

# COMMERCIAL BANK OF DUBAI PSC

## CONSOLIDATED FINANCIAL STATEMENTS

*30 June 2011*



# Commercial Bank of Dubai PSC

Condensed consolidated interim financial statements  
For the six-month period ended 30 June 2011

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## **Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Information**

**To the Shareholders  
Commercial Bank of Dubai PSC**

### *Introduction*

We have reviewed the accompanying condensed consolidated interim statement of financial position of Commercial Bank of Dubai PSC ("the Bank") and its subsidiary CBD Financial Services LLC (collectively referred to as "the Group") as at 30 June 2011, the condensed consolidated interim statements of comprehensive income (comprising a condensed consolidated interim statement of comprehensive income and a separate condensed consolidated interim income statement), changes in equity and cash flows for the six-month period then ended (the "condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

### *Scope of Review*

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

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 June 2011 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

**KPMG**  
Vijendranath Malhotra  
Registration No: 48 B  
20 JUL 2011

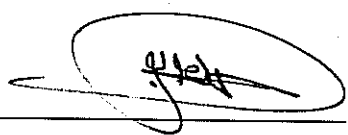
# Commercial Bank of Dubai PSC

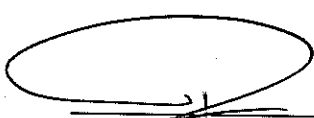
## Condensed consolidated interim statement of financial position

As at 30 June 2011

	Note	30 June 2011 AED'000 Reviewed	31 December 2010 AED'000 Audited	30 June 2010 AED'000 Reviewed
<b>ASSETS</b>				
Cash and balances with Central Bank		6,106,541	5,076,443	3,214,597
Due from banks	4	1,383,077	2,297,520	1,796,830
Loans and advances and Islamic financing	5	26,128,299	27,164,988	28,127,990
Investment securities	6	1,901,420	1,708,883	1,758,592
Property and equipment		617,374	616,475	607,525
Other assets		2,007,615	1,646,939	1,456,155
<b>Total assets</b>		<b>38,144,326</b>	<b>38,511,248</b>	<b>36,961,689</b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Due to banks		643,665	309,273	278,581
Customers' deposits and Islamic customers' deposits	7	28,152,887	29,209,662	28,083,647
Medium term borrowing	8	1,469,200	1,469,200	1,469,200
Other liabilities		1,831,333	1,644,172	1,562,043
<b>Total liabilities</b>		<b>32,097,085</b>	<b>32,632,307</b>	<b>31,393,471</b>
<b>EQUITY</b>				
Share capital	9	1,941,287	1,941,287	1,941,287
Legal reserve		1,379,683	1,379,683	1,379,683
Capital reserve		38,638	38,638	38,638
General reserve		1,100,000	1,100,000	1,100,000
Cumulative changes in fair values of AFS investments		61,848	36,292	38,745
Cumulative changes in fair values of cash flow hedge instruments		(5,933)	(20,702)	(26,216)
Proposed cash dividend		-	388,257	-
Proposed directors' remuneration		-	7,000	-
Retained earnings		1,531,718	1,008,486	1,096,081
<b>Total equity</b>		<b>6,047,241</b>	<b>5,878,941</b>	<b>5,568,218</b>
<b>Total liabilities and equity</b>		<b>38,144,326</b>	<b>38,511,248</b>	<b>36,961,689</b>

The condensed consolidated interim financial statements were approved by the Board of Directors on 20<sup>th</sup> July 2011.

  
**H.E. Ahmed Humaid Al Tayer**  
**Chairman**

  
**Mr. Peter Baltussen**  
**Chief Executive Officer**

The attached notes on pages 7 to 24 form part of these condensed consolidated interim financial statements. The review report of the Auditors is set out on page 1.

# Commercial Bank of Dubai PSC

## Condensed consolidated interim income statement

For the six-month period ended 30 June 2011

	Note	Six-month period ended		Three-month period ended	
		30 June 2011 AED '000 Reviewed	30 June 2010 AED '000 Reviewed	30 June 2011 AED '000 Reviewed	30 June 2010 AED '000 Reviewed
Interest income and income from Islamic financing		906,923	980,471	446,732	485,573
Interest expense and distributions to Islamic depositors		(234,239)	(285,198)	(107,539)	(137,170)
<b>Net interest income and net income from Islamic financing</b>		<b>672,684</b>	<b>695,273</b>	<b>339,193</b>	<b>348,403</b>
Net fees and commission income		180,653	174,884	93,462	87,474
Net gain from dealing in foreign currencies and derivatives		53,478	41,097	27,724	20,156
Net (losses) /gains from investments at fair value through profit or loss-held for trading		(475)	13,829	(650)	(2,057)
Net gains from sale of available-for-sale investments		2,126	2,952	1,760	1,574
Dividend net-off investment losses		9,768	7,501	113	3,370
Other income		14,777	7,634	9,312	3,757
		<b>933,011</b>	<b>943,170</b>	<b>470,914</b>	<b>462,677</b>
Provision for impairment losses on loans and advances and Islamic financing	5	(153,629)	(179,461)	(77,512)	(84,914)
Recoveries	5	21,520	17,382	9,406	11,444
<b>Net interest, net income from Islamic financing and other income</b>		<b>800,902</b>	<b>781,091</b>	<b>402,808</b>	<b>389,207</b>
General and administrative expenses		(248,188)	(242,016)	(128,283)	(120,786)
Depreciation		(29,482)	(26,148)	(14,524)	(13,113)
<b>Total expenses</b>		<b>(277,670)</b>	<b>(268,164)</b>	<b>(142,807)</b>	<b>(133,899)</b>
<b>Net Profit for the period</b>		<b>523,232</b>	<b>512,927</b>	<b>260,001</b>	<b>255,308</b>
<b>Basic and diluted earnings per share</b>	10	<b>AED 0.27</b>	<b>AED 0.26</b>	<b>AED 0.13</b>	<b>AED 0.13</b>

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The review report of the Auditors is set out on page 1.

