ANNUAL REPORT
2011

بنك دبي التجاري
Commercial Bank of Dubai

His Highness
Sheikh Khalifa bin Zayed Al Nahyan
President of the UAE
Ruler of Abu Dhabi

His Highness
Sheikh Mohammed bin Rashid Al Maktoum
Vice President and Prime Minister of the UAE
Ruler of Dubai

His Highness
Sheikh Hamdan bin Mohammed bin Rashid Al Maktoum
Crown Prince of Dubai

His Highness
Sheikh Hamdan bin Rashid Al Maktoum
Deputy Ruler of Dubai
Minister of Finance of the UAE

His Highness
Sheikh Maktoum bin Mohammed bin Rashid Al Maktoum
Deputy Ruler of Dubai

Our Vision

The Bank which leads the way to greater financial and social prosperity

Our Mission

- Clients: To be recognised as the preferred banking partner in our target client segments
- Employees: To be recognised as an employer of choice through the fostering of a motivational environment which rewards superior performance
- Society: To be recognised for our ethical banking practices and for our contribution to the social well-being of the communities in which we are present
- Shareholders: To be one of the most profitable banks in the U.A.E.

Our Values

- Clients First
- Consistent High Quality
- Cooperation and Teamwork
- Capability Enhancement Through Learning and Empowerment

Contents

Board of Directors

Mr. Saeed Ahmed Ghobash
Chairman

Mr. Khalid Abdul Wahed Al Rostamani
Deputy Chairman

Mr. Omar Abdulla Al Futtaim
Director

Mr. Shehab Mohamed Gargash
Director

Mr. Mana Mohammed Saeed Al Mulla
Director

Mr. Abdulla Saif Al Hathboor
Director

Mr. Ali Fardan Al Fardan
Director

Mr. Hamed Ahmed Kazim
Director

Mr. Mohammed Abdulrahman Al Jallaf
Director

Mr. Abdul Wahid Abdul Rahim Al Ulama
Director

Mr. Abdulla Saeed Al Nabooda
Director

The Board of Directors has been elected at the Ordinary General Assembly Meeting on 31st January 2012.

Shareholders

80%
UAE Nationals

20%
Dubai Government

Chairman's Statement

Dear Shareholders,

On behalf of CBD's Board of Directors and staff, I have the pleasure to present you with this review of the activities of the Bank and its audited financial statements for 2011. We highlight the most significant events and changes in the local, regional and international economic arenas and their implications for banking and financial activity.

There is no doubt that 2011 will remain in the mind of everyone as a year, which saw significant developments at both the regional and international levels.

Parts of the Arabian region/Arab world experienced massive upheavals whilst the wider world saw dramatic financial and economic developments. Notable among the economic events has been the worsening European sovereign debt crisis as reflected in the downgrade of credit ratings of many of its countries. The economic contraction within the euro zone has cast its shadow on the global economic outlook. However, despite unfavourable regional and international conditions, the UAE's economy managed to achieve good growth rates, reversing the downward trend that was prevalent in the previous two years as a result of the repercussions of the U.S. mortgage crisis in 2008 that affected global economies, including the GCC.

The national economy witnessed a growing momentum in 2011, taking advantage of the strength of the oil sector's performance. The price of oil averaged at $105.5 per barrel in 2011, 35.2 percent higher than the previous year. A recovery in the trade, tourism and services sectors also contributed to economic growth.

Non-oil foreign trade volume jumped by 23 percent to hit AED 524 billion as a result of the strong growth of imports, exports and entrepot trade. The tourism sector has achieved significant recovery with rising numbers of visitors primarily from across the region as well as other parts of the world, while the retail sector also continued to tread a strong growth path.

Although the construction and real estate sectors are still restrained, 2011 saw some encouraging signs of improvement as reflected in the increasing real estate prices in many areas, above the low levels seen in the second half of the previous year. It is expected that the construction and real estate sectors will continue to gradually improve in the short and medium term.

Government spending continued to spur economic growth in the country, with the federal and local governments investing significant funds to develop large infrastructure projects in different emirates, from road networks and power and water plants, to communication networks, health, education and public transport. As a result of these combined developments, the GDP of the UAE in 2011 achieved a strong growth rate estimated at 3 percent to reach AED 1,125 billion.

Inflation in the UAE stayed at relatively low levels of less than 1.5 percent as a result of the stability of rents that have been a key driver to the rise of inflation in previous years.

Commercial Bank of Dubai has dealt efficiently and flexibly with the developments in the local and regional markets over the past year, as it focused on enhancing performance, financial solvency, assets quality and laying a strong foundation for future growth

Meanwhile, local share prices declined over the year due to low trading volumes despite indications that the local economy remains sound and the relatively good financial results of many listed companies.

The improved liquidity situation in the banking system helped to reduce interest rates from the levels that prevailed in the previous year, and allowed the banks to recommence their lending activities, forming a vital indication of the ability of the banking sector to absorb the implications of the global financial crisis and its ability to continue to play a pivotal role in supporting the development of the country. In 2011, UAE banks continued to focus on the quality of their lending portfolios and by providing adequate provisioning for doubtful debts they were able to strengthen their financial positions, with the support and follow-up of the UAE Central Bank.

Commercial Bank of Dubai has dealt efficiently and flexibly with the developments in the local and regional markets over the past year, as it focused on enhancing performance, financial solvency, assets quality and laying a strong foundation for future growth, which resulted in the achievement of a net profit of AED822 million.

The Bank's Board of Directors and management in 2011 were keen to move forward with the implementation of an ambitious strategy aimed at maintaining CBD's position at the forefront of the leading banks in the country. It gave priority to diversifying its sources of income, achieving the optimum utilisation of its resources, maintaining the highest standards of quality and further enhancing its growing customer base and network of branches.

We look forward to continuing the improvement of our operations and performance by building on our accomplishments and achieving thoughtful growth in line with the aspirations and ambitions of our shareholders. We will ensure a rapid approach in dealing with the developments in local, regional and global economies, allowing us to exploit the available opportunities and to deal promptly with any unexpected developments or challenges.

We are confident that the strength, solidity and diversity of the national economy, the government's commitment to intensively investing to achieve sustainable development, the existence of a vibrant private sector that has a great deal of flexibility and the continuous support of the ever-growing global status of the UAE will enable the country to enter into a new phase of growth and prosperity.

I would like to take this opportunity to extend my thanks and appreciation to the former Chairman and members of the Board of Directors of the Bank for their dedicated and sincere efforts in the development of the Bank for nearly three decades. Finally, the Board of Directors would like to express its sincere thanks and appreciation to the shareholders, clients and stakeholders of the bank for their confidence and support, and we would like also to express thanks to the Bank's management and staff for their efforts, which helped us achieve good results.

May Allah grant us success,

Saeed Ahmed Ghobash
Chairman

General Management







First row (from left to right):

Mr. Peter Baltussen
Chief Executive Officer
Member of the Executive Committee

Mr. Yaqoob Yousuf Hassan
Deputy Chief Executive
Member of the Executive Committee

Mr. Ibrahim Abdulla
General Manager
Administration and Finance

Second row (from left to right):

Mr. Mahmoud Hadi
General Manager
Systems and Operations

Mr. Faisal Galadari
General Manager
Business Group

Mr. Ahmad Shaheen
General Manager
and Chief Risk Officer

Third row:

Thomas Pereira
Chief Financial Officer

From left to right

Stephen Davies
Head of Corporate Banking

Frans Jan Burkens
Head of Consumer Banking

John Tuke
Head of Treasury and Asset and Liability Management

Abdul Rahim Al Nimer
Regional Manager, Northern Emirates Region

Ibrahim Salama
Deputy General Manager
Head of Dubai Main Region

Adel Al Sammak
Head of Commercial Banking

Hassan Al Redha
Head of Financial Institutions

Shorouk Al Redha
Head of Human Resources

Akram Gharabeh
Head of Financial Control

Masood Azhar
Head of Strategic Planning

Ahmed Al Aboodi
Regional Manager, Bur Dubai Region

Moukarram Atassi
Head of Investment Group

Mohamed Mardood
Head of Central Operations

Kannan Iyer
Head of Internal Audit

Nabil Tayyeb
Head of Islamic Banking

Al-Sayed Mohammed Al-Hashemi
Regional Manager, Deira Region

V.P. Bhatia
Head of Treasury Trading

Asem Fikree
Head of Information Technology

Badr Soueidan
Head of Marketing and Corporate Communications

Jamal Saleh
Head of Risk Management

Waleed Mohammed Bin Suloom
Head of Al Dana Wealth Management

Othman Bin Hendi
Regional Manager, Abu Dhabi and New Dubai Region

Abdul Aziz Al Ansari
Assistant General Manager
Advisor to the Business Group

Souheil Yammine
Head of Cards Management

Lakshmanan Sankaran
Head of Trade Sales and Services

Masood Safar
Head of AML and Compliance

Jamal Al Matari
Head of Attijari Al Islami Branches

Hasan Kazim
General Manager, CBD Financial Services

Adil Samir Tawfik
Legal Advisor

Dear Shareholders,

The audited financial statements in this Annual Report have been prepared in accordance with International Financial Reporting Standards (IFRS) and include Basel II Pillar III annual disclosures.

FINANCIAL HIGHLIGHTS

Commercial Bank of Dubai (CBD) has continued to deliver stable financial results despite the current challenging operating environment. CBD has positioned itself for future growth opportunities through strengthening its funding and liquidity capabilities, capitalisation and operating efficiency.

Operating Income: Total operating income for 2011 declined by 1.7% to AED1.857 Million compared to AED1.890 Million in 2010. Interest income and income from Islamic financing declined by 10% due to lower performing loans and advances as well as lower interest margins. This decline was partially offset by the 26% decrease in interest expenses and Islamic depositors' distributions due to lower funding costs. Fees and commissions increased by 3.6% to AED 357 Million whilst foreign exchange income increased by 27% to AED 112 Million.

Operating Expenses: Total expenses amounted to AED 564 Million in 2011, a 4% increase over 2010. The increase was due to CBD's continued investment in its staff, distribution network and IT systems. CBD continued its strategic focus to enhance efficiency resulting in a cost-to-income ratio of 30.4%.

Impairment Allowances: Net impairment allowances for 2011 were AED 470 Million, 11% lower compared to 2010 as the Bank increased its total provisions for impairment to AED 1,781 Million.

The non-performing loans coverage ratio was 68% as at 31st December 2011; and collective provisions represent 1.7% of CBD's performing loan portfolio and 1.4% of Credit Risk Weighted Assets (CRWA).

Net Profit: The Net profit for the year 2011 amounted to AED 822 Million as compared to AED 820 Million for 2010.

Liquidity: Total balance sheet footings were AED 38.2 Billion as at 31st December 2011, compared to AED 38.5 Billion a year earlier. Customers' loans and advances stood at AED 26.8 Billion while customers' deposits were at AED 28.4 Billion.

As at the year-end, liquid assets represent 18% of total assets; Loans to Deposits Ratio was 94.3%; and Advances to Stable Resources Ratio was 82.8%, below the maximum of 100% as stipulated by the UAE Central Bank.

Capital Adequacy: CBD remains well capitalised as a result of an increase in capitalisation which was mainly driven by retained earnings during the year:

Capital Adequacy Ratio further strengthened to 23.1% as at 31st December 2011; of which Tier I Capital was 16.6%.

The Board of Directors has recommended the distribution of AED 388 Million as cash dividends to shareholders i.e. 20% of the core capital as at 31st December 2011, subject to the approval of the general assembly of shareholders (2010: AED 388 Million - 20% cash dividends).

STRATEGY

CBD remains committed to its core strategy to be the bank of choice of customers in its core business segments. During the year CBD undertook a strategic review of its market positioning and its existing business mix and risk profile. Cross functional teams of key executives from across the bank were tasked with identifying initiatives to increase revenue and identify new areas of potential growth building on CBD's inherent strengths.

CBD which is well entrenched in the Dubai emirate has now aligned its business strategy to increase its share of business from other emirates in the UAE. In terms of business segments it has redefined its segmentation criteria for consumer banking business. It will also focus on business growth from established operating entities in free zones in UAE as well as entities in target industry sectors that have a successful track record of operations in UAE.

The strategic initiatives include ensuring that the employee skill sets match the revised job requirements as well as enhancing the sales management process. This will also involve amendments to the compensation structure for certain roles to ensure closer alignment with performance.

The implementation of the strategic initiatives has commenced and the building blocks are being put in place. CBD is now well positioned to deal with market challenges and to leverage its franchise and distribution network to drive business growth.

CORPORATE BANKING

Corporate Banking provides a wide range of credit and non-credit services to large and medium-sized local corporate and commercial firms owned mainly by UAE families who have had long and valued relationships with CBD.

CBD focuses on its core competencies in lending specifically in trade finance and in short- and medium-term funding for working capital and financing of fixed assets respectively. It also provides transactional and electronic banking services, together with a range of foreign exchange and interest rate hedging products.

A centralised team of experienced Relationship Managers (RMs), based at our Head Office, is responsible for large corporations located in Dubai & Northern Emirates, whilst Abu Dhabi-based large corporate clientele are managed through a team based in Abu Dhabi. Similarly, commercial clients are managed by RMs strategically located in sixteen Commercial Banking centres throughout the UAE. Product specialists from Treasury, Trade Finance and Transaction Banking work closely with RMs to cross-sell tailor-made products in line with client needs.

Attijari Al Islami is one of CBD's most rapidly developing business segments. 2011 turned out to be an exceptionally successful year as evidenced in the growth in assets and liabilities as well as product development and distribution expansion

During these times of global economic uncertainty, CBD has taken deliberate measures to control asset growth, improve the overall structure as well as collateral of its lending activities, and strengthen its day-to-day management of credit exposures. Action was taken promptly to restructure facilities and realign with future cash flow projections, whilst the loan book was re-priced to reflect market conditions. A special credit unit was established to manage more complex restructurings.

In 2011, CBD maintained a cautious approach to new lending, except in certain specific sectors relating to trade, services and manufacturing, where opportunities to grow market share were exploited. Attention was given to further improve service levels and delivery channels through the selective introduction of new products and technology upgrades. There was an emphasis on the solicitation of low-cost deposits from corporate and commercial clients, and the generation of client-related cash flows through operating accounts. As such, CBD was able to demonstrate its ability to increase its share of wallet in non-credit services.

CBD anticipates that 2012 will be challenging, as global and local markets continue to readjust after periods of volatility. As such, Corporate Banking will continue to maintain a cautious approach to new lending as per its strategic initiatives.

The trade finance product portfolio includes both conventional and Sharia compliant Islamic products. The range of trade finance products being offered includes Import LCs, Export LCs, Guarantees, Standby LCs, Trade Finance Loans, Export pre/post shipment Financing, Collections, Trade Bills Discounting, Avalisation, Bankers' Acceptances, Islamic LCs and Murabaha Loans and other LC Services. Factoring Services, including financing, were launched in the last quarter of 2011.

Trade sales' initiative – wherein trade managers visit clients, along with relationship managers – was successfully implemented across the Bank in 2011. The twin objectives of the initiative are to increase share of wallet of the trade business, as well as to play an advisory role to customers on the technicalities of International Trade. CBD Trade Finance was involved as either a sponsor or panel speaker in several forums and conferences, such as the ICC UAE Banking and Commission Meeting, amongst others.

CONSUMER BANKING

In early 2011 the UAE Central Bank issued significant new regulations relating to loans and services to consumers. These regulations introduced new limits on consumer loan amounts, tenor and debt burden ratios. It also specified the banking services for which fees could be levied and the maximum fee applicable in each case.

CBD's consumer banking business further built up its client base using a service and relationship driven strategy focusing on the mid and upper income consumer target segments whilst avoiding price based competition to grow business.

This focus on service excellence resulted in CBD now being placed as one of the top five banks in the UAE

ETHOS Annual Banking Benchmarking Survey 2011 with regard to quality service delivery via the branch network, our call centre and CBD website.

The increased focus on the Al Dana segment of High Net Worth and Ultra High Net Worth individuals led CBD to start offering more international private banking solutions via a tie up with a renowned Swiss private bank. This has resulted in an increased interest of our esteemed clients in CBD's approach to wealth management and investments. CBD was awarded the 2011 'Bank for Best Wealth Management' by the Banker Middle East Industry Awards.

The consumer banking business also enhanced its services to government entities such as Federal Electricity and Water Authority, Dubai eGovernment and others, which allow clients of government entities to make easy direct debit payments online from home or the office. Transaction volumes increased sharply by 51% to over 15 million transactions in 2011.

CBD added a new branch location to its distribution network in the Muhaisnah Industrial area that serves both commercial as well as consumer clients. In addition, the bank took possession of a bigger and more prestigious location for its branch in Al Ain where clients are now welcomed either in our Al Dana lounge or in our dedicated Attijari Al Islami banking area.

ATTIJARI AL ISLAMI

Attijari Al Islami, CBD's Islamic banking platform, is one of CBD's most rapidly developing business segments.

2011 turned out to be an exceptionally successful year as evidenced in the growth in assets and liabilities as well as product development and distribution expansion.

Islamic deposits now accounts for 11% of CBD's total customer deposit base whilst Islamic assets increased by 70% during the year.

CBD now has twenty Attijari Al Islami centres and five dedicated Islamic branches across the UAE. During the year, Attijari Al Islami launched two new products the Absher Personal Finance Tawarruq and Absher Personal Finance (goods). In addition, it introduced a bundled product offering with a membership programme for high net worth and mass-affluent segment customers.

The Attijari Al Islami is supervised by a Sharia Supervisory Board, comprising of three leading Sharia scholars. The Sharia Supervisory Board meets twice in a year to discuss and determine the Sharia compliance of the Bank's existing and new products and ensure that CBD's Islamic operations are run in accordance with Sharia guidelines.

TREASURY AND ASSET AND LIABILITY MANAGEMENT

2011 was a year of volatility in most markets as participants frequently changed their minds about where to invest. Economic and political issues influenced the market heavily. The problems in Europe escalated with politicians and other involved parties being unable to agree on a solution, thereby deferring the problems to 2012. Credit spreads widened significantly as sovereigns

Emiratisation remains at the core of CBD's Human Resource strategy

and financial institutions have been downgraded by the rating agencies. Official interest rates have remained low in the United States and been reduced in Europe as economies struggle to grow. For most of the year gold was the favoured asset reaching a high of USD 1,900 an ounce in September before falling back to close the year at USD 1,563 an ounce.

In the UAE there was ample liquidity in the banking system throughout the year even though the overall client deposit levels fell dramatically in the second half as overseas depositors repatriated their funds. Stock markets in the UAE recorded very low volumes causing some brokerage houses to close down.

