,010
Interest receivable and other assets	-	-	-	-	503,484	503,484
Investments in securities	780,432	288,701	62,840	876,702	652,241	2,660,916
Investment properties	-	-	-	-	112,099	112,099
Fixed assets	-	-	-	-	181,915	181,915
Total assets	**13,760,124**	**2,187,398**	**1,890,002**	**3,439,792**	**2,405,864**	**23,683,180**
Liabilities and shareholders' equity						
Customers' deposits	9,554,290	1,539,436	1,228,403	670,187	3,721,355	16,713,671
Deposits and balances due to banks	2,107,063	107,628	2,307	184,068	128,037	2,529,103
Insurance and life assurance funds	-	-	-	-	97,273	97,273
Long term loans	-	-	-	-	57,065	57,065
Interest payable and other liabilities	-	-	-	-	766,874	766,874
Minority interest	-	-	-	-	139,474	139,474
Proposed dividend	-	-	-	-	214,759	214,759
Shareholders' equity	-	-	-	-	3,164,961	3,164,961
Total liabilities and shareholders' equity	**11,661,353**	**1,647,064**	**1,230,710**	**854,255**	**8,289,798**	**23,683,180**
On Balance Sheet gap	2,098,771	540,334	659,292	2,585,537	(5,883,934)	-
Off Balance Sheet gap	103,894	424,415	(12,305)	(516,004)	-	-
Cumulative interest rate sensitivity gap - 2002	2,202,665	3,167,414	3,814,401	5,883,934	-	-
Cumulative interest rate sensitivity gap - 2001	2,154,685	3,343,607	2,516,886	4,640,268	-	-

The effective interest rate* on bank placements and certificates of deposits with central bank was 2.3%(2001: 4.7%), on loans and advances 7.9% (2001: 9.4%), on customer deposits 1.9%(2001: 4.2%) and on bank borrowings 2.2% (2001: 4%).

**The effective interest rate (effective yield) of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument, excluding non-interest bearing items. The rate is a historical rate for a fixed rate instrument carried at amortized cost and the current market rate for a floating rate instrument or for an instrument carried at fair value.*

The off-balance sheet gap represents the net notional amounts of off-balance sheet financial instruments, such as interest rate swaps and forward rate agreements which are used to manage the interest rate risk.

25 Maturities of Assets and Liabilities - 2002

	Within 3 months AED'000	Over 3 to 6 months AED'000	Over 6 to 12 months AED'000	Over 1 year AED'000	Total AED'000
Assets					
Cash and balances with central banks	3,013,461	19,669	-	46,048	3,079,178
Deposits and balances due from banks	3,304,014	511,167	466,504	281,893	4,563,578
Advances to customers less provisions	6,203,434	1,740,665	1,237,295	3,400,616	12,582,010
Interest receivable and other assets	117,157	386,327	-	-	503,484
Investments in securities	1,458,999	11,702	757,893	432,322	2,660,916
Investment properties	-	-	-	112,099	112,099
Fixed assets	-	-	-	181,915	181,915
Total assets	**14,097,065**	**2,669,530**	**2,461,692**	**4,454,893**	**23,683,180**
Liabilities and shareholders' equity					
Customers' deposits	13,231,627	1,557,051	1,246,755	678,238	16,713,671
Deposits and balances due to banks	2,235,100	107,628	2,307	184,068	2,529,103
Insurance and life assurance funds	-	-	-	97,273	97,273
Long term loans	-	-	-	57,065	57,065
Interest payable and other liabilities	657,344	46,409	48,246	14,875	766,874
Minority interest	-	-	-	139,474	139,474
Proposed dividend	214,759	-	-	-	214,759
Shareholders' equity	-	-	-	3,164,961	3,164,961
Total liabilities and shareholders' equity	**16,338,830**	**1,711,088**	**1,297,308**	**4,335,954**	**23,683,180**
Maturity profile 2001:					
Total assets – 2001	13,332,544	3,040,445	1,897,847	4,429,184	22,700,020
Total liabilities and shareholders' equity - 2001	14,686,903	2,402,971	1,753,442	3,856,704	22,700,020