# Commercial Bank of Dubai PSC

## Condensed consolidated interim statement of comprehensive income

For the six-month period ended 30 June 2011

	Six-month period ended'		Three-month period ended	
	30 June 2011 AED'000 Reviewed	30 June 2010 AED'000 Reviewed	30 June 2011 AED'000 Reviewed	30 June 2010 AED'000 Reviewed
<b>Net profit for the period</b>	<b>523,232</b>	<b>512,927</b>	<b>260,001</b>	<b>255,308</b>
<b>Other comprehensive income:</b>				
Changes in fair value of effective portion of cash flow hedge	14,769	2,821	12,136	2,730
<b>Changes in available-for-sale investments:</b>				
Realised gains on sale of available-for-sale investments	(2,126)	(3,219)	(1,760)	(1,810)
Amortisation of reclassified investments	9,474	13,966	4,749	6,513
Revaluation of available-for-sale investments	18,208	(37,516)	15,897	(13,467)
<b>Net change in available-for-sale investments</b>	<b>25,556</b>	<b>(26,769)</b>	<b>18,886</b>	<b>(8,764)</b>
<b>Directors' remuneration</b>	<b>(7,000)</b>	<b>(6,000)</b>	<b>-</b>	<b>-</b>
<b>Other comprehensive income / (expense) for the period</b>	<b>33,325</b>	<b>(29,948)</b>	<b>31,022</b>	<b>(6,034)</b>
<b>Total comprehensive income for the period</b>	<b>556,557</b>	<b>482,979</b>	<b>291,023</b>	<b>249,274</b>

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# Commercial Bank of Dubai PSC

## Condensed consolidated interim statement of changes in equity

For the six-month period ended 30 June 2011

	Share capital AED'000	Legal reserve AED'000	Capital reserve AED'000	General reserve AED'000	Cumulative changes in fair values of AFS investments AED'000	Cumulative changes in fair values of hedge instruments AED'000	Retained earnings AED'000	Proposed distributions AED'000	Total AED'000
At 1 January 2010	1,764,806	1,379,683	38,638	1,100,000	65,514	(29,037)	583,154	447,202	5,349,960
Cash dividend paid (15%)	-	-	-	-	-	-	-	(264,721)	(264,721)
Bonus shares issued (10%)	176,481	-	-	-	-	-	-	(176,481)	-
Total comprehensive income for the period	-	-	-	-	(26,769)	2,821	512,927	(6,000)	482,979
At 30 June 2010 (Reviewed)	1,941,287	1,379,683	38,638	1,100,000	38,745	(26,216)	1,096,081	-	5,568,218
At 1 January 2011	1,941,287	1,379,683	38,638	1,100,000	36,292	(20,702)	1,008,486	395,257	5,878,941
Cash dividend paid (20%)	-	-	-	-	-	-	-	(388,257)	(388,257)
Total comprehensive income for the period	-	-	-	-	25,556	14,769	523,232	(7,000)	556,557
At 30 June 2011 (Reviewed)	1,941,287	1,379,683	38,638	1,100,000	61,848	(5,933)	1,531,718	-	6,047,241

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# Commercial Bank of Dubai PSC

## Condensed consolidated interim statement of cash flows

For the six-month period ended 30 June 2011

	30 June 2011 AED'000	30 June 2010 AED'000
	Reviewed	Reviewed
<b>OPERATING ACTIVITIES</b>		
Profit for the period	523,232	512,927
Adjustments for:		
Depreciation	29,482	26,148
Gain on disposal of property and equipment	(30)	-
Dividend net-off investment losses	(9,768)	(7,501)
Net unrealised losses / (gains) on investments at fair value through profit or loss - held for trading net of forex translation	270	(13,588)
Realised gains on sale of investments	(2,038)	(1,793)
Net unrealized (income) / loss on derivatives	(92)	7,551
Directors' remuneration paid	(7,000)	(6,000)
	<u>534,056</u>	<u>517,744</u>
Increase in statutory reserve with the Central Bank	(146,280)	(104,770)
Decrease in loans and advances and Islamic financing	1,036,689	248,833
Increase in other assets	(152,295)	(107,163)
Increase in due from banks with original maturity of more than three months	-	(2,496)
(Decrease) / increase in customers' deposits and Islamic customers' deposits	(1,056,775)	155,193
(Decrease) / increase in other liabilities	(6,360)	61,223
Increase / (decrease) in due to banks with original maturity of more than three months	36,730	(147,000)
<b>Net cash flows from operating activities</b>	<u>245,765</u>	<u>621,564</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of investments	(219,594)	(145,149)
Purchase of property and equipment	(30,681)	(56,790)
Dividend income	10,070	7,896
Proceeds from sale of investments	54,080	271,349
Proceeds from sale of property and equipment	330	-
<b>Net cash flows (used in) / from investing activities</b>	<u>(185,795)</u>	<u>77,306</u>
<b>FINANCING ACTIVITIES</b>		
Dividend paid	(388,257)	(264,721)
<b>Net cash flows used in financing activities</b>	<u>(388,257)</u>	<u>(264,721)</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<u>(328,287)</u>	<u>434,149</u>
Cash and cash equivalents at 1 January	5,559,115	2,747,245
<b>Cash and cash equivalents at the end of the period</b>	<u>5,230,828</u>	<u>3,181,394</u>

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# Commercial Bank of Dubai PSC

## Notes to the condensed consolidated interim financial statements

For the six-month period ended 30 June 2011

### 1. LEGAL STATUS AND ACTIVITIES

Commercial Bank of Dubai PSC ("the Bank") was incorporated in Dubai, United Arab Emirates in 1969 and is registered as a Public Shareholding Company (PSC) in accordance with Federal Law No. 8 of 1984 (as amended). The Bank is listed in Dubai Financial Market.