Despite all of the turmoil in the markets and the widening credit spreads, CBD was able to raise a three year USD 450 million loan from a group of nine relationship banks at advantageous pricing. This was the first three-year deal completed in the region since the 2008 global financial crisis and demonstrates the relationship banks' faith in the CBD business model and their evaluation of its strong credit fundamentals.

CBD had a successful year in its foreign exchange dealings with clients and recorded a 27% increase from 2010 levels, at the same time the bank helped clients cover their exchange risks effectively. Treasury was also instrumental in managing the low cost of funds that CBD enjoyed throughout the year thus helping to achieve an excellent net interest margin.

CBD's fixed income investment portfolio provided good returns as it took advantage of some attractive new issues and was able to fund the portfolio relatively cheaply. It is expected to grow the investment portfolio in 2012 as some maturing bonds are replaced and take advantage of new issues from well rated regional institutions.

CBD looks forward to a challenging year for the markets as it focuses on satisfying its clients' treasury needs, generating new business and profitably managing CBD's liquidity and money market activities.

HUMAN RESOURCES AND TRAINING

Emiratisation remains at the core of CBD's Human Resource strategy. UAE Nationals now constitute 40.2% of all employees placed across the Bank at all levels and, most importantly, in key leadership positions.

2011 saw the graduation of the first batch from the bank's prestigious Management Trainee Programme, which aims at developing a select number of high achieving graduates. These trainees underwent an extensive eighteen month training, coaching and rotation course, enabling them to take on senior positions within the Bank upon completion. The programme was successfully completed by all the trainees, achieving 100% retention at the end of the programme. All these graduates were placed in appropriate jobs across both the front and back office functions.

Performance management, as always, remains an integral focus for CBD. During 2011, HR updated the competency model basing the assessment suite, recruitment, development and succession plans on the core competencies identified. A succession planning programme has been initiated at management level, with the aim of maintaining business sustainability in the years to come.

The annual performance cycle was revamped during 2011, with the launch of an enhanced and robust performance management system. This is an automated system which will bring greater transparency, involvement of staff and ease of administration.

2011 also saw the 'right fitting' of sales staff as part of a newly designed sales administration and structure. The Bank aims at maintaining a high calibre of performing staff in the front line, with the right performance and growth potential. These members of staff went through detailed training, assessment and various accreditation programmes during 2011, ensuring our clients are served by the best calibre sales and relationship professionals available in the market.

As always, CBD places great emphasis on employee engagement and this continues with our annual Employee Survey, benchmarking to international standards and taking feedback from staff on all aspects of their work experience and seeking to involve them in making improvements each year.

INFORMATION TECHNOLOGY (IT)

CBD seeks to increase IT facilities to host Business Solutions delivery whilst enhancing the infrastructure platform's readiness and reducing the possibility of any risks to customer information. The Bank assessed its current status and future IT requirements following which a three year IT Strategic Plan was drawn up. The IT Strategic Plan projects relate to business solutions, IT infrastructure and Compliance, Risk & Business Continuity.

During 2011, CBD implemented a series of information technology solutions to facilitate the achievement of its business objectives and to enhance client service.

The following solutions were implemented during the year:

Business Solutions - *Value Delivery to Stakeholders*

- New Mobile Banking Systems launched
- New Contact Centre Systems initiated featuring more functions
- Completed implementation of Branch Automation system in branches and Head Office Departments.

Infrastructure Upgrades - *Platform Ready for value delivery*

- Increased the network capacity by threefold to meet the demands of future transactions
- Network architecture being designed and equipped between Main Data Centre and Disaster Recovery Centre, to ensure high availability of the systems for Business Continuity.

The Board of Directors of the Bank has adopted a corporate governance policy consistent with international best practices to achieve the principles of fair treatment for all stakeholders

Compliance, Risk and Business Continuity – *Risk Managed*

- UAE Central Bank – Fund Transfer System (FTS), International Bank Account Number (IBAN), unification of customer charges
- Same day cheque clearing function
- Business Continuity Technical facilities for branches.

SUPPORT FOR THE COMMUNITY

The Bank's Vision and its Mission Statement emphasize enhancing social prosperity by contributing to the social well-being of the communities in which it is present. The main initiatives in 2011 focus on health, fitness and education.

CBD has partnered with the **Emirates Diabetes Society** to raise awareness of a growing prevalence of diabetes among the youth of our nation. On the World Diabetes Day, CBD signed a Memorandum of Understanding with the Emirates Diabetes Society, to create awareness about diabetes in UAE.

Commercial Bank of Dubai, along with Dubai Sports Council under the patronage of HH Sheikh Hamdan Bin Mohamed Bin Rashid Al Maktoum, Crown Prince of Dubai, launched the **CBD Youth Athletics Competition 2012**. The competition the first ever of its kind was designed with the vision to nurture the athletic talent, of the school students, within the UAE whilst promoting a spirit of competition and camaraderie. The inaugural event attracted over 1,000 young athletes from 42 selected schools. Besides promoting a healthy lifestyle through sports, this event is also designed to provide a competitive environment for schools and at the same time, foster talent for the future.

CBD was awarded the prestigious **CSR Label** accreditation by the Dubai Chamber of Commerce and Industry, in recognition of its contribution as a responsible corporate citizen, in accordance with international best practices.

CBD, the only financial institution in the MENA to be **Social Accountability [SA8000] certified** obtained recertification in 2011. This certification by Social Accountability International (SAI), an affiliate of the Council on Economic Priorities, New York, is viewed as the most globally accepted independent workplace certification standard that encourages organizations to develop, maintain and apply socially acceptable practices in the workplace.

CORPORATE GOVERNANCE

The Board of Directors of the Bank has adopted a corporate governance policy consistent with international best practices to achieve the principles of fair treatment for all stakeholders.

Board of Directors

The Board of Directors is responsible for the overall direction, supervision and control of the Bank. It has complete responsibility for the Bank's operations and financial soundness. It ensures that the interests of all stakeholders are considered in its decision making.

The Board has delegated authority to executive management to enter into transactions which are consistent with the Bank's Risk Strategy and policy guidelines (as described on pages 56 to 60 of the audited financial statements).

The formation of the Board of Directors is governed by the Federal Law No. 8 of 1984 (as amended). The Board comprises of 11 members elected for tenure of three years.

Board Committees

The Board has delegated specific responsibilities to Committees as shown following. Each Committee has a formal charter.

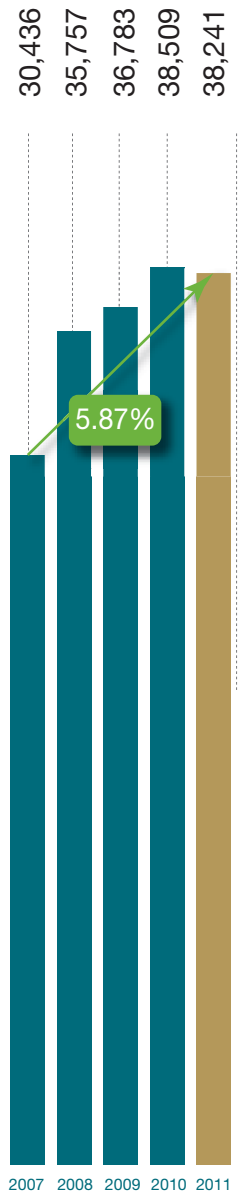
The Board and its committees are supplied with full and timely information to enable them to discharge their responsibilities. In this respect, the Board, its committees and all the directors have access to senior management, external consultants and advisors.

CBD's Board of Directors held a total of 7 meetings during 2011 with a combined total of 21 working hours, whereas the Executive Committee held 3 meetings with a combined total of 9 hours. The Board's Audit Committee held a total of 6 meetings, with a combined total of 18 working hours during 2011. While the Remunerations Committee held 2 meeting with a combined total of 6 hours.

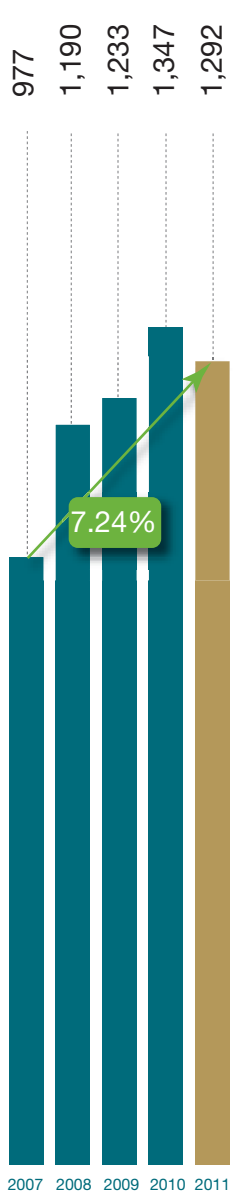
For more details about Corporate Governance, Board Committees and Management Committees and control environment please see pages 56 to 63 of the audited financial statements.

Executive Committee (EXCO) 5 Non-Executive Members 2 Executive Members	EXCO acts as the Group's senior executive management, ensuring that the Group meets its strategic and operational objectives.
Audit & Risk Committee (ARC) 6 Members (5 Non-Executive Members and 1 independent Non-Executive Member)	ARC assists the Board of Directors in ensuring and maintaining oversight of the Group's financial reporting system, internal control and risk management framework, audit functions, legal and regulatory requirements.
Remuneration Committee (REMCO) 3 Non-Executive Members	REMCO reviews and approves overall HR policies and strategy and CBD's compensation program in order to attract, retain and motivate its employees.

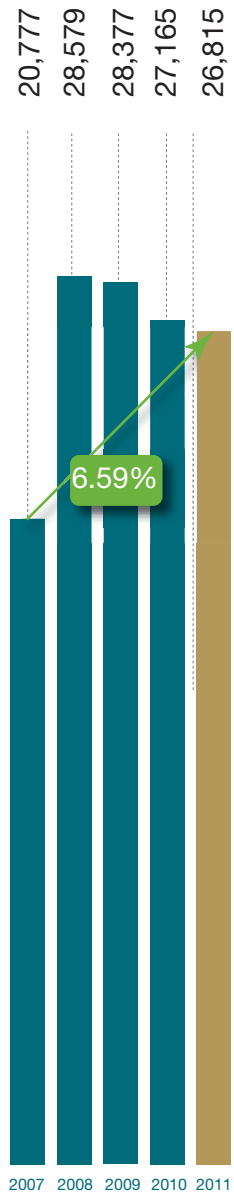
Major Indicators



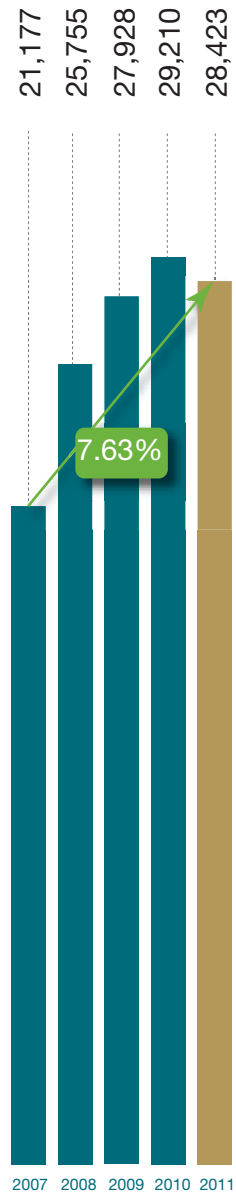
Total Assets
(AED Millions)



Operating Profit
(AED Millions)



Loans and Advances and Islamic Financing
(AED Millions)



Customers' Deposits and Islamic Customers' Deposits
(AED Millions)

+5.87%
Total Assets

+7.24%
Operating Profit

+6.59%
Loans and Advances and Islamic Financing

+7.63%
Customers' Deposits and Islamic Customers' Deposits

Report of the Auditors to the Shareholders

The Shareholders
Commercial Bank of Dubai PSC

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Commercial Bank of Dubai PSC ("the Bank") and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2011, the consolidated statements of comprehensive income (comprising a consolidated statement of comprehensive income and a separate consolidated income statement), changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2011, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the relevant Articles of the Company and the UAE Federal Law No. 8 of 1984 (as amended).

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the UAE Federal Law No. 8 of 1984 (as amended), we further confirm that we have obtained all information and explanations necessary for our audit, that proper financial records have been kept by the Group, and the contents of the Chairman's report which relate to these consolidated financial statements are in agreement with the Group's financial records. We are not aware of any violation of the above mentioned Law and the Articles of Association having occurred during the year ended 31 December 2011, which may have had a material adverse effect on the business of the Group or its financial position.

Vijendranath Malhotra
Registration No: 48 B

15 February 2012
KPMG

Consolidated Statement of Financial Position As at 31 December 2011

	Note	2011 AED'000	2010 AED'000
ASSETS			
Cash and balances with Central Bank	5	**5,376,083**	5,076,443
Due from banks	6	**1,700,862**	2,297,520
Loans and advances and Islamic financing	7	**26,815,087**	27,164,988
Investment securities	8	**1,911,842**	1,708,883
Investment properties	9	**173,823**	181,037
Property and equipment	10	**452,318**	435,438
Other assets	11	**1,811,305**	1,644,395
Total assets		**38,241,320**	38,508,704
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks	12	**326,066**	309,273
Customers' deposits and Islamic customers' deposits	13	**28,423,430**	29,209,662
Medium term borrowing	14	**1,631,501**	1,466,656
Other liabilities	15	**1,538,710**	1,644,172
Total liabilities		**31,919,707**	32,629,763
EQUITY			
Share capital	16	**1,941,287**	1,941,287
Legal reserve	16	**1,379,683**	1,379,683
Capital reserve	16	**38,638**	38,638
General reserve	16	**1,100,000**	1,100,000
Cumulative changes in fair values of AFS investments	16	**31,419**	36,292
Cumulative changes in fair values of cash flow hedge instruments	16	**-**	(20,702)
Proposed cash dividend	16	**388,257**	388,257
Proposed directors' remuneration	16	**11,000**	7,000
Retained earnings		**1,431,329**	1,008,486
Total equity		**6,321,613**	5,878,941
Total liabilities and equity		**38,241,320**	38,508,704

These consolidated financial statements were approved and authorized for issue by the Board of Directors on 25th of January 2012.

Mr. Saeed Ahmed Ghobash
Chairman

Mr. Peter Baltussen
Chief Executive Officer

The attached notes on pages 28 to 89 form part of these consolidated financial statements.
The report of the Auditors is set out on page 22.

Consolidated Income Statement For the year ended 31 December 2011

	Note	2011 AED'000	2010 AED'000
Interest income and income from Islamic financing	17	**1,768,712**	1,968,464
Interest expense and distributions to Islamic depositors	18	**(427,335)**	(582,986)
Net interest income and net income from Islamic financing		**1,341,377**	1,385,478
Fees and commission income		**381,181**	364,781
Fees and commission expense		**(24,236)**	(20,205)
Net fees and commission income	19	**356,945**	344,576
Net gains from foreign exchange and derivatives		**112,222**	88,537
Net (losses) / gains from investments at fair value through profit or loss - held for trading	20	**(994)**	14,459
Net gains from sale of available-for-sale investments		**10,722**	23,974
Dividend income	21	**10,070**	7,897
Other income		**26,877**	25,122
Total operating income		**1,857,219**	1,890,043
Impairment allowances on loans and advances and Islamic financing		**(512,037)**	(554,453)
Recoveries		**41,689**	28,002
Total net income		**1,386,871**	1,363,592
General and administrative expenses	22	**(507,445)**	(487,702)
Depreciation and amortization	9&10	**(57,326)**	(55,301)
Total operating expenses		**(564,771)**	(543,003)
Net profit for the year		**822,100**	820,589
Basic and diluted earnings per share	24	**AED 0.42**	AED 0.42

The attached notes on pages 28 to 89 form part of these consolidated financial statements.

Appropriations have been reflected in the consolidated statement of changes in equity.

The report of the Auditors is set out on page 22.

Consolidated Statement of Comprehensive Income For the year ended 31 December 2011

	2011 AED'000	2010 AED'000
Net profit for the year	**822,100**	820,589
Other comprehensive income:		
Changes in fair value of effective portion of cash flow hedge	**20,702**	8,332
Changes in available-for-sale investments:		
Realized gains on sale of available-for-sale investments	**(10,722)**	(23,974)
Amortization of reclassified investments	**19,009**	23,320
Revaluation of available-for-sale investments	**(13,160)**	(28,565)
Net change in available-for-sale investments	**(4,873)**	(29,219)
Other comprehensive income / (expense) for the year	**15,829**	(20,887)
Total comprehensive income for the year	**837,929**	799,702

The attached notes on pages 28 to 89 form part of these consolidated financial statements.

The report of the Auditors is set out on page 22.

Consolidated Statement of Changes in Equity For the year ended 31 December 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	65,511	(29,034)	583,154	447,202	5,349,960
Transactions with owners, recorded directly in equity:									
Bonus shares for 2009 (10%)	176,481	-	-	-	-	-	-	(176,481)	-
Cash dividend paid for 2009 (15%)	-	-	-	-	-	-	-	(264,721)	(264,721)
Proposed cash dividend for 2010 (20%)	-	-	-	-	-	-	(388,257)	388,257	-
Directors' remuneration paid for 2009	-	-	-	-	-	-	-	(6,000)	(6,000)
Proposed directors' remuneration for 2010	-	-	-	-	-	-	(7,000)	7,000	-
Comprehensive income									
Net profit for the year	-	-	-	-	-	-	820,589	-	820,589
Other comprehensive expense for the year	-	-	-	-	(29,219)	8,332	-	-	(20,887)
Total comprehensive income	-	-	-	-	(29,219)	8,332	820,589	-	799,702
At 31 December 2010	1,941,287	1,379,683	38,638	1,100,000	36,292	(20,702)	1,008,486	395,257	5,878,941
Transactions with owners, recorded directly in equity:									
Cash dividend paid for 2010 (20%)	-	-	-	-	-	-	-	**(388,257)**	**(388,257)**
Proposed cash dividend for 2011 (20%)	-	-	-	-	-	-	**(388,257)**	**388,257**	-
Directors' remuneration paid for 2010	-	-	-	-	-	-	-	**(7,000)**	**(7,000)**
Proposed directors' remuneration for 2011	-	-	-	-	-	-	**(11,000)**	**11,000**	-
Comprehensive income									
Net profit for the year	-	-	-	-	-	-	**822,100**	-	**822,100**
Other comprehensive income for the year	-	-	-	-	**(4,873)**	**20,702**	-	-	**15,829**
Total comprehensive income	-	-	-	-	**(4,873)**	**20,702**	**822,100**	-	**837,929**
At 31 December 2011	**1,941,287**	**1,379,683**	**38,638**	**1,100,000**	**31,419**	-	**1,431,329**	**399,257**	**6,321,613**

The attached notes on pages 28 to 89 form part of these consolidated financial statements.