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

26 Concentrations of Assets, Liabilities and Off Balance Sheet Items

Geographic regions

	2002 Assets AED'000	2002 Liabilities AED'000	2002 Off Balance Sheet items AED'000	2001 Assets AED'000	2001 Liabilities AED'000	2001 Off Balance Sheet items AED'000
Middle East	**17,734,201**	**21,978,977**	**9,120,899**	18,278,906	20,730,625	7,790,453
O.E.C.D.	**4,234,406**	**558,748**	**184,351**	2,647,909	482,097	180,177
Others	**1,714,573**	**1,145,455**	**142,708**	1,773,205	1,487,298	122,486
Total	**23,683,180**	**23,683,180**	**9,447,958**	22,700,020	22,700,020	8,093,116

Industry Sector

	2002 Assets AED'000	2002 Liabilities AED'000	2002 Off Balance Sheet items AED'000	2001 Assets AED'000	2001 Liabilities AED'000	2001 Off Balance Sheet items AED'000
Commercial & Business	**8,280,924**	**7,776,158**	**7,587,360**	5,972,367	5,890,918	6,701,773
Personal	**4,061,880**	**7,236,158**	**58,168**	3,918,283	7,689,006	37,303
Financial institutions	**9,749,835**	**4,696,188**	**1,773,033**	10,886,718	3,515,400	1,334,425
Others	**1,590,541**	**3,974,676**	**29,397**	1,922,652	5,604,696	19,615
Total	**23,683,180**	**23,683,180**	**9,447,958**	22,700,020	22,700,020	8,093,116

27 Segmental Information

	Banking		Insurance		Total	
	2002 AED'000	2001 AED'000	**2002 AED'000**	2001 AED'000	**2002 AED'000**	2001 AED'000
Total operating income	**1,143,234**	1,063,543	**92,574**	76,257	**1,235,808**	1,139,800
Profit before taxation	**491,991**	416,048	**26,438**	13,782	**518,429**	429,830
Income tax expenses	**13,531**	24,088	-	-	**13,531**	24,088
Net profit for the year	**478,460**	391,960	**26,438**	13,782	**504,898**	405,742
Segment Assets	**23,143,766**	22,227,220	**539,414**	472,800	**23,683,180**	22,700,020
Segment Liabilities	**19,963,697**	19,400,073	**200,289**	159,135	**20,163,986**	19,559,208

28 Fair values of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in arm's length transaction. Consequently difference can arise between carrying values and fair value estimates.

The fair values of on-balance sheet financial instruments, except for originated debt securities, held to maturity investments, loans and advances and customer deposits, are not significantly different from the carrying values included in the financial statements. The estimated fair value of the originated debt securities and investments held to maturity is based on quoted market prices when available or pricing models in the case of certain fixed rate bonds. Fair value of these investments is disclosed in Note 7. It is not practical to determine the fair value of loans and advances and customer deposits with sufficient reliability.

29 Risk management

Derivatives

In the ordinary course of business, the Bank utilizes the following derivative financial instruments for both trading and hedging purposes:

Swaps are commitments to exchange one set of cash flows for another. For interest rate swaps, counter-parties generally exchange fixed and floating rate interest payments in a single currency without exchanging principal. For currency swaps, fixed interest payments and principal are exchanged in different currencies. For cross-currency rate swaps, principal, fixed and floating interest payments are exchanged in different currencies.

Forwards and futures are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specified price and date in the future. Forwards are customized contracts transacted in the over-the-counter market. Foreign currency and interest rate futures are transacted in standardized amounts on regulated exchanges and changes in futures contract values are settled daily.

Forward rate agreements are similar to interest rate futures, but are individually negotiated. They call for a cash settlement for the difference between a contracted interest rate and the market rate on a specified future date, on a notional principal for an agreed period of time.

Options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, to either buy or sell at fixed future date or at any time during a specified period, a specified amount of a currency, commodity or financial instrument at a pre-determined price.

Derivatives held for hedging purposes

The Bank has adopted a system for the measurement and management of risk. Part of the risk management process involves managing the Bank's exposure to fluctuations in foreign exchange rates to reduce its exposure to currency to acceptable levels as determined by the Board of Directors. The Board of Directors has established levels of currency risk by setting limits on counter-party and currency position exposures. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits. Asset and liability interest rate gaps are reviewed and periodic stress test simulations are performed in order to ascertain interest rate risks.

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

The Bank uses forward foreign exchange contracts and currency swaps to hedge against specifically identified currency risks. In addition, the Bank uses interest rate swaps to hedge against the interest rate risk arising from interest rate exposures. In all such cases, the hedging relationship and objective, including details of the hedged items and hedging instrument are formally documented and the transactions are accounted for as fair value hedges.

The table in the next page shows the positive and negative fair values of derivative financial instruments, together with the notional amounts analyzed by the term to maturity. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year end, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Bank's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, or market risk.