The condensed consolidated interim financial statements of the Bank for the six-month period ended 30 June 2011 comprise the Bank and its subsidiary "CBD Financial Services LLC" (together referred to as "the Group"). The subsidiary was incorporated on 9 March 2005 in Dubai, United Arab Emirates and is registered as a limited liability company in accordance with Federal Law No. 8 of 1984 (as amended) and commenced its operations from 9 October 2005. The Bank effectively holds 100% interest in its subsidiary. The Bank's principal activity is commercial banking while that of its subsidiary is to act as a broker for local shares and bonds.

The registered address of the Group is Al Ittihad Street, P.O. Box 2668, Dubai, United Arab Emirates.

### 2. BASIS OF PREPARATION

#### a) Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") IAS 34 Interim Financial Reporting. These condensed consolidated interim financial statements do not include all the information required for full annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements of the Group as at and for the year ended 31 December 2010.

The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the audited consolidated financial statements as at and for the year ended 31 December 2010.

#### b) Basis of measurement

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for the following:

- Derivative financial instruments are measured at fair value;
- Financial instruments at fair value through profit or loss are measured at fair value;
- Available-for-sale financial assets are measured at fair value; and
- Granted land which is valued at the market value on the date of grant.

The condensed consolidated interim financial statements are presented in United Arab Emirates Dirham ("AED"), which is the "functional currency", rounded to the nearest thousand.

The Group has consistently applied the accounting policies and methods of computation used for the preparation of last published annual consolidated financial statements for the year ended 31 December 2010.

# Commercial Bank of Dubai PSC

## Notes to the condensed consolidated interim financial statements

For the six-month period ended 30 June 2011

### 2. BASIS OF PREPARATION (CONTINUED)

#### b) Basis of measurement (continued)

However, the Group has adopted IAS 24 'Related Party Disclosures' (Revised) which became applicable for annual periods beginning on or after 1 January 2011, in the preparation of these condensed consolidated interim financial statements. This new and revised IAS affects the presentation and disclosure of these condensed consolidated interim financial statements and do not affect the Group's profit or loss or equity.

IAS 24 amends the definition of a related party and modifies certain related party disclosure requirements for government related entities, as 20% of the Group is owned by Investment Corporation of Dubai. The management has assessed the impact of this new standard and believes that these changes have no significant affect on the Group's condensed consolidated interim financial statements.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### a) Basis of consolidation

##### Subsidiary

The subsidiary is an entity that is controlled by the Bank. Control exists when the Bank has power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiary are included in the condensed consolidated interim financial statements from the date the control commences until the date that control ceases.

##### Transactions eliminated on consolidation

Intra-group balances and any unrealised gains arising from intra-group transactions are eliminated in preparing the condensed consolidated interim financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### b) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset for the Group and a financial liability or equity instrument for another party. The Group classifies its financial assets at initial recognition in the following categories:

##### Classification

- *Financial assets at fair value through profit or loss:* This category has two sub-categories: financial assets held for trading and those designated to be fair valued through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as held for trading unless they are designated as hedges.
- *Loans and advances:* Loans and advances are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. They arise when the Group provides money directly to the borrower with no intention of trading the receivable.
- *Held-to-maturity:* Investments classified as held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the intention of and the ability to hold to maturity.

# Commercial Bank of Dubai PSC

## Notes to the condensed consolidated interim financial statements

For the six-month period ended 30 June 2011

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### b) Financial instruments (continued)

##### *Classification (continued)*

- *Available-for-sale:* Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or not classified as (a) financial assets at fair value through profit or loss, (b) loans and advances or (c) held-to-maturity investments.

##### *Initial recognition*

Purchases and sales of investment securities are recognized on the trade date which is the date on which the Group commits to purchase or sell the securities. Loans and advances are recognized when cash is advanced to the borrowers. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

##### *De-recognition*

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all the risks and rewards of ownership. A financial liability is derecognized when its contractual obligation is discharged, cancelled or expired.

##### *Subsequent measurement*

Financial assets available-for-sale and investments at fair value through profit and loss are subsequently carried at fair value.

Loans and advances and held-to-maturity investments are carried at amortized cost using the effective interest rate method.

##### *Gains and losses on subsequent measurement*

Gains and losses arising from changes in the fair value of the investments at the fair value through profit or loss category are included in the statement of income in the period in which they arise.

Gains and losses arising from changes in the fair value of available-for-sale investments are recognized directly in other comprehensive income, until the financial asset is derecognized or impaired, at which time the cumulative gain or loss previously recognized in equity is recognized in the statement of income. In cases where available-for-sale investments with a fixed maturity are reclassified to held-to-maturity investments, the fair value gains or losses up until the date of the reclassification are held in equity and amortized to the statement of income over the remaining life of the held-to-maturity investments using the effective interest rate method.

##### *Fair value measurement principles*

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

# Commercial Bank of Dubai PSC

## Notes to the condensed consolidated interim financial statements For the six-month period ended 30 June 2011

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### b) Financial instruments (continued)

##### *Fair value measurement principles (continued)*

When available, the Group measures the fair value of an instrument using the quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Group establishes fair value using valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instrument that are substantially the same, net present value techniques and discounted cash flow methods. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The fair values of the Group's investment in funds are based on the net asset value obtained from the fund managers with whom the funds are placed.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and the counterparty, where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Group believes a third-party market participant would take them into account in pricing a transaction.

The fair value of derivatives that are not exchange traded is estimated at the present value of the amount that the Group would receive or pay to terminate the contract at the reporting date taking into account current market conditions and the current creditworthiness of the counterparty.

##### *Identification and measurement of impairment*

At each reporting date, the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the assets, and that the loss event has an impact on the future cash flows of the assets that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for loans and advances and held-to-maturity investment securities at both a specific asset and collective level.

# Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements  
For the six-month period ended 30 June 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### b) Financial instruments (continued)

#### *Identification and measurement of impairment (continued)*

##### *Individually assessed loans*

At each reporting date, the Group assesses on a case-by-case basis whether there is any objective evidence that a loan is impaired. Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. This procedure is applied to all accounts that are considered individually significant. In determining impairment losses on these loans, the following factors are considered:

- the Group's aggregate exposure to the customer;
- the viability of the customer's business model and capability to trade successfully out of financial difficulties and generate sufficient cash flow to service its debt obligations;
- the amount and timing of expected receipts and recoveries;
- the likely dividend available on liquidation or bankruptcy;
- the extent of other creditors' commitments ranking ahead of, or pari passu with, the Group and the likelihood of other creditors continuing to support the company;
- the complexity of determining the aggregate amount and ranking of all creditor claims and the extent to which legal and insurance uncertainties are evident;
- the realizable value of security (or other credit mitigants) and likelihood of successful repossession; and
- the likely deduction of any costs involved in recovery of amounts outstanding; and
- the ability of the borrower to obtain, and make payments in, the currency of the loan if not local currency.

Impairment losses are recognized in statement of income and reflected in an allowance account against loans and advances. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through statement of income.

##### *Collectively assessed loans*

Impairment is determined on a collective basis in two different scenarios:

- for loans subject to individual assessment to cover losses which have been incurred but have not yet been identified; and
- for homogeneous groups of loans that are not considered individually significant.

##### *Incurred but not yet identified impairment*

Individually assessed loans for which no evidence of loss has been identified (performing loans) are grouped together according to their credit risk characteristics for the purpose of calculating an estimated collective loss. This arises from individual loan impairment at the reporting date which will only be specifically identified in the future.

# Commercial Bank of Dubai PSC

## Notes to the condensed consolidated interim financial statements

For the six-month period ended 30 June 2011

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### b) Financial instruments (continued)

##### *Identification and measurement of impairment (continued)*

##### *Collectively assessed loans (continued)*

The collective impairment loss is determined after taking into account:

- historical loss experience in portfolios of similar risk characteristics (for example, by industry sector, loan grade or product);
- the estimated period between impairment occurring and the loss being identified and evidenced by the establishment of an appropriate specific allowance against the individual loan; and
- management's judgement as to whether current economic and credit conditions are such that the actual level of inherent losses is likely to be greater or less than that suggested by historical experience.

The period between a loss occurring and its identification is estimated by the management for each portfolio grouping.

##### *Homogeneous groups of loans*

For homogeneous groups of loans that are not considered individually significant, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

##### *Impairment on investments classified as available-for-sale*

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. Impairment losses on available-for-sale investment securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income to statement of income as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to statement of income is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognized in statement of income. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in statement of income, the impairment loss is reversed, with the amount of the reversal recognised in statement of income. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is not reversed through the statement of income and is recognised directly in statement of comprehensive income.

# Commercial Bank of Dubai PSC

## Notes to the condensed consolidated interim financial statements

For the six-month period ended 30 June 2011

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### c) Derivative financial instruments

##### *Classification*

The Group enters into derivative financial instruments including forwards, futures, swaps and options in the foreign exchange and capital markets. Derivative financial instruments, that do not qualify for hedge accounting are classified as "FVPL – financial assets held for trading" financial instruments.

##### *Initial and subsequent measurement*

In the normal course of business, the fair value of a derivative on initial recognition is the transaction price. Subsequent to their initial recognition, derivative financial instruments are stated at fair values. Fair values are generally obtained by reference to quoted market prices in active markets, or by using valuation techniques when an active market does not exist.

Derivative financial instruments with positive market values (unrealised gains) are included in assets and derivative financial instruments with negative market values (unrealised losses) are included in liabilities.

##### *Gains and losses on subsequent measurement*

The gains or losses from derivative financial instruments classified as held for trading are taken to the statement of income.

#### d) Hedging instruments

When derivatives are designated as hedges, the Group classifies them as either:

- fair value hedges which hedge the change in the fair value of recognized assets or liabilities; or
- cash flow hedges which hedge the exposure to variability in highly probable future cash flows attributable to a recognized asset or liability or a forecast transaction.

Hedge accounting is applied to derivatives designated as hedging instruments in fair value or cash flow hedge provided certain criteria are met.

##### *Hedge accounting*

##### *Hedge documentation*

At the inception of the hedge, formal documentation of the hedge relationship must be established. The hedge documentation prepared at the inception of the hedge must include a description of the following:

- The Group's risk management objective and strategy for undertaking the hedge;
- The nature of risk being hedged;
- Clear identification of the hedged item and the hedging instrument; and
- How the Group will assess the effectiveness of the hedging relationship on an ongoing basis.



# Commercial Bank of Dubai PSC

## Notes to the condensed consolidated interim financial statements

For the six-month period ended 30 June 2011

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### d) Hedging instruments (continued)

##### *Hedge effectiveness testing*

The hedge is regarded as highly effective if both of the following conditions are met:

- At the inception of the hedge and in subsequent periods, the hedge is expected to be highly effective in offsetting the changes in fair value or cash flows of the hedging instruments with corresponding changes in the hedged risk and should be reliably measurable; and
- The actual results of the hedge are within a range of 80 to 125 percent.

In case of a cash flow hedge, prospective hedge effectiveness is assessed by matching the critical terms of hedging instruments and hedged items.

##### *Fair value hedges*

Changes in the fair value of derivatives that are designated and qualify as fair value hedging instruments are recorded in the statement of income, along with changes in the fair value of the assets, liabilities or group thereof that are attributable to the hedged risk.

##### *Cash flow hedges*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. Any gain or loss in fair value relating to an ineffective portion is recognized immediately in the income statement.