The report of the Auditors is set out on page 22.

Consolidated Statement of Cash Flows For the year ended 31 December 2011

		2011 AED'000	2010 AED'000
OPERATING ACTIVITIES			
Profit for the year		**822,100**	820,589
Adjustments for:			
Depreciation and amortization		**57,326**	55,301
Gain on disposal of properties and equipment		**(30)**	(5)
Dividend net of investment losses		**(6,286)**	(7,014)
Net unrealised losses / (gains) on investments at fair value through profit or loss - held for trading net of forex translation		**472**	(14,036)
Realized gains on sale of investments		**(9,963)**	(22,999)
Net unrealized (gains) / losses on derivatives		**(1,328)**	15,881
Directors' remuneration paid		**(7,000)**	(6,000)
		855,291	841,717
Increase in statutory reserve with the Central Bank		**(193,896)**	(61,389)
Decrease in loans and advances and Islamic financing		**349,901**	1,211,835
Increase in other assets		**(208,098)**	(219,458)
Increase in due from banks with original maturity of more than three months		**(4,315)**	-
(Decrease) / increase in customers' deposits and Islamic customers' deposits		**(786,232)**	1,281,208
(Decrease) / increase in other liabilities		**(43,034)**	62,044
Decrease in due to banks with original maturity of more than three months		**-**	(147,000)
Net cash flow (used in) / from operating activities		**(30,383)**	2,968,957
INVESTING ACTIVITIES			
Purchase of investments		**(424,935)**	(165,871)
Purchase of property and equipment		**(68,231)**	(94,552)
Increase in investment properties (net)		**(1,534)**	(972)
Dividend income		**10,070**	7,897
Proceeds from sale of investments		**223,600**	360,496
Proceeds from sale of property and equipment		**2,803**	636
Net cash flow (used in) / from investing activities		**(258,227)**	107,634
FINANCING ACTIVITIES			
Increase in medium term borrowing		**164,845**	-
Dividend paid		**(388,257)**	(264,721)
Net cash flow used in financing activities		**(223,412)**	(264,721)
Net (decrease) / increase in cash and cash equivalents		**(512,022)**	2,811,870
Cash and cash equivalents at 1 January		**5,559,115**	2,747,245
Cash and cash equivalents at 31 December	Note 25	**5,047,093**	5,559,115

The attached notes on pages 28 to 89 form part of these consolidated financial statements.
The report of the Auditors is set out on page 22.

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 consolidated financial statements of the Bank for the year ended 31 December 2011 comprise the results of 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). The Bank holds a 100% interest in its subsidiary.

The Bank is listed on the Dubai Financial Market. The Bank's principal activity is commercial banking while that of its subsidiary is broking 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), interpretations issued by International Financial Reporting Interpretations Committee (IFRIC) and relevant laws of the U.A.E.

Along with these consolidated financial statements, the Group has presented Basel II Pillar 3 disclosures in accordance with the guidelines issued by the Central Bank. The adoption of Basel II Pillar 3 guidelines has impacted the type and amount of disclosures made in these consolidated financial statements, but has no impact on the reported profits or financial position of the Group. In accordance with the requirements of Basel II, the Group has provided full comparative information.

As required by the UAE Securities and Commodities Authority (SCA) notification number 85/2009 dated January 6, 2009, the Group's exposure in cash and advances with Central Bank, Due from Banks and Investment Securities outside the UAE have been presented under the respective notes.

b) Basis of measurement

The consolidated 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-held for trading are measured at fair value;
- Available-for-sale financial assets are measured at fair value;
- Recognised assets and liabilities that are hedged are measured at fair value in respect of the risk that is hedged; and
- Granted land which is valued at the market value on the date of grant.

c) Functional and presentation currency

The consolidated financial statements are presented in United Arab Emirates Dirhams ("AED"), which is the Group's "functional currency", rounded to the nearest thousand.

d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity are disclosed in Note 3 (v).

2. BASIS OF PREPARATION (CONTINUED)

e) Basis of consolidation

(i) 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 consolidated financial statements from the date control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

Intra-group balances and income and expenses (except for foreign currency transactions gains or losses) arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all the years presented in these consolidated financial statements. The Group has adopted IAS 24 'Related Party Disclosure' (Revised) which became applicable for annual periods beginning on or after 1 January 2011, in the preparation of these consolidated financial statements. IAS 24 amends the definition of a related party and modifies certain related party disclosure requirements for government related entities. This new and revised IAS affects the presentation and disclosure of these consolidated financial statements and do not affect the Group's profit or loss or equity.

a) 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:

(i) Classification

ÿ *Financial assets at fair value through profit or loss:* This category has the following two sub-categories:

o Financial assets held for trading

Financial assets held for trading are recorded at fair value. Fair value changes are recognized in consolidated income statement.

o Designated to be fair valued through profit or loss at inception

The Group designates financial assets at fair value through profit or loss in the following circumstances:

- The assets are managed, evaluated and reported internally on a fair value basis.
- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.
- The asset contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

ÿ *Loans and advances:* Loans and advances are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. These arise when the Group provides money directly to the borrower with no intention of trading the receivable.

ÿ *Held-to-maturity (HTM):* 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. HTM assets are carried at amortized cost less impairment loss if any. Sale of HTM assets is allowed only under the following circumstances:

- The investment is close enough to maturity as to have no impact on fair value;
- The principal is substantially received;
- Isolated events beyond the Group's control;
- Significant credit deterioration;
- Major business combination or disposal; or
- Increase in regulatory capital requirements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Financial instruments (continued)

(i) Classification (continued)

ÿ *Available-for-sale (AFS):* Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or not classified as (i) financial assets at fair value through profit or loss, (ii) loans and advances or (iii) held-to-maturity investments. AFS assets are carried at fair value, with fair value changes recognized in other comprehensive income (OCI). These assets may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

(ii) 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.

(iii) Derecognition

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.

(iv) Subsequent measurement

Financial assets available-for-sale and investments at fair value through profit or loss are subsequently carried at fair value. Loans and advances and held-to-maturity investments are carried at amortized cost using the effective interest method, less impairment allowances.

(v) Gains and losses on subsequent measurement

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

In cases where available-for-sale investments with a fixed maturity are reclassified as held-to-maturity investments, the fair value gains or losses until the date of the reclassification are held in equity and amortized over the remaining life of the held-to-maturity investments using the effective interest rate method.

(vi) 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Financial instruments (continued)

(vi) Fair value measurement principles (continued)

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group 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.

(vii) Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, group, pricing service or regulatory agency, and those prices represent actual and regularly recurring market transactions on an arm's length basis.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs based on unobservable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

(viii) 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.

a) *Individually assessed loans*

At each balance sheet 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Financial instruments (continued)

(viii) Identification and measurement of impairment (continued)

a) Individually assessed loans (continued)

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;
- 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 income statement 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 profit or loss.

b) 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.

o ***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 balance sheet date which will only be specifically identified in the future.

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.

o ***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.

c) 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 income statement as a reclassification adjustment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Financial instruments (continued)

(viii) Identification and measurement of impairment (continued)

c) Impairment on investments classified as available-for-sale (continued)

The cumulative loss that is reclassified from other comprehensive income to income statement 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 income statement. 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 income statement, the impairment loss is reversed, with the amount of the reversal recognised in income statement. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is not reversed through the income statement and is recognised directly in other comprehensive income.

b) Derivative financial instruments

(i) 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.

(ii) 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 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.

The positive mark to market values (unrealised gains) of derivative financial instruments is included in assets. While, the negative mark to market values (unrealised losses) of derivative financial instruments is included in liabilities.

(iii) Gains and losses on subsequent measurement

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

c) 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

(i) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Hedging instruments (continued)

(ii) 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.

(iii) Fair value hedges

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

(iv) 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.

(v) 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 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.

(vi) 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.

d) Due from banks

Amounts due from banks are stated at amortized cost less provision for impairment, if any.

e) Loans and advances and Islamic financing

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method, except when the Group chooses to carry the loans and advances at fair value through profit or loss.

In addition to conventional banking products, the Group offers its customers certain Islamic financing products, which are approved by Sharia'a Supervisory Board. Islamic Financing consists of the following:

Murabaha

An agreement whereby the Group sells to a customer, commodity or asset (subject asset), which the Group has purchased and acquired, based on a promise received from the customer to buy the item purchased according to specific terms and conditions. The selling price comprises the cost of the subject asset and an agreed profit margin. Income is recognized on an accrual basis adjusted by actual income when received.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Loans and advances and Islamic financing (continued)

Ijarah

Ijarah refers to lease of the asset, which the Group (Lessor) constructs or purchases as per customer (Lessee) request based on the promise to lease the asset for a fixed term against certain rent installment. Ijara can end by transferring the ownership of the asset to the lessee in case of Ijara Muntahia Bittamleek.

Islamic financing products are measured at amortized cost, using the effective profit method, less any amounts written off, allowance for doubtful accounts and unearned income.

The effective profit rate is the rate that exactly discounts estimated future cash flow through the expected life of the financial asset or liability, or , where appropriate, a shorter period.

f) Investment properties

The Group holds certain properties for dual use and leased out or intended to lease out components have been classified as investment properties. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred, if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at cost less any accumulated depreciation and accumulated impairment losses.

Depreciation is charged using straight line method over the useful life of the asset. Estimated useful life of buildings is 20 to 30 years.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in ‘Other income’ in the year of retirement or disposal.

Transfers are made to investment properties when, and only when there is change in use evidenced by ending of owner-occupation, commencement of an operating lease of a another party or ending of construction or development.

Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner-occupation or completion of development.

g) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses except for granted land, which is stated at the market value at the date of grant.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of replacing an item of property and equipment is recognised in the carrying value of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The day-to-day servicing expenses of property and equipment are recognised in the income statement as incurred.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment. These are included in the income statement.

Property and equipment are impaired if the carrying amount of the asset or its cash generating unit exceed its recoverable amount. The impairment loss is recognized in the income statement.

The cost of all property and equipment other than freehold land and capital work in progress is depreciated using the straight-line method over the following estimated useful lives:

Buildings	20 to 30 years
Leasehold improvements	5 years
Furniture, equipment and vehicles	3 to 5 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Due to banks and medium term borrowing

Amounts due to banks and medium term borrowing are initially measured at fair value plus transaction costs, and are subsequently measured at amortised cost using the effective interest method.

i) Customers' deposits and Islamic Customers' deposits

Customers' deposits are initially recognised at fair value, being the fair value of the consideration received. After initial recognition, all interest bearing deposits, other than liabilities classified as FVPL, are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any transaction costs that are directly attributable to the acquisition or issue of customer deposit.

The Islamic customer deposits are received by entering into following kinds of agreements:

Mudaraba

An agreement between the Group and a third party whereby one party would provide a certain amount of funds which the other party (Mudarib) would then invest in a specific enterprise or activity against a specific share in the profit. The Mudarib would bear the loss in case of default, negligence or violation of any of the terms and conditions of the Mudarabah.

Wakala

An agreement between group and third party whereby one party (Muwakil) provides certain amount of funds which the other party (Wakil) would invest according to the terms and conditions of Wakala in return for a certain fee. The Wakil is obliged to return the invested amount in case of default, negligence or violation of any of the terms and conditions of the Wakala.

Islamic customers' deposits are initially measured at fair value plus transaction costs, and subsequently measured at their amortized cost using the effective profit method.

j) Provisions

A provision is recognized if as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

k) Employees' terminal benefits and long-term incentive arrangements

Provision is made for amounts payable under the UAE Federal Labour Law applicable to non UAE nationals' accumulated periods of service at the balance sheet date. The Group pays its contributions in respect of UAE nationals under the UAE Pension and Social Security Law. Effective from 1 January 2007, the Group introduced a long term incentive plan. Under this plan certain key employees are eligible for an incentive at the offering date contingent upon the Group's performance up to an award date. The award is the percentage of the actual salary of the eligible key employees. The salary includes the basic salary, allowance, national allowance and cost of living allowance as at the effective date.

l) Share capital

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Dividend on ordinary shares

Dividends payable on ordinary shares are recognized as a liability in the period in which they are approved by the Bank's shareholders.

n) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when, and only when, the Group has a legally enforceable right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRSs, or of gains and losses arising from a group of similar transactions such as in the Group's trading activity.

o) Cash and cash equivalents

For the purposes of the consolidated cash flow statement, cash and cash equivalents consist of cash on hand and balances with the Central Bank (excluding statutory reserve), and amounts due from and due to banks with original maturity less than three months.

p) Revenue recognition

(i) Interest income and expense

Interest income and expense for all interest bearing financial instruments except for those classified as held for trading or designated at fair value through profit or loss, are recognized in 'interest income' and 'interest expense' in the income statement on an accrual basis using the effective interest rates of the financial assets or financial liabilities to which they relate.

The effective interest rate is the rate that discounts estimated future cash receipts and payments earned or paid on a financial asset or a liability through its expected life or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

When calculating effective interest rates, the Group estimates cash flows considering all contractual terms of the financial instruments, but not future credit losses. The calculation includes all amounts paid or received by the Group that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

Interest on impaired financial assets is calculated by applying the original effective interest rate of the financial asset to the carrying amount as reduced by any allowance for impairment and is not recognized as interest income.

(ii) Income from Islamic financing and distributions to depositors

Income from Islamic financing is recognized in the consolidated income statement using the effective profit method.

The calculation of the effective profit rate includes all fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective profit rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset.

Distribution to Depositors (Islamic products) is calculated according to the Group's standard procedures and is approved by the Group's Sharia'a Supervisory Board.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) Revenue recognition (continued)

(iii) Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of effective interest rate.

Other fees and commission income earned from the provision of services are recognized as revenue, as and when the services are rendered or on a time proportion basis as applicable.

(iv) Income from investments

Net income from investments at fair value through profit or loss which arises from gains and losses resulting from disposal, and from the fair valuation of such investments, are recognized when they occur.

(v) Property related income

Property related income includes rental income, which is recognised on a straight line basis over the term of the lease.

(vi) Dividend income

Dividend income is recognized when the Group's right to receive the payment is established.

(vii) Foreign currencies

Foreign currency transactions are recorded at rates of exchange ruling at the value dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date, which are stated at historical cost, are translated at the foreign exchange rate ruling at that date.

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to AED at the foreign exchange rates ruling at the dates that the fair values were determined.

Forward foreign exchange contracts are translated into AED at mid market rates of exchange ruling at the reporting date. Foreign exchange differences arising on translation are recognized in the income statement.

q) Leasing

The Group has entered into leasing arrangements which based on the evaluation of the terms and condition of the leasing arrangement has been classified as operating lease. Leases are classified as operating leases if risk and reward incidental to ownership of the leased asset lie with lessor.

Group as lessor

The Group presents asset subjected to operating lease in the consolidated statement of financial position according to the nature of the asset. Income from operating leases are recognized in the consolidated income statement on straight line basis over the lease term.

Group as lessee

Lease payments under operating leases are recognized as expense on a straight line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r) Fiduciary activities

The Group provides wealth management solutions to manage client assets. These assets held in the Group's custody and are invested on behalf of the client in third party funds, and other securities like bonds and sukuk.

These assets and income arising from these assets are not included in the Group's consolidated financial statements as the risk and rewards incidental to ownership of these assets lie with the client.

s) Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are recognised initially at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment when a payment under the guarantee has become probable.

t) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

u) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Management Committee of the Group to make decisions about resources allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the Management Committee of the Group include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

v) Use of estimates and judgments

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may therefore differ, resulting in future changes in these estimates.

In particular, considerable management judgment is required in respect of the following issues:

Impairment losses on loans and advances and Islamic financing

The Group reviews its loan portfolios to assess impairment at each balance sheet date. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

v) Use of estimates and judgments (continued)

Impairment losses on loans and advances and Islamic financing (continued)

This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Held-to-maturity investments

The Group follows the guidance of IAS 39 in classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value and not amortized cost.

Impairment of available-for-sale investments

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. This determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology or operational and financing cash flows.

Impairment of investment property

Investment properties are assessed for impairment based on assessment of cash flows on individual cash-generating units when there is indication that those assets have suffered an impairment loss. Cash flows are determined with reference to recent market conditions, prices existing at the end of the reporting period, contractual agreements and estimations over the useful lives of the assets and discounted using a range of discounting rates that reflects current market assessments of the time value of money and the risks specific to the asset. The net present values are compared to the carrying amounts to assess any probable impairment.

Impairment on non-financial assets

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the consolidated income statement. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets, that suffered impairment are reviewed for possible reversal of the impairment at each reporting date

w) The standards and interpretations that are issued but not yet effective for accounting periods beginning on 1 January 2011

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2011, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group except for IFRS 9 'Financial Instruments' which is effective from 1 January 2015.

IFRS 9 deals with recognition, de-recognition, classification and measurement basis of the financial assets and financial liabilities. Its requirements represent change from existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: at amortised cost and fair value. Management is currently evaluating the potential effect of this standard on the Group's consolidated financial statements.

4. FINANCIAL ASSETS AND LIABILITIES

4.1 Financial assets and liabilities classification

The table below sets out the Group's classification of each class of financial assets and liabilities:

		Amortized Cost				
	Fair value through P/L	Held-to-maturity	Loans and Advances	Available-For-sale at fair value	Other amortized cost	Total carrying amount
31 December 2011	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**
Cash and balances with Central Bank	-	-	-	-	5,376,083	5,376,083
Due from banks	-	-	-	-	1,700,862	1,700,862
Loans and advances and Islamic financing	-	-	26,815,087	-	-	26,815,087
Investment securities	22,396	919,627	-	969,819	-	1,911,842
Other assets	5,176	-	-	-	1,781,110	1,786,286
	27,572	919,627	26,815,087	969,819	8,858,055	37,590,160
Due to banks	-	-	-	-	326,066	326,066
Customers' deposits and Islamic customers' deposits	-	-	-	-	28,423,430	28,423,430
Medium term borrowing	-	-	-	-	1,631,501	1,631,501
Other liabilities	5,014	-	-	-	1,475,957	1,480,971
	5,014	-	-	-	31,856,954	31,861,968
31 December 2010						
Cash and balances with Central Bank	-	-	-	-	5,076,443	5,076,443
Due from banks	-	-	-	-	2,297,520	2,297,520
Loans and advances and Islamic financing	-	-	27,164,988	-	-	27,164,988
Investment securities	10,989	934,908	-	762,986	-	1,708,883
Other assets	3,771	-	-	-	1,619,789	1,623,560
	14,760	934,908	27,164,988	762,986	8,993,752	37,871,394
Due to banks	-	-	-	-	309,273	309,273
Customers' deposits and Islamic customers' deposits	-	-	-	-	29,209,662	29,209,662
Medium term borrowing	-	-	-	-	1,466,656	1,466,656
Other liabilities	24,848	-	-	-	1,565,333	1,590,181
	24,848	-	-	-	32,550,924	32,575,772

4. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

4.2 Fair value measurement – Fair value hierarchy:

31 December 2011	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
Investments			
Equity	**215,479**	-	-
Fund of funds	**102,686**	-	-
Fixed and floating rate securities	**674,050**	-	-
Forward foreign exchange contracts and other derivatives (net)	-	**953**	-
Interest rate swaps (net)	-	**(791)**	-

31 December 2010			
Investments			
Equity	224,266	-	-
Fund of funds	88,642	-	-
Fixed and floating rate securities	461,067	-	-
Forward foreign exchange contracts and other derivatives (net)	-	375	-
Interest rate swaps (net)	-	(20,702)	-

During the year there were no transfers between Level 1 and Level 2 of the fair value hierarchy above. Further, there has been no change in the valuation techniques in relation to valuation of financial instruments during the year.