29 Risk management (continued)

December 31, 2002

Derivative Financial instruments	**Positive fair value AED'000**	**Negative fair value AED'000**	**Notional amount AED'000**	**Notional amount by term of maturity** Up to 3 months AED'000	3 months to 6 months AED'000	6 months to one year AED'000	One year to five years AED'000	Over five years AED'000
Forward foreign exchange contracts	58,332	54,784	9,753,473	8,967,792	307,370	287,586	190,725	-
Foreign exchange options (bought)	-	6,737	428,563	243,884	173,569	11,110	-	-
Foreign exchange options (sold)	6,737	-	428,563	243,884	173,569	11,110	-	-
Interest rate swaps	120,401	122,239	1,557,351	-	-	12,305	1,026,606	518,440
Futures contracts purchased (customers)	-	441	20,879	18,487	2,392	-	-	-
Futures contracts sold (customers)	-	713	88,468	88,468	-	-	-	-
Futures contracts purchased (bank)	441	-	20,879	18,487	2,392	-	-	-
Futures contracts sold (bank)	713	-	88,468	88,468	-	-	-	-
Total	**186,624**	**184,914**	**12,386,644**	**9,669,470**	**659,292**	**322,111**	**1,217,331**	**518,440**
December 31, 2001	67,962	66,020	9,392,014	6,782,353	1,470,294	597,151	487,121	55,095

The table below shows the details of hedged items as at December 31, 2002 and 2001 - the nature of the risk being hedged, the hedging instrument and its fair value.

Description of hedged items	**Fair value AED'000**	**Cost AED'000**	**Risk**	**Hedging instrument**	**Positive fair value AED'000**	**Negative fair value AED'000**
2002: Fixed interest rate investment/loans	**1,677,752**	**1,557,351**	Fair value	Interest rate swap	**120,401**	**122,239**
2001: Fixed interest rate investment/loans	502,269	467,550	Fair value	Interest rate swap	34,719	34,226

Open Foreign Exchange Positions

The Bank's assets are typically funded in the same currency as that of the business transacted in order to eliminate foreign exchange exposure. However, the Bank does maintain a long US dollar position within limits approved by the Bank's Asset & Liability Committee (ALCO). As of December 31, 2002, the Bank's other net foreign exchange exposure was not significant except for AED 25 million long position in Qatari Riyals (2001: AED 43 million in Omani Riyals).

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The Bank is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities through risk management strategies.

Bank uses simulation-modeling tools to periodically measure and monitor interest rate sensitivity. The results are analyzed and monitored by the Bank's Asset & Liability Committee (ALCO). The substantial majority of the Bank's assets and liabilities re-price within one year.

Liquidity Risk

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

ALCO meets on a monthly basis to review liquidity ratios, gaps and economic scenarios, and formulates guidelines accordingly on a continual basis.

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

29 Risk management (continued)

Credit Risk

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

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

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

30 Fiduciary activities

Assets held by the Bank in trust, in a fiduciary and custodial capacity on behalf of its customers are not included in these financial statements. These include assets held in a fiduciary capacity for a related party as of December 31, 2002 of AED 145.907 million (2001: AED 85.066 million).

31 Capital adequacy

		2002 AED'000	2001 AED'000
Capital base	(a)	**3,421,159**	3,085,844
Risk-weighted assets:			
On-balance sheet assets		**14,814,993**	12,163,022
Off-balance sheet assets		**4,263,635**	3,587,684
Total risk-weighted assets	(b)	**19,078,628**	**15,750,706**
Capital adequacy ratio [(a)/(b) x 100]		**17.9%**	**19.6%**

The above capital adequacy ratio is computed based on U.A.E. Central Bank's Circular.

32 Discontinuing operations

During 2002, the Board of Directors of Mashreqbank psc approved to dispose of the Bank's Sri Lanka Branch and to spin-off its investment in the Bank's Pakistan Branches into a company specially formed for this purpose, wherein the Bank will have a minority stake. This was part of the restructuring strategy to streamline the Bank's overseas operations. Agreements with the respective parties were entered into during 2002. However, these arrangements were not completed as at December 31, 2002 and are expected to be finalized during the first quarter of 2003. The financial disclosures relating to discontinuing operations have not been made in these financial statements since they are not material to the Bank's total assets, liabilities, operations and cash flows.

33 Comparative financial information

Certain amounts related to 2001 have been reclassified in order to make them comparable with the 2002 presentation.