##### *Discontinuance of hedge accounting*

The hedge accounting is discontinued when a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting. At that point of time, any cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income remains in equity other comprehensive income until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the income statement.

##### *Hedges that do not qualify for hedge accounting*

For hedges that do not qualify for hedge accounting, any gains or losses arising from changes in the fair value of the hedging instrument are taken directly to the income statement for the period.

#### e) Risk Governance and Financial Risk Management

The Group's Risk Governance and Financial Risk Management objectives, policies and procedures are consistent with those disclosed in the audited consolidated financial statements as at and for the year ended 31 December 2010.

# Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)  
For the six-month period ended 30 June 2011

## 4. DUE FROM BANKS

	30 June 2011 AED'000 Reviewed	31 December 2010 AED'000 Audited
Current and demand deposits	50,776	133,742
Placements	1,332,301	2,163,778
	<u>1,383,077</u>	<u>2,297,520</u>

Due from banks include current and demand deposits of AED 50.76 million (31 December 2010: AED 133.74 million) and placements with banks outside UAE were nil (31 December 2010: AED 534 million).

## 5. LOANS AND ADVANCES AND ISLAMIC FINANCING

The composition of the loans and advances and Islamic financing portfolio is as follows:

	30 June 2011 AED'000 Reviewed	31 December 2010 AED'000 Audited
<b>Loans and advances</b>		
Overdrafts	6,555,317	7,399,961
Loans	19,103,008	19,043,020
Advances against letters of credit and trust receipts	743,886	836,790
Bills discounted	766,736	773,643
<b>Gross loans and advances</b>	<u>27,168,947</u>	<u>28,053,414</u>
<b>Islamic financing</b>		
Murabaha	235,957	213,563
Ijara	147,371	142,825
Others	18,741	10,688
<b>Gross Islamic financing</b>	<u>402,069</u>	<u>367,076</u>
<b>Gross loans and advances and Islamic financing</b>	<u>27,571,016</u>	<u>28,420,490</u>
Less: provision for impairment losses on loans and advances	(1,441,314)	(1,255,281)
Less: provision for impairment losses on Islamic financing	(1,403)	(221)
<b>Net loans and advances and Islamic financing</b>	<u>26,128,299</u>	<u>27,164,988</u>

# Commercial Bank of Dubai PSC

## Notes to the condensed consolidated interim financial statements (continued)

For the six-month period ended 30 June 2011

### 5. LOANS AND ADVANCES AND ISLAMIC FINANCING (CONTINUED)

Analysis by sector	30 June 2011 AED'000 Reviewed	31 December 2010 AED'000 Audited
Commercial and business:-		
Agriculture & allied activities	37,435	30,510
Mining & quarrying	270,229	252,366
Manufacturing	1,348,796	1,350,244
Construction & real estate	4,645,207	4,689,067
Trade	7,546,285	7,857,814
Transport & communication	415,000	492,901
Services	3,679,074	3,665,329
Business and investment	5,651,346	6,198,973
Total commercial and business	<u>23,593,372</u>	<u>24,537,204</u>
Banks and financial institutions	493,524	560,887
Government and public sector entities	894,564	668,429
Personal – schematic	2,182,607	2,258,558
Others	406,949	395,412
<b>Gross loans and advances and Islamic financing</b>	<u>27,571,016</u>	<u>28,420,490</u>
Less: Provisions for impairment losses	(1,442,717)	(1,255,502)
<b>Net loans and advances and Islamic financing</b>	<u>26,128,299</u>	<u>27,164,988</u>

	30 June 2011 AED'000 Reviewed	31 December 2010 AED'000 Audited
The movement in provisions for impairment losses is as follows:		
Balance at 1 January	1,255,502	737,510
Amounts written off during the period/year	(2,957)	(99,274)
Charge for the period / year:		
- specific	150,629	458,911
- collective	3,000	95,542
Interest not recognized	58,063	90,815
Recoveries	(21,520)	(28,002)
	<u>1,442,717</u>	<u>1,255,502</u>

# Commercial Bank of Dubai PSC

## Notes to the condensed consolidated interim financial statements (continued)

For the six-month period ended 30 June 2011

### 6. INVESTMENT SECURITIES

	Domestic AED'000	Regional AED'000	International AED'000	Total AED'000
<b>30 June 2011 (Reviewed)</b>				
<b>Held for trading</b>				
Equities	64	-	1,530	1,594
Fund of funds	-	817	-	817
Fixed rate government securities	14,868	-	-	14,868
<b>Available-for-sale</b>				
Equities	238,823	-	-	238,823
Fund of funds	21,502	68,683	-	90,185
Fixed rate securities				
- Government	237,527	-	38,915	276,442
- Others	104,416	-	-	104,416
Non government floating rate securities	171,426	62,441	-	233,867
<b>Held-to-maturity</b>				
Fixed rate government securities	172,592	-	-	172,592
Floating rate securities				
- Government	711,986	-	-	711,986
- Others	55,830	-	-	55,830
<b>Total investment securities</b>	<b>1,729,034</b>	<b>131,941</b>	<b>40,445</b>	<b>1,901,420</b>
<b>31 December 2010 (Audited)</b>				
<b>Held for trading</b>				
Equities	8,776	-	1,208	9,984
Fund of funds	-	1,005	-	1,005
<b>Available-for-sale</b>				
Equities	214,282	-	-	214,282
Fund of funds	20,960	66,677	-	87,637
Fixed rate securities				
- Government	69,420	-	40,495	109,915
- Others	103,313	-	824	104,137
Non government floating rate securities	182,370	64,645	-	247,015
<b>Held-to-maturity</b>				
Fixed rate government securities	170,723	-	-	170,723
Floating rate securities				
- Government	704,682	-	-	704,682
- Others	59,503	-	-	59,503
<b>Total investment securities</b>	<b>1,534,029</b>	<b>132,327</b>	<b>42,527</b>	<b>1,708,883</b>

#### 6.1 Fund of funds investments

This represents the investments in global and regional asset management funds as a part of the Group's strategy of diversifying its holdings.