5. CASH AND BALANCES WITH CENTRAL BANK

	2011 AED'000	2010 AED'000
Cash on hand	**461,525**	352,984
Balances with Central Bank		
Deposits and other balances	**115,087**	217,884
Statutory reserves	**1,699,471**	1,505,575
Negotiable certificates of deposit	**3,100,000**	3,000,000
	5,376,083	5,076,443

All the above balances are held in accounts within UAE.

6. DUE FROM BANKS

	2011 AED'000	2010 AED'000
Current and demand deposits	**113,798**	133,742
Placements	**1,587,064**	2,163,778
	1,700,862	2,297,520

Due from banks include current and demand deposits of AED 113.8 million *(2010: AED 133.7 million)* and placements of AED 119 million *(2010:AED 534 million)* with banks outside UAE.

7. LOANS AND ADVANCES AND ISLAMIC FINANCING

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

	2011 AED'000	2010 AED'000
Loans and advances		
Overdrafts	**6,531,911**	7,399,961
Loans	**19,704,353**	19,043,020
Advances against letters of credit and trust receipts	**889,065**	836,790
Bills discounted	**848,762**	773,643
Gross loans and advances	**27,974,091**	28,053,414
Islamic financing		
Murabaha	**314,154**	213,563
Ijara	**280,967**	142,825
Others	**26,947**	10,688
Gross Islamic financing	**622,068**	367,076
Gross loans and advances and Islamic financing	**28,596,159**	28,420,490
provisions for impairment losses on loans and advances	**(1,779,334)**	(1,255,281)
provisions for impairment losses on Islamic financing	**(1,738)**	(221)
Total provisions for impairment losses	**(1,781,072)**	(1,255,502)
Net loans and advances and Islamic financing	**26,815,087**	27,164,988

The movements in provisions for impairment losses are as follows:

	2011 AED'000	2010 AED'000
Balance at 1 January	**1,255,502**	737,510
Amounts written off during the year	**(67,464)**	(99,274)
Charge for the year as specific	**506,537**	458,911
Charge for the year as collective	**5,500**	95,542
Interest not recognized	**129,204**	90,815
Recoveries	**(41,689)**	(28,002)
Amortization of interest impairment losses	**(6,518)**	-
	1,781,072	1,255,502

8. INVESTMENT SECURITIES

31 December 2011	Domestic AED'000	Regional AED'000	International AED'000	Total AED'000
Held for trading				
Fixed rate securities				
- Government	**11,313**	-	-	**11,313**
- Others	**3,710**	-	-	**3,710**
Floating rate non government securities	**7,373**	-	-	**7,373**
Available-for-sale				
Equities	**215,479**	-	-	**215,479**
Fund of funds	**21,273**	**81,413**	-	**102,686**
Fixed rate securities				
- Government	**295,261**	-	**36,914**	**332,175**
- Others	**84,571**	-	-	**84,571**
Floating rate non government securities	**175,130**	**59,778**	-	**234,908**
Held-to-maturity				
Fixed rate government securities	**174,524**	-	-	**174,524**
Floating rate securities				
- Government	**709,842**	-	-	**709,842**
- others	**35,261**	-	-	**35,261**
Total investment securities	**1,733,737**	**141,191**	**36,914**	**1,911,842**

31 December 2010	Domestic AED'000	Regional AED'000	International AED'000	Total AED'000
Held for trading				
Equities	8,776	-	1,208	9,984
Fund of funds	-	1,005	-	1,005
Available-for-sale				
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
Floating rate non government securities	182,370	64,645	-	247,015
Held-to-maturity				
Fixed rate government securities	170,723	-	-	170,723
Floating rate securities				
- Government	704,682	-	-	704,682
- Others	59,503	-	-	59,503
Total investment securities	1,534,029	132,327	42,527	1,708,883

8. INVESTMENT SECURITIES (CONTINUED)

8.1 Fund of funds investments

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

8.2 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 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:

	2011	2010
	AED'000	AED'000
After reclassification		
Unrealised fair value loss recognized in statement of other comprehensive income	**(492)**	(1,800)

9. INVESTMENT PROPERTIES

The movement in investment properties during the year is as follows:

	2011	2010
	AED'000	AED'000
Cost		
At 1 January	**243,797**	145,451
Additions	**1,534**	972
Transfer from capital work in progress	**-**	97,374
At 31 December	**245,331**	243,797
Depreciation		
At 1 January	**62,760**	55,155
Charge for the year	**8,748**	7,605
At 31 December	**71,508**	62,760
Net book value		
At 31 December	**173,823**	181,037

Investment properties comprises of buildings. Rental income from investment properties leased under operating lease recorded in other income is AED 20.7 million *(2010: AED 22.9 million).*

The fair value of investment properties as at 31 December 2011 is AED 376.45 million. The fair value of investment properties represents estimated market value of the properties.

10. PROPERTY AND EQUIPMENT

	Freehold land and buildings AED'000	Leasehold improvements AED'000	Furniture, equipment & vehicles AED'000	Capital work in progress AED'000	Total AED'000
Cost At					
1 January 2011	**329,357**	**30,941**	**234,575**	**107,092**	**701,965**
Additions during the year	3,185	5,520	6,809	52,717	68,231
Transfer from capital work in progress	-	-	7,729	(7,729)	-
Disposals	(168)	(3,523)	(3,746)	(1,110)	(8,547)
At 31 December 2011	**332,374**	**32,938**	**245,367**	**150,970**	**761,649**
Depreciation					
At 1 January 2011	**85,814**	**16,600**	**164,113**	**-**	**266,527**
Charge for the year	12,198	5,364	31,016	-	48,578
On disposals	-	(2,710)	(3,064)	-	(5,774)
At 31 December 2011	**98,012**	**19,254**	**192,065**	**-**	**309,331**
Net book values					
At 31 December 2011	**234,362**	**13,684**	**53,302**	**150,970**	**452,318**

	Freehold land and buildings AED'000	Leasehold improvements AED'000	Furniture, equipment & vehicles AED'000	Capital work in progress AED'000	Total AED'000
Cost At					
1 January 2010	303,976	24,904	212,916	172,554	714,350
Additions during the year	133	6,178	17,787	70,454	94,552
Transfer from capital work in progress	25,449	-	13,093	(38,542)	-
Disposals / transfer to investment properties	(201)	(141)	(9,221)	(97,374)	(106,937)
At 31 December 2010	329,357	30,941	234,575	107,092	701,965
Depreciation					
At 1 January 2010	74,513	11,927	141,323	-	227,763
Charge for the year	11,301	4,673	31,722	-	47,696
On disposals	-	-	(8,932)	-	(8,932)
At 31 December 2010	85,814	16,600	164,113	-	266,527
Net book values					
At 31 December 2010	243,543	14,341	70,462	107,092	435,438

Freehold land and buildings includes the market value of a plot of land granted to the Group by the Government of Dubai in 1998. The market value of AED 38,638,000 was determined by independent appraisers at that time and was credited to a capital reserve.

11. OTHER ASSETS

	2011 AED'000	2010 AED'000
Interest receivable	**587,226**	482,657
Accounts receivable and prepayments	**160,541**	57,011
Customer's indebtedness for acceptances	**1,058,362**	1,100,956
Positive fair value of derivatives (note 28)	**5,176**	3,771
	1,811,305	1,644,395

12. DUE TO BANKS

	2011 AED'000	2010 AED'000
Current and demand deposits	**82,298**	211,627
Borrowings	**243,768**	97,646
	326,066	309,273

13. CUSTOMERS' DEPOSITS AND ISLAMIC CUSTOMERS' DEPOSITS

Customers' deposits	2011 AED'000	2010 AED'000
Current and demand accounts	**9,701,753**	8,695,147
Savings accounts	**1,120,794**	1,078,228
Time deposits	**14,587,938**	16,293,353
	25,410,485	26,066,728

Islamic customers' deposits		
Current and demand accounts	**320,979**	283,083
Mudaraba saving	**163,620**	66,867
Investment deposits and Wakala	**2,528,346**	2,792,984
	3,012,945	3,142,934
Total customers' deposits and Islamic customers' deposits	**28,423,430**	29,209,662

By Sector	2011 AED'000	2010 AED'000
Government	**2,419,728**	2,789,683
Corporate	**18,896,953**	20,122,272
Consumer	**7,106,749**	6,297,707
	28,423,430	29,209,662

13. 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 subordinated to other claims and is treated as lower Tier 2 capital in agreement with the UAE Central Bank. The subordinated 7 years term loan carries interest which ranges from 4% per annum to 6.5% per annum payable quarterly from the date of re-categorization.

14. MEDIUM TERM BORROWING

In August 2011, the Group entered into a club deal of USD 450 million to replace the syndicated loan arrangement of USD 400 million for a term of 3 years 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 175 basis points payable on a quarterly basis.

15. OTHER LIABILITIES

	2011 **AED'000**	2010 AED'000
Interest payable	**100,012**	172,162
Employees' terminal benefits	**57,739**	53,991
Accounts payable and unearned fee income	**301,205**	270,213
Negative market value of derivatives (note 28)	**5,014**	24,848
Liabilities under acceptances	**1,058,362**	1,100,956
Accounts payable to brokerage customers	**16,378**	22,002
	1,538,710	1,644,172

16. EQUITY

Share capital

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

Legal reserve

Federal Law No. 8 of 1984 (as amended), Union Law No. 10 of 1980 and the Bank's Articles of Association require that a minimum of 10% of the annual net profit be transferred to a legal reserve, until such time as this reserve equals 50% of share capital. The legal reserve is not available for distribution except under the circumstances stipulated by the relevant law.

Capital reserve

This reserve represents the market value of the granted land at the date of grant as explained in note 10, and is not available for distribution to the shareholders.

16. EQUITY (CONTINUED)

General reserve

In accordance with article 87 of the Bank's Articles of Association, a minimum of 10% of the annual net profit to be transferred to general reserve until such time as this reserve equals 50% of share capital. This reserve may only be used for the purposes recommended by the Board of Directors and approved by the Shareholders.

Cumulative changes in fair values of AFS investments and cash flow hedge instruments

This represents the net change in the fair values of available-for-sale investments and derivatives held as cash flow hedge instruments by the Group and are not available for distribution to the shareholders.

Proposed distributions

The Board of Directors has proposed the following distributions for approval by the Annual General Meeting of the shareholders to be held on 14th March 2012.

i) Proposed cash dividend

A cash dividend of 20% *(2010: 20%)* of the share capital amounting to AED 388,257,000 *(2010: AED 388,257,000)* is proposed representing a dividend of AED 0.20 per share *(2010: AED 0.20 per share).*

ii) Proposed directors' remuneration

In accordance with Article 118 of Federal Law No.8 of 1984, directors' remuneration amounting to AED 11,000,000 *(2010: AED 7,000,000)* has been treated as an appropriation from equity.

17. INTEREST INCOME AND INCOME FROM ISLAMIC FINANCING

Interest income	**2011 AED'000**	2010 AED'000
Loans and advances	**1,673,875**	1,893,079
Negotiable certificates of deposit with the Central Bank	**272**	133
Due from banks	**7,481**	4,299
Held-to-maturity investments	**14,910**	19,148
Available-for-sale investments	**23,016**	21,597
	1,719,554	1,938,256

Income from Islamic financing		
Murabaha	**19,416**	7,102
Ijara	**9,735**	3,300
Sukuk held-to-maturity	**19,619**	19,567
Sukuk available –for-sale	**388**	239
	49,158	30,208
Total interest income and income from Islamic financing	**1,768,712**	1,968,464

18. INTEREST EXPENSE AND DISTRIBUTION TO ISLAMIC DEPOSITORS

Interest expense	2011 AED'000	2010 AED'000
Due to banks	**824**	3,118
Customers' deposits	**329,400**	487,483
Medium term borrowing	**28,477**	16,259
Derivative financial instruments	**15,952**	20,466
	374,653	527,326
Distribution to Islamic depositors		
Islamic customers' deposits	**52,682**	55,660
	52,682	55,660
Total interest expense and distribution to Islamic depositors	**427,335**	582,986

Distribution to Islamic depositors represents the share of income allocated to Islamic depositors of the Group. The allocation and distribution is approved by the Group's Sharia'a Supervisory Board.

19. NET FEES AND COMMISSION INCOME

	2011 AED'000	2010 AED'000
Lending activities	**75,570**	67,634
Trade finance activities	**125,850**	136,727
Operating activities	**136,419**	121,755
Cards income and brokerage fees	**43,342**	38,665
Fees and commission income	**381,181**	364,781
Cards and brokerage expenses	**(24,236)**	(20,205)
Net fees and commision income	**356,945**	344,576

20. NET (LOSSES) / GAINS FROM INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS – HELD FOR TRADING

	2011 AED'000	2010 AED'000
Net realized losses on sale of investments at fair value through profit or loss	**(406)**	(973)
Net unrealized (losses) / gains on investments at fair value through profit or loss	**(588)**	15,432
	(994)	14,459

21. DIVIDEND INCOME

	2011 AED'000	2010 AED'000
Investments at fair value through profit or loss – held for trading	**-**	374
Available-for-sale investments	**10,070**	7,523
	10,070	7,897

22. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses include staff related expenses of AED 395.4 million *(2010: AED 370.4 million).*

23. OPERATING LEASES

Group as lessee

General and administrative expenses include rental expense under operating leases of AED 14.26 million *(2010: AED: 13.11 million)*. Non-cancelable operating lease rental payable is as follows

	2011	2010
	AED'000	AED'000
Less than one year	**14,092**	12,104

Group as lessor

Operating leases relate to the Group's investment properties. Non-cancellable operating lease rental receivables are as follows

	2011	2010
	AED'000	AED'000
Less than one year	**13,029**	13,308

24. BASIC AND DILUTED EARNINGS PER SHARE

The earnings per share is based on the Group's profit attributable to shareholders for the year amounting to AED 822.100 million *(2010: AED 820.589 million)*, and on the weighted average number of shares in issue totaling 1,941,287,596 *(2010: 1,941,287,596).*

There was no dilutive effect on earnings per share.

25. CASH AND CASH EQUIVALENTS

	2011	2010
	AED'000	AED'000
Cash on hand	**461,525**	352,984
Balances with the Central Bank	**115,087**	217,884
Negotiable certificates of deposit with the Central Bank	**3,100,000**	3,000,000
Due from banks with original maturity less than three months	**1,696,547**	2,297,520
	5,373,159	5,868,388
Due to banks with original maturity less than three months	**(326,066)**	(309,273)
	5,047,093	5,559,115

26. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities represent credit-related commitments to extend letters of credit, guarantees and forward foreign exchange contracts which are designed to meet the requirements of the Group's customers toward third parties. Commitments represent the Group's commitments towards approved un-drawn credit facilities. The amounts reflected below represent the maximum accounting loss that would be recognized at the reporting date if counterparties failed completely to perform as contracted.

	2011 AED'000	2010 AED'000
Contingent liabilities:		
Letters of credit	**1,412,956**	1,243,029
Guarantees	**6,669,008**	7,146,988
	8,081,964	8,390,017
Credit commitments:		
Undrawn commitments to extend credit	**8,646,291**	7,162,746
Capital commitments:		
Capital expenditure commitments	**40,528**	41,440
Total contingent liabilities and commitments	**16,768,783**	15,594,203

27. FIDUCIARY ASSETS

Assets held under fiduciary capacity on behalf of the clients are AED 485.510 million *(2010: AED 205.0 million)*

28. DERIVATIVES

The following table shows the fair values of derivative financial instruments at the reporting date, together with the notional amounts, analyzed by terms to maturity. The notional amount is the value of the derivative's underlying asset and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and therefore, are neither indicative of the Group's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor market risk.

31 December 2011	Positive market value AED'000	Negative market value AED'000	Notional amount AED'000	Less than three months AED'000	From three months to one year AED'000	From one year to five years AED'000	Over five years AED'000
Held for trading:							
Forward foreign exchange contracts and other derivatives	**5,176**	**4,223**	**863,344**	**756,780**	**96,514**	**10,050**	**-**
	5,176	**4,223**	**863,344**	**756,780**	**96,514**	**10,050**	**-**
Hedging instruments:							
Interest rate swaps	**-**	**791**	**36,730**	**36,730**	**-**	**-**	**-**
	-	**791**	**36,730**	**36,730**	**-**	**-**	**-**
Total	**5,176**	**5,014**	**900,074**	**793,510**	**96,514**	**10,050**	**-**

28. DERIVATIVES (CONTINUED)

31 December 2010	Positive market value AED'000	Negative market value AED'000	Notional amount AED'000	Less than three months AED'000	From three months to one year AED'000	From one year to five years AED'000	Over five years AED'000
Held for trading:							
Forward foreign exchange contracts and other derivatives	3,771	4,146	1,381,857	1,165,127	-	36,730	180,000
	3,771	4,146	1,381,857	1,165,127	-	36,730	180,000
Hedging instruments:							
Interest rate swaps	-	20,702	954,980	-	918,250	36,730	-
	-	20,702	954,980	-	918,250	36,730	-
Total	3,771	24,848	2,336,837	1,165,127	918,250	73,460	180,000

29. 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

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.

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.

Geographical

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

29. SEGMENTAL REPORTING (CONTINUED)

Segmental analysis for the year ended **31 December 2011** was as follows:

	Corporate banking AED'000	Consumer banking AED'000	Treasury and investments AED'000	Islamic banking AED'000	Total AED'000
Assets	**26,007,345**	**2,578,311**	**6,530,996**	**3,124,668**	**38,241,320**
Liabilities	**20,823,013**	**6,053,200**	**1,968,235**	**3,075,259**	**31,919,707**
Net interest income and net income from Islamic financing	**1,085,732**	**191,466**	**20,434**	**43,745**	**1,341,377**
Other income	**363,018**	**68,360**	**80,228**	**4,236**	**515,842**
Total operating income	**1,448,750**	**259,826**	**100,662**	**47,981**	**1,857,219**
Allocated cost	**338,674**	**123,885**	**23,456**	**21,430**	**507,445**
Provisions for impairment losses net of recoveries	**411,954**	**56,658**	**-**	**1,736**	**470,348**
Depreciation	**37,910**	**15,910**	**1,953**	**1,553**	**57,326**
Total expenses	**788,538**	**196,453**	**25,409**	**24,719**	**1,035,119**
Net profit for the year	**660,212**	**63,373**	**75,253**	**23,262**	**822,100**

Segmental analysis for the year ended **31 December 2010** was as follows:

	Corporate banking AED'000	Consumer banking AED'000	Treasury and investments AED'000	Islamic banking AED'000	Total AED'000
Assets	26,562,142	2,438,525	6,294,007	3,214,030	38,508,704
Liabilities	21,944,329	5,674,256	1,801,872	3,209,306	32,629,763
Net interest income and net income from Islamic financing	1,158,441	183,671	24,258	19,108	1,385,478
Other income	345,228	64,116	93,402	1,819	504,565
Total operating income	1,503,669	247,787	117,660	20,927	1,890,043
Allocated cost	312,742	127,545	21,232	26,183	487,702
Provisions for impairment losses net of recoveries	430,873	95,357	-	221	526,451
Depreciation	37,058	15,551	1,791	901	55,301
Total expenses	780,673	238,453	23,023	27,305	1,069,454
Net profit for the year	722,996	9,334	94,637	(6,378)	820,589

30. RELATED PARTY TRANSACTIONS

The Group enters into transactions with major shareholders, directors, key management personnel and their related entities. The terms of these transactions are approved by the Group's Board:

	Directors and key management personnel		Other related parties	
	31 December 2011 AED'000	31 December 2010 AED'000	**31 December 2011 AED'000**	31 December 2010 AED'000
Loans and advances				
At 1 January	**185,572**	184,844	**705,718**	865,826
Loans issued	**11,998**	11,911	**359,651**	129,226
Repayments	**(23,851)**	(11,183)	**(501,760)**	(289,334)
Closing balance	**173,719**	185,572	**563,609**	705,718
Deposits				
At 1 January	**12,475**	30,911	**1,957,363**	161,919
Received	**23,861**	11,592	**554,887**	1,921,167
Repaid	**(10,631)**	(30,028)	**(1,916,943)**	(125,723)
Closing balance	**25,705**	12,475	**595,307**	1,957,363
Interest income	**8,493**	9,144	**35,025**	44,883
Interest expense	**52**	422	**8,386**	29,102

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.

No provisions for impairment have been recognized in respect of loans given to related parties *(2010: AED NIL)*

The loans issued to directors are repayable monthly over a maximum period of 5 years *(2010: 5 years)* and carry interest at rates comparable to third party loans. These loans are unsecured *(2010: unsecured)*.

Key management compensation

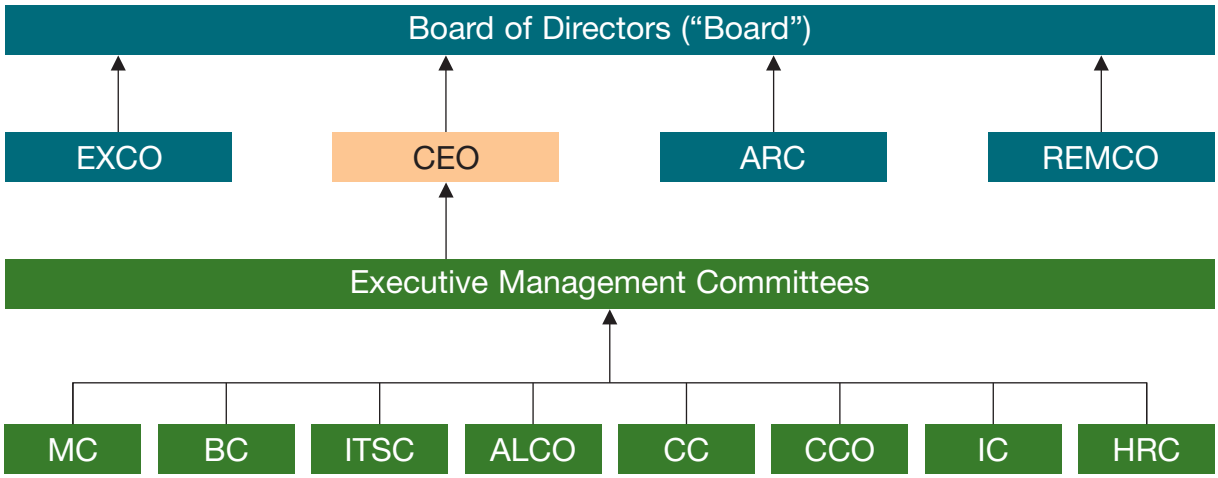
	2011 AED'000	2010 AED'000
Salaries and other short-term benefits	**17,055**	19,131
Post retirement benefits	**912**	473

31. RISK MANAGEMENT OBJECTIVES AND POLICIES

31.1 Risk Governance

The Board of Directors (the "Board") has the overall responsibility for the operations and the financial soundness of the Group, and ensures that the interests of shareholders, depositors, creditors, employees and other stakeholders, including the banking regulators and supervisors, are met. The Board is also responsible for the overall framework of the risk governance, management, determining risk strategy, setting the Group's risk limits and ensuring that risk exposure is monitored, controlled effectively and kept within set limits. Additionally, it is responsible for establishing a clearly defined risk management structure and for approval of the risk policies and procedures, infrastructure and management of all risks related to the Group.

In order to effectively discharge this responsibility the Board is assisted by three Board Committees and eight management committees. An illustration of how these committees report to the Group Board is shown below:



Board Committees

a) Executive Committee (EXCO)

EXCO oversees the Group's senior executive management ensuring that the Group meets its strategic and operational objectives. EXCO consists of five Board non-executive members, Chief Executive Officer (CEO) and Deputy Chief Executive Officer (DCEO).

b) Audit & Risk Committee (ARC)

The ARC consists of five Board non-executive members and an independent member. The role of the ARC is to assist the Board of Directors in ensuring and maintaining oversight of the Group's financial reporting system, internal control and risk management processes, audit functions and legal and regulatory requirements by:

- Overseeing the Group's financial reporting processes, maintaining accounting policies, reviewing and approving the financial statement;
- Monitoring the effectiveness and integrity of the risk management framework and review reports on risk management;

31. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

31.1 Risk Governance (continued)

b) Audit & Risk Committee (ARC) (continued)

- Evaluating the adequacy and effectiveness of the Group's procedures and controls for ensuring compliance with legal and regulatory requirements and internal policies;
- Managing the relationship with the Group's external auditors;
- Supervising internal auditors, ensuring the comprehensiveness of their scope of work, ensuring coordination between various external auditing bodies, reviewing the periodicity and scope of internal audit, and the approval of their working plans;
- Reviewing reports of the Central Bank, Financial Audit Department of Government of Dubai, internal and external audit, and following up relevant measures taken to address weaknesses in controls, and non-compliance with laws & regulations, to ensure that management has instituted appropriate remedial measures;
- Submitting recommendations to the Board concerning the nomination, appointment, termination and remuneration of the external auditor and its election by the general assembly, ensuring that the external auditor fulfills the requirements of supervisory bodies, and that nothing impairs its independence to the external auditor;
- Ensuring the independence of the internal audit department to carry out its duties; and
- Reviewing reports on the internal controls and ensuring the sufficiency and efficiency of the internal control system to avoid any potential conflict of interest, which may arise from the Group's transactions or contracts or entering into projects with related parties, and to ensure that internal audit plans cover this.

c) Remuneration Committee (REMCO)

The Remuneration Committee has been established to provide an efficient mechanism for reviewing the Bank's compensation arrangement for its Management and Staff and making recommendations for the Board's approval on these matters. The Chairman and the Members of the Committee are appointed by the Board from amongst its Directors. The REMCO comprises of three Board non-executive members; the Group's Head of H.R. acts as a Secretary to the Committee.

Its primary objectives and responsibilities that are independently undertaken and assumed on behalf of the Board, that may be amended time to time are as given below but not limited to:

- Ensuring that compensation programs are fair in order to attract, retain and motivate its professional management and staff and in adherence to the short, medium and long-term objectives of the Group bearing in mind the risk-taking and market conditions. Additionally, they must oversee the development of new compensation plans and approve the revision of existing plans, as and when required;
- Ensuring that remuneration practices are compliant with all laws/rules that are applicable to the banks and that reporting and disclosures pertaining to the same are carried out in a timely manner as regulated by, but not limited to the laws of UAE Central Bank, Dubai Financial Market & Securities and Commodities Authority;
- Facilitating and expediting the implementation of any Board decision pertaining to remuneration;
- Recommending the remuneration and compensation of the senior management;

31. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

31.1 Risk Governance (continued)

c) Remuneration Committee (REMCO) (continued)

- Determining the bonus pool, overall increment pool for staff and prepare a compensation recommendation for presentation to the Board considering certain factors such as Bank's performance and shareholder return, compensation in comparison to peers and rewards given in the past years;
- Recommending proposals for granting and exercising Long Term Incentive Programs (LTIPs) and /or share option schemes, where applicable; and
- Reviewing and approving overall HR policies and strategy.

Executive Management Committees

a) Management Committee (MC)

The scope of management committee includes all cross functional issues that are not covered in the scope of other committees. Typically, MC covers the areas like strategy, policies, marketing, administration and processes. In addition, the MC is also responsible for management of Operational Risk with the support of the Risk Management Department who is responsible to liaise with all other units/divisions across the Group.

b) Business Committee (BC)

The purpose of BC is to review, analyse and decide on business initiatives related to corporate and consumer banking, treasury and investments.

c) IT Steering Committee (ITSC)

The ITSC provides strategic and tactical guidance for managing the Group's overall technology systems in the long and short term, to ensure that Information Technology (IT) initiatives are consistent with the strategic business goals of the Group. The ITSC is charged with:

- Reviewing the Group's IT development, strategic opportunities and plans;
- Providing guidance in the prioritization and implementation of technology initiatives and projects (including those related to infrastructure);
- Reviewing IT operations;
- Reviewing IT Security plans, policies and reports relating to the effectiveness of information security, their implementation and measures taken to address any residual risks; and
- Reviewing Business Continuity plans, policies and reports relating to the effectiveness of business continuity, their implementation and measures taken to address any residual risks.

d) Asset and Liability Committee (ALCO)

The objective of ALCO is to derive the most appropriate strategy for the Group in terms of the mix of assets and liabilities given its expectations of the future and the potential consequences of interest rate movements, liquidity constraints, and foreign exchange exposure and capital adequacy. The ALCO is also responsible to ensure that all strategies conform to the Group's risk appetite and levels of exposure as determined by the Board of Directors.

31. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

31.1 Risk Governance (continued)

d) Asset and Liability Committee (ALCO) (continued)

The terms of reference of ALCO include the following:

- Developing an effective asset and liability management process and related procedures to oversee and monitor the Group's approved policies and procedures in relation to the management and control of the following risks:
  - *Liquidity risk* – being the risk of the Group's inability to meet obligations when they become due without incurring unacceptable losses because of an inability to liquidate assets or to obtain adequate funding;
  - *Market risk* – being the following risks:
    - The risk to earnings from adverse movements in interest rates, exchange rates and market volatility; and
    - The risk from changes in the value of portfolio of financial instruments.
  - *Statement of financial position risk* - being the following risks:
    - The risk to earnings from changes in interest rates and market volatility in retail and wholesale rates;
    - The risk to value and capital from changes in the value of assets and liabilities as a result of changes in interest rates and market volatility;
    - The risk from material changes in global and domestic economic conditions generally; and
    - Consider deposit and loan products and their impact on the statement of financial position. In particular, consider the pricing and maturity distributions of deposits, loans and investments.
- Overseeing the installation and maintenance of information systems that supplies, on a timely basis, the information and data necessary for the ALCO to fulfill its roles and responsibilities.

e) Credit Committee (CC)

CC manages the credit risk of the Group by continuous review of credit limits, policies and procedures, the approval of specific exposures and work out proposals, constant revaluation of the loans portfolio and the sufficiency of provisions thereof.

f) Compliance Committee (CCO)

The CCO primarily ensures the prevention of Money Laundering and terrorism financing in adherence and compliance with the relevant regulations set by regulatory authorities, applicable to the Bank. It oversees the monitoring and implementation of policies and procedures related to compliance and AML. It consists of five executive members whose duties include but are not limited to:

- Assessing and approving reports prepared by Head of Compliance and AML regarding suspicious transactions in staff & customer accounts/credit cards & internal and external fraud cases and subsequently taking appropriate corrective action through investigation, police and court action wherever necessary;
- Reviewing the higher risk customers, like non-residents, free-zones entities, politically exposed persons (PEP's) and others as defined by our "Know Your Customer (KYC) and Anti-money Laundering (AML) Policies & Procedures", and provides the suitable guidance.

31. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

31.1 Risk Governance (continued)

g) Investment Committee (IC)

The IC is responsible for overseeing and managing the Bank's proprietary investments, in both fixed income and equity securities, in accordance with the investment policy and guidelines.

The IC's key responsibilities are:

- Approving and amending the policies and guidelines;
- Reviewing and approving Investment Group/Treasury's proposed investment recommendations;
- Reviewing and evaluating performance of portfolios against benchmarks; and
- Reviewing the portfolio's continued compliance with regulatory guidelines.

h) Human Resources Committee (HRC)

The purpose of the HRC is to set strategy and policy in the following areas:

- Organization development in terms of structure, professional ethics, annual business strategy, business focused succession planning.
- Staffing in terms of Emiratisation, optimal headcount/manpower distribution, review sourcing process, policies & strategies, review the approved agencies.
- Training and Development ensuring the timely conduct of training, approve specialized development programs, review financial budget for training & development and ensure it has been used extensively for this purpose.
- Performance Management ensures performance driven work culture, develop managers' competence and ensure managers agree on the KPI's and performance reviews.
- Compensation & Reward Management supporting the Remuneration Committee, ensure jobs are graded based on the Job Evaluation System, ensure incentive scheme, revision of salary structure, changes in the allowances, benefits & facilities and other rewards reaches employees.
- Employee Services ensuring that employee grievances are timely resolved, effective implementation of Staff Suggestion scheme, Employee Satisfaction Survey and outstanding performance awards.

31.2 Control Environment

a) Group Risk

Group Risk Department comprises credit, market, operational and IT risks units. Its responsibilities include the following:

- Developing a strategy, policy and framework for risk management such that these are aligned with business requirements;
- Providing support to the Group in implementation of the framework;
- Bringing together analysis of risk concentrations and sensitivities across the Group;
- Acting as a point of reference for risk and control matters, providing advice to management, sharing best practices and carrying out special reviews as directed by ALCO; and
- Providing independent assessment of, and challenge to the business areas' risk management and profiles to ensure that they re maintained in a robust manner.

31.RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

31.2 Control Environment (continued)

b) Internal Audit

The role of the Internal Audit Department within the Group is to provide independent and objective assurance that the process for identifying, evaluating and managing significant risks faced by the Group is appropriate and effectively applied. In addition, it also provides an independent check on the compliance with laws and regulations and measuring compliance with the Group's policies and procedures. Additionally, Internal Audit provides consulting services which are advisory in nature, and are generally performed at the specific request of the Audit & Risk Committee or Senior Management.

It is led by the Head of Internal Audit who reports to the Audit & Risk Committee of the Board of Directors, with administrative reporting to the Chief Executive Officer.

To perform its role effectively, Internal Audit has organizational independence from management, to enable unrestricted evaluation of management activities and personnel.

c) Internal Control

Board of Directors and Executive Management are responsible for developing and maintaining the existence of a sound Internal Control System and procedures that meet international standards and fulfill the requirements of the Group's management and external regulatory bodies. The internal control system should be capable of ensuring the achievement of the following:

- Accuracy and integrity of financial and operational statements issued by the Group;
- Effectiveness and efficiency of the Group's operational activities;
- Effectiveness of measures and procedures set to safeguard the Group's assets and properties; and
- Compatibility with laws, legislations and regulations in force as well as policies pertinent to internal operational procedures.

Executive management constantly monitors and assesses the efficiency and effectiveness of internal control procedures and their ability to achieve stated objectives and their furtherance and enhancement.

The Internal Control Department reports to the Chief Operating Officer (COO). The functions and responsibilities of the Internal Control Department include but not limited to:

- Ensuring that the Group's operational policies, processes and controls are adhered to;
- Ensuring that proper internal controls are in place and that they are functioning as designed in a timely and effective manner;
- Periodic review of the Group's internal control system in order to identify areas where internal controls may be weak, not present and areas where there appear to be excessive controls resulting in operational inefficiency so as to suggest ways to rectify the same;
- Enabling the management to conduct an annual review of the efficiency of the internal control system and report its findings; and
- Following up of the operational activities from a preventive perspective and overseeing operational controls being exercised to ensure that these are timely and effective.

31.RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

31.2 Control Environment (continued)

d) Compliance

The process of monitoring compliance is considered an independent task it aims at ensuring that the Group and its internal policies are in compliance with all applicable laws, regulations, instructions, directives, codes of conduct and sound banking standards and practices as issued by relevant authorities.

The Board of Directors takes necessary measures to further the values of integrity and sound professional conduct within the Group promoting a culture of compliance in latter and spirit with the applicable laws, regulations, instructions and standards that constitute a primary goal that must be achieved.

The overall mission and role of compliance department is to:

- ensuring compliance risks are adequately identified, assessed, monitored and controlled in conjunction with Business and other control functions;
- ensuring senior management is fully informed of significant compliance issues and plans for resolution;
- contributing to a "no surprise" compliance culture by educating and communicating compliance awareness throughout the Group;
- aligning annual compliance plans with business strategies and goals; and
- meet regulatory expectations.

e) Whistle Blowing

A set of arrangements has been designed to enable employees to confidentially report concerns about any potential violations, enabling the investigation and follow up of such concerns independently and discreetly through the whistle blowing policy. Such arrangements are supervised by the Audit & Risk Committee and in coordination with the executive management.

31.3 Disclosure policy

The Group has laid down the disclosure policy to ensure compliance with all regulations and guidelines issued by the lead regulator Central Bank of the UAE (CBUAE), International Financial Reporting Standards, Securities and Commodities Authority (SCA) and Dubai Financial Market (DFM).

The following are the key features of the Group's disclosure policy concerning disclosure of financial information:

a) Materiality thresholds

Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of financial statements. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement, and / or any material information that might affect the share price. The Group, in order to ensure adequate disclosure lays down a materiality threshold, so that no material information is omitted or misstated; at the same time it does not jeopardize its competitive position.

31. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

31.3 Disclosure policy (continued)

b) Control framework

In order to ensure true and fair disclosure, the Group has established controls including detailed procedures for finalization and review of financial disclosures. In addition, the consolidated financial statements are subject to a quarterly review and year end audit procedures by the Group's external auditors.

c) Frequency and medium of disclosure

Interim financial results are disclosed on a quarterly basis while complete consolidated financial statements complying with the requirements of IFRS, Basel II Pillar 3 and other guidelines from CBUAE is made on an annual basis. Disclosures of material non-public financial information are made through the following mediums:

- Sending quarterly reviewed and annual audited consolidated financial statements along with Directors' report to DFM and SCA;
- Posting quarterly and annual consolidated financial statements on the Group's website;
- Publishing of annual audited consolidated financial statements in both Arabic and English newspapers after the approval of the Central Bank of UAE and the Shareholders at the Annual General Meeting (AGM);
- Management discussion and analysis in Arabic and English newspapers in a manner that ensures wide dissemination; and
- Publication of the annual report which includes audited consolidated financial statements.

32. FINANCIAL RISK MANAGEMENT

a) Introduction and overview

The Group has exposure to the following primary risks:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

Risk is inherent to the Group's business and activities. The Group's ability to identify, assess, monitor and manage each type of risk to which the Group is exposed is an important factor in its financial stability, performance and reputation.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Group Audit & Risk Committee is responsible for monitoring compliance with the Group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit & Risk Committee is assisted in these functions by Internal Audit, which undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Group Audit & Risk Committee.

This note presents information relating to the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations arising principally from the Group's loans and advances, Islamic financing, amounts due from banks and investment in debt securities. For reporting purpose credit risk on Islamic financing is reported as component of credit risk on loans and advances. For risk management purposes, credit risk arising on trading investments is managed independently, but reported as a component of market risk exposure.

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

(i) Management of credit risk

The Board of Directors has delegated responsibility for the management of certain levels of credit risk to the Group Credit Committee (CC), which is responsible for oversight of the Group's credit risk including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements;
- Establishing an authorization structure and limits for the approval and renewal of credit facilities. Lending authorities have been established at various levels together with a framework of dual/multiple credit approval delegated authorities. Larger facilities require approval by the CC and / or the Board of Directors, as appropriate;
- Establishing limits - actual levels of exposure are regularly reviewed at CC or Board level, as appropriate;
- Limiting concentrations of exposure to industry sectors, geographic locations and counterparties;
- Designing credit review procedures so as to identify, at an early stage, exposures which require more detailed monitoring and review;
- Developing and maintaining the Group's risk grading in each category of exposures according to the degree of risk of financial loss faced and to ensure focus of management on the attendant risks. The risk grading system is used in determining whether impairment provisions may be required against specific credit exposures. The current risk grading framework consists of fourteen grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the Executive Committee (EXCO) and is subject to regular reviews by the Risk Management Department; and
- Reviewing compliance, on an ongoing basis, with agreed exposure limits relating to counterparties, industries and countries and reviewing limits in accordance with risk management strategy and market trends.

(ii) Impaired loans and advances, Islamic financing and investment in debt securities

Individually impaired loans and advances, Islamic financing and investment debt securities are financial assets for which the Group determines that there is objective evidence of impairment and it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the agreements.

The Group Credit Risk Rating Methodology, which has been internally developed based on actual historical data, is in line with the requirements set-out in the Basel II Accord and has a 14- grades frame-work, whereby:

- The first 9 grades are assigned to non-defaulting borrowers / performing accounts;
- Grade 10 reflects irregular accounts; and
- The last 4 grades are for defaulting borrowers / non- performing accounts.

The methodology provides a multi-dimensional approach to the Group's Credit Risk Rating, where credit is assessed and rated on 2 dimensions, as follows:

- 1st Dimension: which assesses / rates the borrower's probability of Default (PD); and
- 2nd Dimension: which assesses / rates the facility and the Loss-Given Default (LGD).

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

(ii) Impaired loans and advances, Islamic financing and investment in debt securities (continued)

Grades	Asset quality	Risk significance
1	Standard	Good, top performing assets
2-5	Standard	Good, above average performing assets
6-9	Standard	Good, below average performing assets
10	Standard	Watch-list loans / performing
11	Substandard "a"	Substandard "a"- Interest Suspended / non-performing
12	Substandard "b"	Substandard "b"- Provision Starts / non-performing
13	Doubtful	Doubtful of recovery / non-performing
14	Loss	Loss (fully provided for, and written off) / non-performing

Both dimensions create a Credit-Risk Rating Grid/Matrix which plays a key role in pricing, approval, and credit monitoring. In order to achieve this, the Group has started pricing facilities using Risk Adjusted Return on Capital (RAROC), which leads to the Basel II compliance.

(iii) Past due but not impaired loans

These are the loans where contractual interest or principal payments are past due, but the Group believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Group.

(iv) Loans with renegotiated terms

Loans with renegotiated terms include loans, the repayment plan of which have been rescheduled with no other concession in amount or rate of interest. Rescheduling activity is designed to manage customer relationships, maximize collection opportunities and avoid foreclosure or repossession, if possible. Following rescheduling, an overdue account will normally be reset from delinquent to current status. Rescheduling is done based on indications or criteria which, in the opinion of management, evidence the probability that payment will continue. Management continuously monitors the progress on renegotiated loans to ensure compliance with the terms at all times. Such loans are subject to individual or collective impairment assessment on regular basis.

(v) Individually impaired and restructured loans / under restructuring

Individually impaired and restructured loans / under restructuring represent loans whose terms have been restructured or are under restructuring resulting in concession in rate of interest. These loans are not delinquent; however an impairment loss is recognized on such loans. Impairment on such loans represents present value of benefit foregone by the Group. The impairment recognized will be unwound to the Group's income statement over the term of the restructured loan.

Loans under this category will be reported under this category until fully settled as per the restructuring terms. At 31 December 2011 individually impaired and restructured loans / under restructuring amount to AED 1,116 million *(2010: AED 220 million)*.

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

(vi)Exposure to credit risk

The Group measures its exposure to credit risk by reference to gross carrying amount of financial assets less interest suspended and impairment losses, if any.

	Loans and advances and Islamic financing		Due from banks		Debt securities	
	2011 AED'000	2010 AED'000	**2011 AED'000**	2010 AED'000	**2011 AED'000**	2010 AED'000
Carrying amount	**26,815,087**	27,164,988	**1,700,862**	2,297,520	**1,593,677**	1,395,975
Neither past due nor impaired						
Grades 1: good, top performing assets	**1,644,539**	1,798,032	**1,700,862**	2,297,520	**1,593,677**	1,395,975
Grade 2-9: good, performing assets	**19,804,318**	21,448,367	-	-	-	-
Grade 10: watch- list loans / performing	**1,690,209**	1,793,372	-	-	-	-
Carrying amount	**23,139,066**	25,039,771	**1,700,862**	2,297,520	**1,593,677**	1,395,975
Past due but not impaired In Grade 1 to 10						
Less than 30 days	**257,552**	229,133	-	-	-	-
30 – 60 days	**168,952**	95,304	-	-	-	-
60 – 90 days	**29,713**	391,634	-	-	-	-
Over 90 days	**1,247,085**	1,027,129	-	-	-	
Carrying amount	**1,703,302**	1,743,200	-	-	-	-
Collective provision for impairment	**(430,066)**	(424,566)	-	-	-	-
Carrying amount net of collective impairment	**24,412,302**	26,358,405	**1,700,862**	2,297,520	**1,593,677**	1,395,975
Individually impaired and restructured loans / under restructuring (grade 10)	**1,115,831**	220,296	-	-	-	-
Specific provision for impairment	**(191,683)**	(39,000)	-	-	-	-
Carrying amount	**924,148**	181,296	-	-	-	-
Individually impaired					-	
Grade 11: Substandard (a)	-	16	-	-	-	-
Grade 12: Substandard (b)	**2,112,026**	912,528	-	-	-	-
Grade 13: Doubtful	**198,724**	205,448	-	-	-	-
Grade 14: Loss	**55,141**	40,709	-	-	-	-
Gross amount	**2,365,891**	1,158,701	-	-	-	-
Interest suspended	**(206,593)**	(126,824)	-	-	-	-
Specific provision for impairment	**(750,070)**	(505,067)	-			-
Carrying amount	**1,409,228**	526,810	-	-	-	-
Collectively impaired						
Grade 11: Substandard (a)	-	193	-	-	-	-
Grade 12:Substandard (b)	**221,704**	247,788	-	-	-	-
Grade 13: Doubtful	**3,288**	9,132	-	-	-	-
Grade 14: Loss	**47,077**	1,409	-	-	-	-
Gross amount	**272,069**	258,522	-	-	-	-
Interest suspended	**(51,977)**	(31,388)	-	-	-	-
Collective provision for impairment	**(150,683)**	(128,657)	-	-	-	-
Carrying amount	**69,409**	98,477	-	-	-	-
Total carrying amount	**26,815,087**	27,164,988	**1,700,862**	2,297,520	**1,593,677**	1,395,975

32.FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

(vii) Allowances for impairment

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are specific loss component that relate to individually significant exposures, and a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment. Assets carried at fair value through profit or loss is not subject to impairment testing as the measure of fair value reflects the credit quality of each asset.

The Group monitors concentrations of its impaired loans by sector and by geographic location. An analysis of concentrations of impaired (excluding individually impaired and restructured loans / under restructuring) loans by sector is shown below:

31 December 2011	Impaired loans AED'000	Collateral AED'000	Specific provision and interest in suspense AED'000
Commercial and Business:			
Agriculture & allied activities	354	354	354
Mining & quarrying	-	-	-
Manufacturing	73,600	35,581	39,177
Construction	647	135	499
Trade	1,560,340	365,695	555,859
Transport & communication	24,684	2,814	20,116
Services	354,564	116,070	176,918
Business and investment	349,853	144,406	161,890
Total commercial and Business	2,364,042	665,055	954,813
Banks and financial institutions	-	-	-
Government and public sector entities	-	-	-
Personal-schematic	272,068	-	202,660
Others	1,850	139	1,850
Total carrying amount	2,637,960	665,194	1,159,323

In addition to the specific provision, the Group held AED 430 million as collective provisions.
All impaired loans are located in one geographic area, the United Arab Emirates.

32.FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

31 December 2010	Impaired loans AED'000	Collateral AED'000	Specific provision and interest in suspense AED'000
Commercial and Business:			
Agriculture & allied activities	417	-	131
Mining & quarrying	-	-	-
Manufacturing	23,222	-	23,222
Construction	2,281	2,281	1,781
Trade	632,563	330,949	338,316
Transport & communication	20,782	1,281	16,412
Services	313,673	130,398	157,150
Business and investment	162,460	56,032	91,650
Total commercial and Business	1,155,398	520,941	628,662
Banks and financial institutions	113	-	39
Government and public sector entities	-	-	-
Personal-schematic	258,522	163,607	160,045
Others	3,190	161	3,190
Total carrying amount	1,417,223	684,709	791,936

In addition to the specific provision, the Group held AED 424.6 million as collective provisions.
All impaired loans are located in one geographic area, the United Arab Emirates.
Set out below is an analysis of the gross and net (of provisions for impairment) amounts of individually impaired assets by risk grade;

	Loans and advances and Islamic financing		Due from banks		Debt securities	
	AED'000 Gross	AED'000 Net	AED'000 Gross	AED'000 Net	AED'000 Gross	AED'000 Net
31 December 2011						
11&12: Substandard (a & b)	**2,112,026**	**1,392,265**	-	-	-	-
Grade 13: Doubtful	**198,724**	**16,963**				
Grade 14: Loss	**55,141**	-	-	-	-	-
Total	**2,365,891**	**1,409,228**	-	-	-	-
31 December 2010						
11&12: Substandard (a & b)	912,544	526,810	-	-	-	-
Grade 13: Doubtful	205,448	-				
Grade 14: Loss	40,709	-	-	-	-	-
Total	1,158,701	526,810	-	-	-	-

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

(viii) Write - off policy

The Group writes off a loan / investment in debt security (and any related allowances for impairment) when the Group Credit Committee determines that the loan / security is uncollectible. This determination is reached after considering information such as the significant deterioration in the borrower's/issuer's financial position such that the borrower / issuer can no longer pay the obligation, or proceeds from collateral will not be sufficient to pay back the entire exposure or all possible efforts of collecting the amounts have been exhausted.

For smaller balances of standardized loans, write off decisions are generally based on a product-specific past due status.

(ix) Collateral

The Group holds collateral against loans and advances in the form of cash, guarantees, mortgages and liens over properties or other securities over assets. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and are subsequently monitored on a periodic basis. Generally, collateral is not held against debt securities and amounts due from banks, and no such collateral was held at 31 December 2011 or 2010.

Analysis of collateral by type is presented in the following table:

	2011	2010
	AED'000	AED'000
Pledged deposits	**2,899,993**	2,875,643
Properties	**9,364,390**	9,909,036
Hypothecation & mortgages	**606,300**	405,760
Pledge of shares	**758,820**	729,573
Government guarantee	**378,256**	532,113
Others	**826,986**	842,119
Total Collaterals	**14,834,745**	15,294,244

The above represents collateral value restricted to the lower of loan balance or collateral value.

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

(x) Concentration

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The tables below set out the concentration of credit risk by sector, geography and currency.

Concentration of credit risk by sector for 2011:

31 December 2011	Loans and advances and Islamic financing AED'000	Due from banks AED'000	Debt securities AED'000	Equity Securities AED'000	Cash, balances with Central bank and other assets AED,000	Total on balance sheet AED'000	Undrawn commitments AED'000	Contingent liabilities and acceptances AED'000
Commercial and Business:								
Agriculture & allied activities	36,965	-	-	-	-	36,965	26,086	37,846
Mining & quarrying	268,566	-	-	-	-	268,566	236,028	37,329
Manufacturing	1,335,861	-	-	-	-	1,335,861	398,682	446,733
Construction	4,280,728	-	20,339	-	-	4,301,067	569,440	66,701
Trade	7,912,971	-	-	-	-	7,912,971	2,738,730	3,581,987
Transport & communication	359,085	-	-	-	-	359,085	159,179	221,331
Services	4,285,322	-	-	66	-	4,285,388	2,000,230	3,617,961
Business and investment	5,998,288	-	-	-	-	5,998,288	1,367,941	349,803
Total commercial and Business	24,477,786	-	20,339	66	-	24,498,191	7,496,316	8,359,691
Banks and financial institutions	319,605	1,700,862	345,484	318,099	-	2,684,050	201,150	525,875
Government and public sector entities	1,291,833	-	1,227,854	-	4,914,558	7,434,245	341,727	50,227
Personal-schematic	2,210,682	-	-	-	-	2,210,682	569,853	17,082
Others	296,253	-	-	-	1,840,609	2,136,862	37,245	187,451
Total carrying amount	28,596,159	1,700,862	1,593,677	318,165	6,755,167	38,964,030	8,646,291	9,140,326

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

Concentration of credit risk by sector for 2010:

31 December 2010	Loans and advances and Islamic financing AED'000	Due from banks AED'000	Debt securities AED'000	Equity Securities AED'000	Cash, balances with Central bank and other assets AED,000	Total on balance sheet AED'000	Undrawn commitments AED'000	Contingent liabilities and acceptances AED'000
Commercial and Business:								
Agriculture & allied activities	30,510	-	-	-	-	30,510	5,378	41,838
Mining & quarrying	252,366	-	-	-	-	252,366	191,574	29,782
Manufacturing	1,350,244	-	-	-	-	1,350,244	381,046	455,278
Construction	4,689,067	-	19,742	221	-	4,709,030	491,376	62,346
Trade	7,857,814	-	-	-	-	7,857,814	2,340,594	3,212,955
Transport & communication	492,901	-	-	8,099	-	501,000	112,700	258,839
Services	3,665,329	-	-	90	-	3,665,419	1,623,457	4,254,465
Business and investment	6,198,973	-	-	-	-	6,198,973	1,241,057	379,812
Total commercial and Business	24,537,204	-	19,742	8,410	-	24,565,356	6,387,182	8,695,315
Banks and financial institutions	560,887	2,297,520	390,913	304,498	-	3,553,818	138,142	700,108
Government and public sector entities	668,429	-	985,320	-	4,723,459	6,377,208	125,417	87
Personal-schematic	2,258,558	-	-	-	-	2,258,558	486,846	18,209
Others	395,412	-	-	-	1,512,898	1,908,310	25,159	77,254
Total carrying amount	28,420,490	2,297,520	1,395,975	312,908	6,236,357	38,663,250	7,162,746	9,490,973

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

Concentration of credit risk by geographic location:

31 December 2011	Loans and advances and Islamic financing AED'000	Due from banks AED'000	Debt securities AED'000	Equity Securities AED'000	Cash, balances with Central bank and other assets AED,000	Total on balance sheet AED'000	Undrawn commitments AED'000	Contingent liabilities and acceptances AED'000
UAE	28,398,842	1,468,087	1,496,985	236,752	6,755,167	38,355,833	8,476,565	8,609,524
GCC	197,317	13,126	59,778	81,413	-	351,634	169,726	11,699
Other Arab Countries	-	632	-	-	-	632	-	13,068
Europe	-	152,427	36,914	-	-	189,341	-	370,450
USA	-	60,317	-	-	-	60,317	-	19,115
Asia	-	644	-	-	-	644	-	115,600
Others	-	5,629	-	-	-	5,629	-	870
Total carrying amount	**28,596,159**	**1,700,862**	**1,593,677**	**318,165**	**6,755,167**	**38,964,030**	**8,646,291**	**9,140,326**

31 December 2010	Loans and advances and Islamic financing AED'000	Due from banks AED'000	Debt securities AED'000	Equity Securities AED'000	Cash, balances with Central bank and other assets AED,000	Total on balance sheet AED'000	Undrawn commitments AED'000	Contingent liabilities and acceptances AED'000
UAE	28,186,354	1,629,772	1,290,011	244,018	6,236,357	37,586,512	7,121,119	8,903,502
GCC	234,136	281,081	64,645	67,682	-	647,544	41,627	6,998
Other Arab Countries	-	671	-	-	-	671	-	10,923
Europe	-	347,229	40,495	-	-	387,724	-	389,043
USA	-	34,860	-	1,208	-	36,068	-	30,883
Asia	-	2,083	824	-	-	2,907	-	148,606
Others	-	1,824	-	-	-	1,824	-	1,018
Total carrying amount	28,420,490	2,297,520	1,395,975	312,908	6,236,357	38,663,250	7,162,746	9,490,973

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

Concentration of credit risk by currency:

31 December 2011	Loans and advances and Islamic financing AED'000	Due from banks AED'000	Debt securities AED'000	Equity Securities AED'000	Cash, balances with Central bank and other assets AED,000	Total on balance sheet AED'000	Undrawn commitments AED'000	Contingent liabilities and acceptances AED'000
AED	26,795,359	170,497	978,285	222,584	6,564,378	34,731,103	8,476,565	8,600,196
Other currencies	1,800,800	1,530,365	615,392	95,581	190,789	4,232,927	169,726	540,130
Total carrying amount	**28,596,159**	**1,700,862**	**1,593,677**	**318,165**	**6,755,167**	**38,964,030**	**8,646,291**	**9,140,326**

31 December 2010	Loans and advances and Islamic financing AED'000	Due from banks AED'000	Debt securities AED'000	Equity Securities AED'000	Cash, balances with Central bank and other assets AED,000	Total on balance sheet AED'000	Undrawn commitments AED'000	Contingent liabilities and acceptances AED'000
AED	26,637,287	18	966,276	221,880	6,050,769	33,876,230	7,121,119	8,900,459
Other currencies	1,783,203	2,297,502	429,699	91,028	185,588	4,787,020	41,627	590,514
Total carrying amount	28,420,490	2,297,520	1,395,975	312,908	6,236,357	38,663,250	7,162,746	9,490,973

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Settlement risk

The Group's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of counterparty to honour its obligations to deliver cash, securities or other assets as contractually due. Any delays in settlement are rare and are monitored and quantified as part of the Group's Internal Capital Adequacy Assessment Procedures (ICAAP) framework and Operational Risk Management.