# Commercial Bank of Dubai PSC

## Notes to the condensed consolidated interim financial statements (continued)

For the six-month period ended 30 June 2011

### 6. INVESTMENT SECURITIES (CONTINUED)

#### 6.2 Reclassification of investment securities

The Group, as a result of the adoption of amendments of IAS-39 financial instruments; recognition and measurement and IFRS -7 Financial Instruments: Disclosures, introduced in October 2008, had reclassified investments amounting to AED 93 million, from the fair value through profit or loss classification to the available-for-sale investments category. As there was no trading in the reclassified investments during the last years prior to re-classification, the management considers that the reclassification provides a more appropriate presentation of the investments in accordance with the Group's long-term investment strategy. As required by the amendments, the effects of such a reclassification are set out below:

	30 June 2011 AED'000 Reviewed	31 December 2010 AED'000 Audited
<b>After reclassification</b>		
Unrealised fair value gain / (loss) recognised in statement of other comprehensive income	7,090	(1,800)

### 7. CUSTOMERS' DEPOSITS AND ISLAMIC CUSTOMERS' DEPOSITS

	30 June 2011 AED'000 Reviewed	31 December 2010 AED'000 Audited
<b>Customers' deposits</b>		
Current and demand accounts	9,211,984	8,695,147
Savings accounts	1,178,773	1,078,228
Time deposits	14,482,459	16,293,353
	<u>24,873,216</u>	<u>26,066,728</u>
<b>Islamic customers' deposits</b>		
Current and demand accounts	286,931	283,083
Mudaraba saving	119,756	66,867
Investment deposits and Wakala	2,872,984	2,792,984
	<u>3,279,671</u>	<u>3,142,934</u>
<b>Total customers' deposits and Islamic customers' deposits</b>	<u>28,152,887</u>	<u>29,209,662</u>

# Commercial Bank of Dubai PSC

## Notes to the condensed consolidated interim financial statements (continued)

For the six-month period ended 30 June 2011

### 7. CUSTOMERS' DEPOSITS AND ISLAMIC CUSTOMERS' DEPOSITS (CONTINUED)

#### *Subordinated term loans*

Customers' deposits include deposits received by the group in 2008, aggregating to AED 1,841.526 million from UAE Ministry of Finance. On 9 December 2009 (the re-categorization date), the Group entered into an agreement with UAE Ministry of Finance, through which these deposits are now subordinate to other claims and allowed by Central Bank to be treated as lower Tier 2 capital. The subordinate term loan carries interest which ranges from 4% per annum to 6.5% per annum payable quarterly from the date of re-categorization until 7 years.

### 8. MEDIUM TERM BORROWING

In 2008, the Group entered into a 3 year USD 400 million syndicated loan arrangement with an option to roll over on a quarterly or semi-annual basis. The arrangement carries interest at the rate of 3 month LIBOR plus 75 basis points payable on a quarterly basis.

### 9. SHARE CAPITAL

The issued and fully paid up ordinary share capital as at 30 June 2011 comprised 1,941,287,596 ordinary shares of AED 1 each (31 December 2010: 1,941,287,596 shares of AED 1 each).

### 10. BASIC AND DILUTED EARNINGS PER SHARE

The earnings per share is based on the Group's profit for the six and three month period ended 30 June 2011 attributable to the shareholders amounting to AED 523,232 thousand and AED 260,001 thousand respectively (six and three month ended 30 June 2010: AED 512,927 thousand and AED 255,308 thousand respectively), and on the weighted average number of shares in issue totaling 1,941,287,596 (30 June 2010: 1,941,287,596).

### 11. CASH AND CASH EQUIVALENTS

	30 June 2011 AED'000 Reviewed	30 June 2010 AED'000 Reviewed
Cash in hand	437,455	548,342
Balances with the Central Bank	17,231	517,299
Negotiable certificate of deposits with the Central Bank	4,000,000	600,000
Due from banks with original maturities less than three months	1,383,077	1,794,334
	<hr/>	<hr/>
	5,837,763	3,459,975
Due to banks with original maturities less than three months	(606,935)	(278,581)
	<hr/>	<hr/>
	<u>5,230,828</u>	<u>3,181,394</u>

# Commercial Bank of Dubai PSC

## Notes to the condensed consolidated interim financial statements (continued)

For the six-month period ended 30 June 2011

### 12. CONTINGENT LIABILITIES AND COMMITMENTS

The Group in the ordinary course of business enters into various types of transactions that involve undertaking certain commitments such as letters of credit, guarantees and undrawn loan commitments.

	30 June 2011 AED'000 Reviewed	31 December 2010 AED'000 Audited
<b>Contingent liabilities:</b>		
Letters of credit	1,182,202	1,243,029
Guarantees	6,849,704	7,146,988
	<u>8,031,906</u>	<u>8,390,017</u>
<b>Credit commitments:</b>		
Undrawn commitments to extend credit	7,612,932	7,162,746
	<u>15,644,838</u>	<u>15,552,763</u>

### 13. SEGMENTAL REPORTING

The primary format, business segments, is based on the Group's management and internal reporting structure that are regularly reviewed by the Management Committee in order to allocate resources to the segment and to assess its performance.

Business segments pay to and receive interest from the Central Treasury on an arm's length basis to reflect the allocation of capital and funding costs.