For certain types of transactions, the Group mitigates this risk by conducting settlements through a settlement / clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval / limit monitoring process described above. Acceptance of settlement risk on free settlement trades requires transaction specific or counterparty specific approvals from the Group Risk Management Department.

d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or other financial assets. It includes the risk of the inability to fund assets at appropriate maturities and rates and the inability to liquidate assets at reasonable prices and in an appropriate timeframe and inability to meet obligations as they become due. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to diminish.

(i) Management of liquidity risk

Liquidity risk is managed by the Treasury and ALM department in line with the regulatory, internal policies and guidelines. The Group's approach to managing liquidity risk is to ensure that it has adequate funding from diversified sources at all times to meet its liabilities when due, under both normal and stressed conditions, without incurring un acceptable losses or risking damage of the Group's reputation.

Funds are raised using a broad range of instruments including customers' deposits, medium term borrowings, money market instruments, subordinated debts and capital. The treasury and ALM department monitor the liquidity profile of financial assets and liabilities and the projected cash flows arising from existing and future business. Treasury maintains a portfolio of short-term liquid assets and inter-bank placements to ensure that sufficient liquidity is maintained. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and abnormal market conditions.

The Group's liquidity policy is approved by the Board of Directors and reviewed annually. Adherence to the policies is monitored by the Risk Management Department and the ALCO.

The Group's liquidity management process, as carried out within the Group and monitored by Group's treasury, includes:

- Day to day funding managed by monitoring future cash flows to ensure that requirements can be met - these include replenishment of funds as they mature or are borrowed by customers. The Group maintains an active presence in global money market to facilitate funding activities;
- Maintenance of a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Liquidity risk (continued)

(i)Management of liquidity risk (continued)

- Managing balance sheet liquidity ratios against internal and regulatory requirements;
- Managing the concentration and profile of debt maturities; and
- Repurchase arrangements with various Banks which allow it to repo its fixed income investments to meet any liquidity needs that may arise.

(ii) Exposure to liquidity risk

The key measure used by the Group for measuring liquidity risk is the advances to stable resources ratio (regulatory ratio) which stands at 82.8% *(2010: 83.9%)*. In addition, the Group also uses the following ratios/information on a continuous basis for measuring liquidity risk:

- Liquid assets to total assets ratio;
- Net loans to deposits ratio (LDR);
- Third party liabilities maturing within one month to third party liabilities;
- Customers' deposits maturing within one month to customers' deposits; and
- Deposits' concentration.

The following table summarizes the maturity profile of the Group's assets and liabilities based on the contractual repayment arrangements. These do not take account of the effective maturities as indicated by the Group's deposit retention history. The contractual maturities of assets and liabilities have been determined on the basis of the residual period at the reporting date to the contractual maturity date.

The maturity profile of the assets and liabilities at **31 December 2011** was as follows:

	Total AED'000	Less than 1 month AED'000	From 1 to 3 months AED'000	From 3 months to 1 year AED'000	From 1 to 5 years AED'000	Over 5 years AED'000
Assets						
Cash and balances with Central Bank	5,376,083	5,376,083	-	-	-	-
Due from banks	1,700,862	1,696,547	-	4,315	-	-
Loans and advances and Islamic financing	26,815,087	7,668,354	1,278,666	2,282,243	8,873,816	6,712,008
Investment securities	1,911,842	374,218	-	349,812	879,879	307,933
Investment properties	173,823	-	-	-	4,070	169,753
Property and equipment	452,318	38	958	5,571	68,714	377,037
Other assets	1,811,305	993,517	486,844	330,944	-	-
Total assets	38,241,320	16,108,757	1,766,468	2,972,885	9,826,479	7,566,731
Liabilities and equity						
Due to banks	326,066	289,336	36,730	-	-	-
Customers' deposits and Islamic customers' deposits	28,423,430	15,725,597	4,000,514	6,695,377	160,416	1,841,526
Medium term borrowing	1,631,501	-	-	-	1,631,501	-
Other liabilities	1,538,710	720,922	486,844	330,944	-	-
Equity	6,321,613	-	399,257	-	-	5,922,356
Total liabilities and equity	38,241,320	16,735,855	4,923,345	7,026,321	1,791,917	7,763,882

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Liquidity risk (continued)

(ii) Exposure to liquidity risk (continued)

The maturity profile of the assets and liabilities at **31 December 2010** was as follows:

	Total AED'000	Less than 1 month AED'000	From 1 to 3 months AED'000	From 3 months to 1 year AED'000	From 1 to 5 years AED'000	Over 5 years AED'000
Assets						
Cash and balances with Central Bank	5,076,443	5,076,443	-	-	-	-
Due from banks	2,297,520	2,297,520	-	-	-	-
Loans and advances and Islamic financing	27,164,988	8,158,341	1,251,348	1,882,150	9,765,943	6,107,206
Investment securities	1,708,883	312,908	-	18,181	1,182,703	195,091
Investment properties	181,037	-	-	-	4,560	176,477
Property and equipment	435,438	28	246	4,597	204,425	226,142
Other assets	1,644,395	730,690	337,378	575,902	425	-
Total assets	38,508,704	16,575,930	1,588,972	2,480,830	11,158,056	6,704,916
Liabilities and equity						
Due to banks	309,273	309,273	-	-	-	-
Customers' deposits and Islamic customers' deposits	29,209,662	18,309,384	4,146,922	4,887,193	24,610	1,841,553
Medium term borrowing	1,466,656	-	-	1,466,656	-	-
Other liabilities	1,644,172	727,923	337,378	578,446	425	-
Equity	5,878,941	-	395,257	-	-	5,483,684
Total liabilities and equity	38,508,704	19,346,580	4,879,557	6,932,295	25,035	7,325,237

The tables above show undiscounted cash flows on the Group's financial assets and liabilities on the basis of their earliest possible contractual maturity. The Group's expected cash flows may vary significantly from this analysis.

The table below shows the maturity of the Group's contingent liabilities and credit commitments:

	Total AED'000	Less than 1 month AED'000	From 1 to 3 months AED'000	From 3 months to 1 year AED'000	From 1 to 5 years AED'000	Over 5 years AED'000
31 December 2011						
Contingent liabilities	**8,081,964**	**1,052,847**	**1,031,905**	**2,372,197**	**3,277,782**	**347,233**
Credit commitments	**8,646,291**	**238,128**	**476,255**	**714,383**	**7,217,525**	**-**
Total	**16,728,255**	**1,290,975**	**1,508,160**	**3,086,580**	**10,495,307**	**347,233**
31 December 2010						
Contingent liabilities	8,390,017	844,403	1,219,826	2,455,811	3,298,588	571,389
Credit commitments	7,162,746	393,951	787,902	1,181,853	4,799,040	-
Total	15,552,763	1,238,354	2,007,728	3,637,664	8,097,628	571,389

32.FINANCIAL RISK MANAGEMENT (CONTINUED)

e) Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads, will affect the Group's income and / or value of a financial instrument. The Group manages its market risk in order to achieve optimum returns while maintaining market risk exposures within prudent limits.

(i) Management of market risk

The Board of Directors has set risk limits based on sensitivity analyses and notional limits which are closely monitored by Group Risk Management, reported daily to senior management and discussed monthly by the ALCO.

The Group separates its exposure to market risk between trading and non-trading portfolios with overall responsibility vested in the ALCO. The Group Risk Management department is responsible for the development of detailed risk management policies and for the day-to-day review of their implementation, subject to review and approval by the ALCO.

(ii) Exposure to market risks – trading portfolios

The principal tool used to measure and control market risk exposure within the Group's trading portfolios is Value at Risk (VaR). The VaR of a trading portfolio is the estimated loss that will arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). The VaR model used by the Group is based upon a 99 percent confidence level and assumes a 10-day holding period. The VaR model used is based on historical and Monte Carlo simulation taking into account market data for the last 250 business days.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

- A 10-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period.
- A 99 percent confidence level does not reflect losses that may occur beyond this level. Even with the model used there is a one per cent probability that losses could exceed the VaR.
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day, although real time limit monitoring mitigates this risk somewhat.
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.
- The VaR measure is dependent upon the Group's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

The Group uses VaR limits for specific foreign exchange, interest rate and equity price risks. The overall structure of VaR limits is subject to review and approval by the ALCO. VaR limits are allocated only to the trading portfolio. VaR is measured at least daily for more actively traded portfolios. Daily reports of utilization of VaR limits are produced by the Group Risk Management department and periodic summaries are submitted in the ALCO.

32.FINANCIAL RISK MANAGEMENT (CONTINUED)

e) Market risks (continued)

(ii) Exposure to market risks – trading portfolios (continued)

The limitations of the VaR methodology are recognized by supplementing VaR limits with other position and sensitivity limit structures, including limits to address potential concentration risks within each trading portfolio. In addition, the Group uses stress tests to model the financial impact of exceptional market scenarios on individual trading portfolios and the Group's overall position.

(iii) Exposure to interest rate risk – non trading portfolio

Interest rate risk arises from interest bearing financial instruments and reflects the possibility that changes in interest rates will adversely affect the value of the financial instruments and the related income. The Group manages the risk principally through monitoring interest rate gaps, matching the re-pricing profile of assets and liabilities and by having pre-approved limits for repricing bands. The Group Risk Management Department monitors compliance with these limits on a daily basis and is responsible for reporting breaches if any, to senior management. ALCO review reports on a monthly basis.

In addition the Group also assesses the impact of defined movement in interest yield curves on its net interest income and regulatory capital. The following is the impact of interest rate movement on net interest income and regulatory capital:

	2011		2010	
	Net interest Income		Net interest Income	
	50 b.p.	**100 b.p.**	50 b.p.	100 b.p.
	AED'000	**AED'000**	AED'000	AED'000
Upward Parallel Shift	**24,380**	**48,761**	25,674	51,347
Downward Parallel Shift	**(8,059)**	**(13,375)**	(9,578)	(17,267)

Interest rate movement is not expected to have material impact on the economic value of the capital.

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

e) Market risks (continued)

(iii) Exposure to interest rate risk – non trading portfolio (continued)

A summary of the Group's interest rate sensitivity position based on contractual re-pricing arrangements or maturity dates, whichever dates are earlier is as follows:

31 December 2011	Non interest bearing AED'000	Less than 3 months AED'000	From 3 to 6 months AED'000	From 6 months to 1 year AED'000	Over 1 year AED'000	Total AED'000
Assets						
Cash and balances with Central Bank	2,276,083	3,100,000	-	-	-	5,376,083
Due from banks	-	1,696,547	4,315	-	-	1,700,862
Loans and advances and Islamic financing	-	25,103,040	1,097,525	1,345,970	1,049,624	28,596,159
Provisions	(1,781,072)	-	-	-	-	(1,781,072)
Investment securities	318,165	598,056	426,242	26,032	543,347	1,911,842
Investment properties	173,823	-	-	-	-	173,823
Property and equipment	452,318	-	-	-	-	452,318
Other assets	1,811,305	-	-	-	-	1,811,305
Total assets	**3,250,622**	**30,497,643**	**1,528,082**	**1,372,002**	**1,592,971**	**38,241,320**
Liabilities and equity						
Due to banks	-	326,066	-	-	-	326,066
Customers' deposits and Islamic customers' deposits	9,974,487	11,697,077	2,728,640	3,980,903	42,323	28,423,430
Medium term borrowing	-	1,631,501	-	-	-	1,631,501
Other liabilities	1,538,710	-	-	-	-	1,538,710
Equity	6,321,613	-	-	-	-	6,321,613
Total liabilities and equity	**17,834,810**	**13,654,644**	**2,728,640**	**3,980,903**	**42,323**	**38,241,320**
Interest rate sensitivity gap	**(14,584,188)**	**16,842,999**	**(1,200,558)**	**(2,608,901)**	**1,550,648**	**-**
Cumulative interest rate sensitivity gap	**(14,584,188)**	**2,258,811**	**1,058,253**	**(1,550,648)**	**-**	**-**

31 December 2010	Non interest bearing AED'000	Less than 3 months AED'000	From 3 to 6 months AED'000	From 6 months to 1 year AED'000	Over 1 year AED'000	Total AED'000
Assets						
Cash and balances with Central Bank	2,076,443	3,000,000	-	-	-	5,076,443
Due from banks	-	2,297,520	-	-	-	2,297,520
Loans and advances and Islamic financing	-	25,856,963	1,381,120	456,720	725,687	28,420,490
Provisions	(1,255,502)	-	-	-	-	(1,255,502)
Investment securities	312,908	587,680	423,520	-	384,775	1,708,883
Investment properties	181,037	-	-	-	-	181,037
Property and equipment	435,438	-	-	-	-	435,438
Other assets	1,644,395	-	-	-	-	1,644,395
Total assets	3,394,719	31,742,163	1,804,640	456,720	1,110,462	38,508,704
Liabilities and equity						
Due to banks	-	309,273	-	-	-	309,273
Customers' deposits and Islamic customers' deposits	8,391,057	15,966,686	1,567,171	3,265,753	18,995	29,209,662
Medium term borrowing	-	1,466,656	-	-	-	1,466,656
Other liabilities	1,644,172	-	-	-	-	1,644,172
Equity	5,878,941	-	-	-	-	5,878,941
Total liabilities and equity	15,914,170	17,742,615	1,567,171	3,265,753	18,995	38,508,704
Interest rate sensitivity gap	(12,519,451)	13,999,548	237,469	(2,809,033)	1,091,467	-
Cumulative interest rate sensitivity gap	(12,519,451)	1,480,097	1,717,566	(1,091,467)	-	-

32.FINANCIAL RISK MANAGEMENT (CONTINUED)

e) Market risks (continued)

(iii) Exposure to interest rate risk – non trading portfolio (continued)

Overall interest rate risk positions are managed by the Treasury and ALM Department, which uses investment securities, advances to banks, deposits from banks and derivative instruments to manage the overall position arising from the Group's activities. Interest rate risks are assumed by ALM from the businesses through fund transfer pricing (FTP process).

f) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in a foreign currency. The Board of Directors has set limits on positions by currency. Positions are closely monitored and hedging strategies are used to ensure positions are maintained within established limits. At 31 December, the Group had the following significant net exposures denominated in foreign currencies:

	Net spot Position AED'000	**Forward Position AED'000**	**Net exposure 2011 AED'000**	2010 AED'000
Currency				
US Dollar	**(493,186)**	**467,712**	**(25,474)**	(24,992)
Great Britain Pound	**1,398**	**(913)**	**485**	20
Japanese Yen	**7,421**	**(7,432)**	**(11)**	82
Euro	**25,308**	**(27,035)**	**(1,727)**	680
Others	**9,731**	**(4,567)**	**5,164**	4,786

A summary of capital requirement for market risk under standardized approach of Basel II is set out below:

	2011 AED'000	2010 AED'000
Equity position risk	**-**	2,637
Foreign currency risk	**216**	759
Interest rate risk	**2,329**	-
	2,545	3,396

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

g) Equity risk

The Group has defined in its trading book policy the instruments which the Group is allowed to trade. A limited trading activity takes place in the equity market, monitored by Risk Management and in line with investment committee (IC) recommendations. Daily stop loss limits as well as portfolio notional limits are monitored daily and reported to senior management.

Analysis of equity portfolio:

	2011 AED'000	2010 AED'000
Publicly traded (quoted):		
Equity	**215,479**	224,266
Privately held (unquoted):		
Funds of funds investments	**102,686**	88,642
Total	**318,165**	312,908

Analysis of gains or (losses) on equity investments:

	2011 AED'000	2010 AED'000
Realized gains on sale	**3,356**	19,190
Unrealized (losses) / gains in P/L	**(224)**	15,432
Unrealized losses in OCI	**(22,804)**	(89,890)

The revaluation reserve on equity portfolio as at 31 December 2011 amounting to AED 77.793 million *(2010: AED 100.597 million)* was considered as Tier II capital.

Analysis of capital requirement for equity investments under standardized approach of Basel II:

	2011				2010			
	Strategic investment AED'000	**AFS AED'000**	**Held for trading AED'000**	**Total AED'000**	Strategic investment AED'000	AFS AED'000	Held for trading AED'000	Total AED'000
Equity	**-**	**25,857**	**-**	**25,857**	-	25,714	2,396	28,110
Funds of Funds investment	**5,231**	**7,092**	**-**	**12,323**	3,900	6,616	241	10,757
Total	**5,231**	**32,949**	**-**	**38,180**	3,900	32,330	2,637	38,867

h) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology, infrastructure and from external factors (other than credit, market and liquidity risks) such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Potential loss may be in the form of financial loss or other damages, for example loss of reputation and public confidence that will impact the Group's credibility and ability to do business.

The Group's objective is to manage operational risk, so as to balance the avoidance of financial losses and damage to the Group's reputation, with overall cost effectiveness and to avoid control procedures that restrict initiative, innovativeness and creativity.

32.FINANCIAL RISK MANAGEMENT (CONTINUED)

h) Operational risks (continued)

The primary responsibility for the overseeing the establishment of sound operational risk management framework and monitoring the operational risk profile of the Group vests with the senior management of the Group, and is further assigned to the Heads of individual units, departments or branches. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions to eliminate scenarios involving any conflict of interest;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures pertaining to all activities of the bank;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action to avoid its future recurrence;
- Development of contingency plans to ensure continuity of business under all circumstances;
- Training and professional development of employees at all levels so as to increase their awareness of the subject;
- Ethical and business standards (through the Group's approved and functional Code of Ethics);
- Risk mitigation, including insurance wherever this is effective; and
- Whistle Blowing and Incident Reporting Policies are channels available to all staff for reporting of any loss events or other wrongdoings.