#### *Business segments*

Corporate banking	Includes loan and other credit facilities, current accounts and deposits and trade finance products to large corporate, commercial (mid-sized) clients and small commercial clients (business).
Consumer banking	Includes current accounts, easy access saving accounts, fixed rate deposit accounts, personal loans, overdraft facilities, vehicle finance, mortgage products, loans and other credit facilities to high net-worth (al dana), mid-tier clients (personal) and modest income group (direct).
Treasury and investments	Undertakes balance sheet management deals in derivatives for trading and for risk management purposes and manages the Group's proprietary investment portfolio.
Islamic Banking	Includes Sharia compliant financing, deposits and trade finance products to all sub segments of clients defined under corporate and consumer banking.

The Group also has a Central Shared Services operation that manages the Group's premises and certain corporate costs. Interest is charged or credited to business segments and branches at match funding transfer pricing rates which approximate the replacement cost of funds. Other central costs are allocated to business segments on a reasonable basis whereas certain costs remain unallocated.

#### *Geographical*

The Group operates in one geographic area, the United Arab Emirates.



# Commercial Bank of Dubai PSC

## Notes to the condensed consolidated interim financial statements (continued)

For the six-month period ended 30 June 2011

### 13. SEGMENTAL REPORTING (CONTINUED)

Segmental analysis for the six-month period was as follows:

	Corporate banking	Consumer banking	Treasury and investments	Islamic Banking	Other operations	Total
	AED'000	AED'000	AED'000		AED'000	AED'000
<b>30 June 2011</b>						
<b>(Reviewed)</b>						
<b>Assets</b>	<b>23,684,196</b>	<b>2,049,585</b>	<b>6,454,668</b>	<b>3,330,888</b>	<b>2,624,989</b>	<b>38,144,326</b>
<b>Liabilities</b>	<b>19,258,175</b>	<b>5,560,428</b>	<b>2,112,865</b>	<b>3,334,286</b>	<b>1,831,331</b>	<b>32,097,085</b>
<b>31 December 2010</b>						
<b>(Audited)</b>						
<b>Assets</b>	<b>24,617,254</b>	<b>2,180,658</b>	<b>6,825,430</b>	<b>2,624,492</b>	<b>2,263,414</b>	<b>38,511,248</b>
<b>Liabilities</b>	<b>20,567,768</b>	<b>5,498,960</b>	<b>1,778,473</b>	<b>3,142,934</b>	<b>1,644,172</b>	<b>32,632,307</b>
<b>30 June 2011</b>						
<b>(Reviewed)</b>						
<b>Net interest income and Income from Islamic financing</b>	<b>544,028</b>	<b>96,200</b>	<b>5,274</b>	<b>27,182</b>	<b>-</b>	<b>672,684</b>
<b>Other income</b>	<b>118,418</b>	<b>32,338</b>	<b>64,897</b>	<b>1,493</b>	<b>43,181</b>	<b>260,327</b>
<b>Total operating income</b>	<b>662,446</b>	<b>128,538</b>	<b>70,171</b>	<b>28,675</b>	<b>43,181</b>	<b>933,011</b>
<b>Allocated cost</b>	<b>127,190</b>	<b>47,415</b>	<b>9,802</b>	<b>10,881</b>	<b>-</b>	<b>195,288</b>
<b>Unallocated cost</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>52,900</b>	<b>52,900</b>
<b>Provisions for impairment losses net of recoveries</b>	<b>97,241</b>	<b>33,697</b>	<b>-</b>	<b>1,171</b>	<b>-</b>	<b>132,109</b>
<b>Depreciation</b>	<b>6,243</b>	<b>2,650</b>	<b>317</b>	<b>810</b>	<b>19,462</b>	<b>29,482</b>
<b>Total expenses</b>	<b>230,674</b>	<b>83,762</b>	<b>10,119</b>	<b>12,862</b>	<b>72,362</b>	<b>409,779</b>
<b>Net profit for the period</b>	<b>431,772</b>	<b>44,776</b>	<b>60,052</b>	<b>15,813</b>	<b>(29,181)</b>	<b>523,232</b>
<b>30 June 2010</b>						
<b>(Reviewed)</b>						
<b>Net interest income and Income from Islamic financing</b>	<b>566,216</b>	<b>87,437</b>	<b>36,301</b>	<b>5,319</b>	<b>-</b>	<b>695,273</b>
<b>Other income</b>	<b>110,734</b>	<b>26,355</b>	<b>65,379</b>	<b>413</b>	<b>45,016</b>	<b>247,897</b>
<b>Total operating income</b>	<b>676,950</b>	<b>113,792</b>	<b>101,680</b>	<b>5,732</b>	<b>45,016</b>	<b>943,170</b>
<b>Allocated cost</b>	<b>123,011</b>	<b>53,447</b>	<b>10,066</b>	<b>14,869</b>	<b>-</b>	<b>201,393</b>
<b>Unallocated cost</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40,623</b>	<b>40,623</b>
<b>Provisions for impairment losses net of recoveries</b>	<b>143,109</b>	<b>18,958</b>	<b>-</b>	<b>12</b>	<b>-</b>	<b>162,079</b>
<b>Depreciation</b>	<b>3,385</b>	<b>3,953</b>	<b>847</b>	<b>627</b>	<b>17,336</b>	<b>26,148</b>
<b>Total expenses</b>	<b>269,505</b>	<b>76,358</b>	<b>10,913</b>	<b>15,508</b>	<b>57,959</b>	<b>430,243</b>
<b>Net profit for the period</b>	<b>407,445</b>	<b>37,434</b>	<b>90,767</b>	<b>(9,776)</b>	<b>(12,943)</b>	<b>512,927</b>