The Group has established a framework of policies and procedures to identify, assess, control, manage and report risks and has set up an Operational Risk Management Unit for the purpose of identifying and managing risk. As part of the Operational Risk Management Plan (ORM Plan), implemented Group-wide, the Operational Risk Management Unit (ORMU) prepares various reports on a quarterly basis including:

- Departmental and Group-wide Operational Risk ("Op Risk") dashboards covering all key risks faced by the cluster;
- Op Risk Heat Maps covering the clusters;
- Operational Risk Register;
- Analysis of Operational Risk Loss data; and
- Analysis/update of Operational Risk Loss database.

Moreover, the ORMU conducts an assessment of the Group's disaster recovery and business continuity position, as well as detailed system risk assessments of all new/upgraded IT systems and assessment of Operational Risk elements in any new products to be launched or procedures to be implemented. Compliance with policies and procedures is supported by periodic reviews undertaken by Internal Audit. The results of these reviews are discussed with the business units to which they relate, with summaries submitted to the Board and Senior Management of the Group.

33. CAPITAL MANAGEMENT

33.1 Regulatory capital

The Group's regulator, the Central Bank of the UAE, sets and monitors regulatory capital requirements.

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

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

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and the Group recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group also assesses its capital requirements internally taking into consideration growth requirements and business plans, and quantifies its Regulatory and Risk / Economic Capital requirements within its integrated ICAAP Framework. Risks such as Interest Rate Risk in the Banking Book, Concentration Risk, Strategic Risk, Legal and Compliance Risk, Stress Risk, Insurance Risk and Reputational Risk are all part of the ICAAP.

The Group also calculates the Risk Adjusted Return on Capital (RAROC) for credit applications that are priced on a risk-adjusted basis. RAROC calculations are also built into the Credit Appraisal System.

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 year. There have been no material changes in the Group's management of capital during the year. 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% as mandated by the Central Bank.

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, 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
  - Collective provision shall not exceed 1.25% of total risk weighted assets.

33. CAPITAL MANAGEMENT (CONTINUED)

33.2 Capital resources and adequacy

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

	Basel II		Basel I	
	2011	2010	**2011**	2010
	AED'000	AED'000	**AED'000**	AED'000
Core tier 1 capital				
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	**1,431,329**	1,008,486	**1,431,329**	1,008,486
Tier 1 Capital	**5,852,299**	5,429,456	**5,852,299**	5,429,456
Upper tier 2 capital				
Fair value reserve	**14,139**	7,015	**14,139**	7,015
Collective provisions	**430,066**	424,566	**-**	-
	444,205	431,581	**14,139**	7,015
Lower tier 2 capital				
Subordinated term loans	**1,841,526**	1,841,526	**1,841,526**	1,841,526
Tier 2 capital	**2,285,731**	2,273,107	**1,855,665**	1,848,541
Deductions from Tier 1 & Tier 2				
Investments in un consolidated subsidiaries	**(10,000)**	(10,000)	**(10,000)**	(10,000)
Total capital base	**8,128,030**	7,692,563	**7,697,964**	7,267,997
Risk weighted assets (RWA) Pillar 1				
On-balance sheet	**-**	-	**26,320,447**	26,014,975
Off-balance sheet	**-**	-	**5,118,205**	5,365,122
Credit risk	**32,426,824**	31,477,290	**-**	-
Market risk	**25,449**	28,305	**-**	-
Operation risk	**2,757,596**	3,334,546	**-**	-
Risk weighted assets	**35,209,869**	34,840,141	**31,438,652**	31,380,097
Tier 1 ratio	**16.62%**	15.58%	**18.61%**	17.30%
Capital adequacy ratio (Pillar) 1 (a)	**23.08%**	22.08%	**24.49%**	23.16%
Pillar 2 capital charge (b)	**1.92%**	1.80%	**-**	-
Capital adequacy ratio (a – b)	**21.16%**	20.28%	**24.49%**	23.16%

33. CAPITAL MANAGEMENT (CONTINUED)

33.2 Capital resources and adequacy (continued)

Risk weighted capital requirement

The Group has adopted the standardized approach for credit risk, market risk and operational risk for regulatory reporting purposes. The Group's risk weighted capital requirement for credit, market and operation risk are given below:

(i)Risk weights for credit risk

The Group has a diversified funded and unfunded credit portfolio. The exposures are classified as per the Standard Portfolio approach mentioned under the Central Bank of UAE Basel II Capital Adequacy Framework covering the standardized approach for credit risk. The descriptions of the counterparty classes along with the risk weights used to derive the risk weighted assets are as follows:

a) Funded exposure

Claims on sovereigns

These pertain to exposures to governments and their central banks. Claims on central banks and sovereigns are risk weighted in accordance with their ratings from acceptable external credit assessment institutions (ECAIs), except that, for all GCC sovereigns a 0% weight has been applied.

Claims on public sector entities (PSEs)

Domestic currency claims on GCC non commercial PSEs were treated as claims on GCC sovereign if their Central Bank or monetary authority treats them as such. Foreign currency claims on GCC PSE were treated one grade less favourable than its sovereign i.e. 20% risk weight were applied. Claims on other foreign non commercial PSEs were treated one grade less favorable than its sovereign. Claims on commercial PSE were treated as claims on corporate.

Claims on multilateral development banks (MDBs)

All MDBs are risk weighted in accordance with the Banks credit rating except for those members listed in the World Bank Group which are risk weighted at 0%.

Claims on banks

Claims on banks are risk weighted based on the ratings assigned to them by external rating agencies, however, short term claims denominated in local currency were assigned more favorable risk weighting.

No claim on an unrated bank would receive a risk weight lower than that applied to claims on its sovereign of incorporation.

Claims on corporate portfolio

Claims on corporate are risk weighted in accordance with ratings from acceptable ECAIs. Risk weightings for unrated corporate claims are assigned at 100%.

Claims on regulatory retail exposures

Retail claims that are included in the regulatory retail portfolio are assigned risk weights of 75% (except for past due loans), if they meet the criteria mentioned in the Central Bank of UAE BASEL-II guidelines.

33. CAPITAL MANAGEMENT (CONTINUED)

33.2 Capital resources and adequacy (continued)

(i)Risk weights for credit risk (continued)

Claims secured by residential property

A preferential risk weight of 35% was applied on claims that did not exceed AED 10 million to a single borrower and the claim was secured by residential property with LTV of up to 85%. Other claims secured on residential property were risk weighted 100%.

Claims secured by commercial property

100% risk weight was applied on claims secured by commercial property.

Past due exposures

The unsecured portion of any loan (other than a qualifying residential mortgage loan) that is past due for more than 90 days, net of specific provisions (including partial write-offs), is risk weighted as follows :

- 150% risk weight when specific provisions are less than 20% of the outstanding amount of loan;
- 100% risk weight when specific provisions are greater than 20% of the outstanding amount of loan.

Equity portfolios

0% risk weight was applied on equity in trading book. Equity in banking book was risk weighted at 100%. The aggregate investments in insurance companies amounting to AED 162,359 thousand *(2010: AED 172,268 thousand)* have been risk weighted in accordance with Basel II.

Other exposures

These are risk weighted at 100%.

b) Unfunded exposure

For credit-related contingent items, the nominal value is converted to an exposure through the application of Credit Conversions Factors (CCF). The CCF is at 20%, 50% or 100% depending on the type of contingent item, and is used to convert off balance sheet notional amounts into an equivalent on balance sheet exposure.

Undrawn commitments to extend credit represent commitments that have not been drawn down or utilized at the reporting date. The nominal amount provides the calculation base to which the CCF is applied for calculating the exposure. CCF range between 20% and 50% for commitment with original maturity of up to one year and over one year respectively and 0% CCF is applicable for commitments which can be unconditionally cancelled at any time.

33. CAPITAL MANAGEMENT (CONTINUED)

33.2 Capital resources and adequacy (continued)

(i)Risk weights for credit risk (continued)

Asset Classes	On balance Sheet Gross Outstanding	Off balance sheet Net Exposure After Credit Conversion Factors (CCF)	Credit risk mitigation (CRM)			Risk weighted assets
			Exposure Before CRM	CRM	After CRM	
31 December 2011	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**
Claims on Sovereigns	**5,319,874**	**27,762**	**5,347,636**	**-**	**5,347,636**	**36,914**
Claims on Non-Central Government Public Sector Entities (PSEs)	**1,925,325**	**62,788**	**1,955,630**	**-**	**1,955,630**	**1,379,798**
Claims on banks	**2,043,123**	**322,656**	**2,365,779**	**-**	**2,365,779**	**821,513**
Claims on corporate	**12,740,373**	**4,690,163**	**17,430,536**	**2,455,340**	**14,975,196**	**14,975,196**
Claims included in the regulatory retail portfolio	**1,163,059**	**427,906**	**1,590,965**	**63,592**	**1,527,373**	**1,270,769**
Claims secured by residential property	**1,328,273**	**43,553**	**1,371,826**	**343**	**1,371,483**	**781,697**
Claims secured by commercial property	**7,806,096**	**-**	**7,806,096**	**-**	**7,806,096**	**7,806,096**
Non performing and past due loans	**4,462,604**	**101,701**	**3,245,782**	**380,718**	**2,865,064**	**3,657,592**
Other assets	**2,181,169**	**-**	**2,181,169**	**-**	**2,181,169**	**1,697,249**
Total claims	**38,969,896**	**5,676,529**	**43,295,419**	**2,899,993**	**40,395,426**	**32,426,824**
Settlement risk - from SR 1						**-**
Total credit risk						**32,426,824**
31 December 2010						
Claims on Sovereigns	6,794,681	-	6,794,681	-	6,794,681	40,495
Claims on Non-Central Government Public Sector Entities (PSEs)	1,212,300	840	1,213,140	-	1,213,140	730,439
Claims on banks	999,156	354,350	1,353,506	-	1,353,506	432,136
Claims on corporate	14,962,708	5,181,208	20,104,916	3,375,068	16,729,848	16,729,848
Claims included in the regulatory retail portfolio	703,770	93,023	796,793	36,936	759,857	613,352
Claims secured by residential property	1,447,051	-	1,447,051	-	1,447,051	997,418
Claims secured by commercial property	8,273,425	-	8,273,425	-	8,273,425	8,273,425
Non performing and past due loans	2,444,352	-	1,652,416	-	1,652,416	2,195,799
Other assets	1,828,351	-	1,828,351	-	1,828,351	1,464,378
Total claims	38,665,794	5,629,421	43,464,279	3,412,004	40,052,275	31,477,290
Settlement risk - from SR 1						-
Total credit risk						31,477,290

33. CAPITAL MANAGEMENT (CONTINUED)

33.2 Capital resources and adequacy (continued)

(i)Risk weights for credit risk (continued)

The Group uses the following external credit assessment institutions (ECAIs): Standard & Poors', Moody's, Fitch and Capital Intelligence. The external rating of ECAI is mapped to the prescribed credit quality assessment scale that in turn produces standard risk weightings. The Group also uses various Credit Risk Mitigation techniques (CRM). However, only cash and bank guarantees are used in calculation of Pillar I Capital requirements. The total exposure to Banks before CRM includes AED 2,553.6 million *(2010: AED 1,259.4 million)* rated exposure.

Risk weighted assets as per standardized approach is set out below:

	2011		2010	
	Exposure AED'000	**Risk weighted assets AED'000**	Exposure AED'000	Risk weighted assets AED'000
Gross exposure prior to CRM	**43,295,419**	**35,326,817**	43,464,279	34,889,294
Less: Eligible financial collateral	**2,899,993**	**2,899,993**	3,412,004	3,412,004
Net exposure after CRM	**40,395,426**	**32,426,824**	40,052,275	31,477,290

(ii)Risk weights for market risk

Capital requirement for market risk is calculated using standardized approach. The capital requirement for market risk is analysed into capital requirement for interest rate risk, equity risk, foreign exchange risk and option risk.

(iii)Risk weight for operation risk

Capital requirement for operation risk is calculated using basic indicator approach. The total capital requirement is calculated as 15% of last three years average income.

34.COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation adopted in these consolidated financial statements, the effect of which are considered immaterial, except for reclassification of property for dual use from property and equipment to investment property. The reclassification has been applied retrospectively and hence the following comparative figures have been restated:

	Previously Stated AED'000	**Adjustment AED'000**	**Restated AED'000**
Property and equipment	**616,475**	**(181,037)**	**435,438**
Investment Property	**-**	**181,037**	**181,037**

Branches

Head Office

P.O. Box 2668, Ittihad Rd., Dubai, U.A.E.
Toll-free: 800 CBD (223)
Tel: +9714 212 1000
Fax: +9714 212 1911
Swift: CBDUAEAD XXX
E-Mail: cbd-ho@cbd.ae

www.cbd.ae

Main Branch
P.O. Box 2668, Dubai, U.A.E.
Tel: +9714 212 1000
Fax: +9714 212 1012
Branch Manager: Hassan Al Rais

Al Maktoum Branch
P.O. Box 3393, Dubai, U.A.E.
Tel: +9714 268 3555
Fax: +9714 268 3477
Assistant General Manager: Amer Al Shamali

Al Garhoud Branch
P.O. Box 2668, Dubai, U.A.E.
Tel: +9714 282 6444
Fax: +9714 282 6620
Branch Manager: Abdul Wahab Galadari

Al Qusais Branch
P.O. Box 2668, Dubai, U.A.E.
Tel: +9714 261 5000
Fax: +9714 261 2520
Branch Manager: Ibrahim Al Ramsi

Al Muhaisnah Branch
P.O. Box 2668, Dubai, U.A.E.
Tel: +9714 220 4222
Fax: +9714 220 7288
Branch Manager: Abdulbasit Al Suwaidi

Al Aweer Branch
P.O. Box 2668, Dubai, U.A.E.
Tel: +9714 320 1222
Fax: +9714 320 1201
Branch Manager: Hussain Al Marzooqi

Al Quoz Branch
P.O. Box 2668, Dubai, UAE
Tel: +9714 330 7000
Fax: +9714 330 7701
Branch Manager: Mohd Faraidooni

Deira Branch
P.O. Box 1709, Dubai, U.A.E.
Tel: +9714 225 3222
Fax: +9714 225 4565
Branch Manager: Mohammad Sharif

Baniyas Square Branch
P.O. Box 2668, Dubai, U.A.E.
Tel: +9714 228 9000
Fax: +9714 221 8262
Branch Manager: Majid Mohd. Al Marzouqi

Dubai Branch
P.O. Box 2668, Dubai, U.A.E.
Tel: +9714 352 3355
Fax: +9714 352 7655
Branch Manager: Mohammed Ali Redha

Jumeirah Branch
P.O. Box 2668, Dubai, U.A.E.
Tel: +9714 344 1438
Fax: +9714 344 7346
Branch Manager: Arefa Al Hashemi

Umm Suqeim Branch
P.O. Box 2668, Dubai, U.A.E.
Tel: +9714 373 0700
Fax: +9714 373 0703
Branch Manager: Farah Alulama

Sheikh Zayed Road Branch
P.O. Box 2668, Dubai, U.A.E.
Tel: +9714 343 4777
Fax: +9714 343 6088
Branch Manager: Maher Mohd. Al Marzouqi

Old Town Branch
P.O. Box 2668, Dubai, U.A.E.
Tel: +9714 420 0292
Fax: +9714 420 0299
Branch Manager: Mohammad Abdulla Zainal

Attijari Al Islami Branches

Main Branch
P.O. Box 2668, Dubai, U.A.E.
Tel: +9714 212 1000
Fax: +9714 212 1090

Naturalization and Residence Administration Branch
P.O. Box : 2668, Dubai, UAE
Tel: +9714 398 5000
Fax: +9714 398 2259

Sharjah Branch
P.O. Box 677, Sharjah, U.A.E.
Tel: +9716 574 0666
Fax: +9716 517 0150

Umm Suqeim Branch
P.O. Box 2668, Dubai, U.A.E.
Tel: +9714 373 0777
Fax: +9714 373 0707

Khalidiya Branch
P.O. Box 2466, Abu Dhabi, UAE
Tel: +9712 667 9929
Fax: +9712 667 1594

Naturalization and Residence Administration Branch
P.O. Box : 2668, Dubai, UAE
Tel: +9714 398 5000
Fax: +9714 398 2259
Branch Manager: Adel Al Khooly

Marina Branch
P.O. Box 2668, Dubai U.A.E.
Tel: +9714 423 4888
Fax: +9714 423 4851
Branch Manager: Mohammad Al Lawati

Jebel Ali Branch
P.O. Box 2668, Dubai, U.A.E.
Tel: +9714 881 8882
Fax: +9714 881 2252
Branch Manager: Adeeb Al Jundi

Abu Dhabi Branch
P.O. Box 2466, Abu Dhabi, U.A.E.
Tel: +9712 626 8400
Fax: +9712 627 4120
Branch Manager: Tariq Khaleel Badran

Khalidiya Branch
P.O. Box 2466, Abu Dhabi, UAE
Tel: +9712 667 9929
Fax: +9712 667 1486
Branch Manager: Moustafa Mahfouz Khalaf

Musaffah Branch
P.O. Box 2466, Abu Dhabi, U.A.E.
Tel: +9712 555 5510
Fax: +9712 554 0330
Branch Manager: Ramzi Ishaq Sulaiman

Al Ain Branch
P.O. Box 1497, Al Ain, U.A.E.
Tel: +9713 766 7800
Fax: +9713 766 6590
Branch Manager: Khalid Abdel Hadi

Sharjah Branch
P.O. Box 677, Sharjah, U.A.E.
Tel: +9716 574 0666
Fax: +9716 574 0044
Branch Manager: Mohamed Ahmed Bani Hammad

Ajman Branch
P.O. Box 4199, Ajman, U.A.E.
Tel: +9716 745 6668
Fax: +9716 744 9987
Branch Manager: Khalid Ahmed Al Housani

Ras Al Khaimah Branch
P.O. Box 5849, R.A.K., U.A.E.
Tel: +9717 228 6266
Fax: +9717 228 5545
Branch Manager: Ebrahim Ahmed Al Zaabi

Fujairah Branch
P.O. Box 4554, Fujairah, UAE
Tel: +9719 222 5111
Fax: +9719 201 8111
Branch Manager: Abdullah Al Suwaidi

Cash Offices :

Burj Al Arab, Dubai
Tel: +9714 348 4414

American University in Dubai
Tel: +9714 399 1316