# Commercial Bank of Dubai PSC

## Notes to the condensed consolidated interim financial statements (continued)

For the six-month period ended 30 June 2011

### 14. RELATED PARTY TRANSACTIONS

	Directors and key management personnel		Other related parties	
	30 June 2011 AED'000 Reviewed	31 December 2010 AED'000 Audited	30 June 2011 AED'000 Reviewed	31 December 2010 AED'000 Audited
<b>Loans and advances</b>				
At 1 January	185,572	184,844	705,718	865,826
Loans issued	3,567	11,911	364,728	129,226
Repayments	(17,843)	(11,183)	(489,265)	(289,334)
<b>Closing balance</b>	<b>171,296</b>	<b>185,572</b>	<b>581,181</b>	<b>705,718</b>
<b>Deposits</b>				
At 1 January	12,475	30,911	1,957,363	161,919
Received	5,080	11,592	829,337	1,921,167
Repaid	(10,311)	(30,028)	(1,903,109)	(125,723)
<b>Closing balance</b>	<b>7,244</b>	<b>12,475</b>	<b>883,591</b>	<b>1,957,363</b>
	30 June 2011 AED'000 Reviewed	30 June 2010 AED'000 Reviewed	30 June 2011 AED'000 Reviewed	30 June 2010 AED'000 Reviewed
Interest income	3,965	3,968	17,676	22,005
Interest expense	33	258	5,830	14,550

No provisions for impairment have been recognised in respect of loans given to related parties (31 December 2010: NIL).

The loans issued to directors during the six-month period ended 30 June 2011 are unsecured and repayable monthly over a maximum period of 5 years (31 December 2010: 5 years) and carry interest at the rates comparable to the third party loans.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

#### Key management compensation

	30 June 2011 AED'000 Reviewed	30 June 2010 AED'000 Reviewed
Salaries and other short-term benefits	8,039	6,662
Post retirement benefits	613	231

# Commercial Bank of Dubai PSC

## Notes to the condensed consolidated interim financial statements (continued)

*For the six-month period ended 30 June 2011*

### 15. CAPITAL ADEQUACY

The Group's regulatory capital adequacy ratio is set by the Central Bank of UAE ('the Central Bank'). The Group and its subsidiary have complied with all externally imposed capital requirements throughout the period. There have been no material changes in the Group's management of capital during the period. The capital adequacy ratio should be a minimum of 12% analysed into two Tiers, of which Tier 1 capital adequacy must not be less than 8% by 30 June 2010 as advised by the Central Bank.

The Group's objectives when managing capital are as follows:

- Safeguard the Group's ability to continue as a going concern and increase returns for shareholders; and
- Comply with regulatory capital requirements set by the Central Bank of the UAE.

The Group's regulatory capital is analyzed into two tiers:

- Tier 1 capital, which includes ordinary share capital, translation reserve and retained earnings; and
- Tier 2 capital, which includes fair value reserves relating to unrealized gains / losses on investments classified as available-for-sale and derivatives held as cash flow hedges, general collective provision and subordinated term loans.

The following limits have been applied for Tier 2 capital:

- Total tier 2 capital shall not exceed 67% of tier 1 capital;
- Subordinated liabilities shall not exceed 50% of total tier 1 capital; and
- General Collective provision shall not exceed 1.25% of total risk weighted assets.

# Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)  
For the six-month period ended 30 June 2011

## 15. CAPITAL ADEQUACY (CONTINUED)

The table below summarizes the composition of regulatory capital of the Group:

	Basel II		Basel I	
	30 June 2011 AED'000 Reviewed	31 December 2010 AED'000 Audited	30 June 2011 AED'000 Reviewed	31 December 2010 AED'000 Audited
<b>Core tier 1 capital</b>				
Share capital	1,941,287	1,941,287	1,941,287	1,941,287
Legal reserve	1,379,683	1,379,683	1,379,683	1,379,683
General reserve	1,100,000	1,100,000	1,100,000	1,100,000
Retained earnings	1,531,718	1,008,486	1,531,718	1,008,486
<b>Tier 1 Capital</b>	<b>5,952,688</b>	<b>5,429,456</b>	<b>5,952,688</b>	<b>5,429,456</b>
<b>Upper tier 2 capital</b>				
Fair value reserve	25,161	7,015	25,161	7,015
Collective provisions	427,566	424,566	-	-
	<b>452,727</b>	<b>431,581</b>	<b>25,161</b>	<b>7,015</b>
<b>Lower tier 2 capital</b>				
Subordinated term loans	1,841,526	1,841,526	1,841,526	1,841,526
<b>Tier 2 capital</b>	<b>2,294,253</b>	<b>2,273,107</b>	<b>1,866,687</b>	<b>1,848,541</b>
<b>Deductions from Tier 1 &amp; Tier 2</b>				
Investments in un consolidated subsidiaries	(10,000)	(10,000)	(10,000)	(10,000)
<b>Total capital base (a)</b>	<b>8,236,941</b>	<b>7,692,563</b>	<b>7,809,375</b>	<b>7,267,997</b>
<b>Risk weighted assets (RWA) Pillar 1</b>				
On-balance sheet	-	-	25,644,598	26,014,975
Off-balance sheet	-	-	5,421,805	5,365,122
Credit risk	31,945,644	31,477,290	-	-
Market risk	39,959	28,305	-	-
Operational risk	3,334,546	3,334,546	-	-
<b>Risk weighted assets (b)</b>	<b>35,320,149</b>	<b>34,840,141</b>	<b>31,066,403</b>	<b>31,380,097</b>
<b>Tier 1 ratio</b>	<b>16.85%</b>	<b>15.58%</b>	<b>19.16%</b>	<b>17.30%</b>
<b>Capital adequacy ratio (Pillar 1) (c)</b>	<b>23.32%</b>	<b>22.08%</b>	<b>25.14%</b>	<b>23.16%</b>
<b>Pillar 2 capital charge (d)</b>	<b>1.80%</b>	<b>1.80%</b>	<b>-</b>	<b>-</b>
<b>Capital adequacy ratio (Pillar 1&amp;2) (c - d)</b>	<b>21.52%</b>	<b>20.28%</b>	<b>25.14%</b>	<b>23.16%</b>

## 16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation adopted in these condensed consolidated interim financial statements.