

Board of Directors' Report for the three months ended 31st March 2009.

Commercial Bank of Dubai's Board reviewed the results for the first quarter of 2009 on 22nd April 2009 which have been prepared in accordance with the ("IFRS") IAS 34 Interim Financial Reporting and reviewed by External Auditors, M/S. KPMG.

تقرير مجلس الإدارة لفترة الثلاثة اشهر المنتهية في ٣١ مارس ٢٠٠٩.

لقد راجع مجلس إدارة بنك دبي التجاري النتائج المالية للربع الأول من العام الحالي في ٢٢ ابريل ٢٠٠٩ والتي تم إعدادها بالتوافق مع معايير التقارير المالية الدولية - معيار المحاسبة الدولية (٣٤) "التقارير المالية المرحلية: والتي تمت مراجعتها من قبل المدققين الخارجيين السادة / كى بى ام جى.

- ❖ The operating profit increased by 5.4% to AED 289.3 Million in comparison to AED 274.6 Million for the first quarter 2008.

❖ حققت الأرباح التشغيلية نموا بنسبة ٥,٤% لتصل إلى ٢٨٩,٣ مليون درهم مقارنة بـ ٢٧٤,٦ مليون درهم للربع الأول من العام الماضي.

- ❖ Net profit decreased by 12% to AED 233.9 Million as against AED 266.9 Million when compared to last March in view of provisions made of AED 34.8 Million due to impairment losses on AFS investments and AED 29.5 Million additional provisions for loans portfolio.

❖ انخفضت الأرباح الصافية بنسبة ١٢% لتصل إلى ٢٣٣,٩ مليون درهم بالمقارنة مع ٢٦٦,٩ مليون درهم في نهاية مارس ٢٠٠٨ نتيجة لخسائر انخفاض القيمة السوقية للاسهام المتاحة للبيع والبالغة ٣٤,٨ مليون درهم ولأخذ مخصصات اضافية لمحفظه القروض بمبلغ ٢٩,٥ مليون درهم.

- ❖ Total assets of AED 38.2 Billion as at 31st March 2009 registered a growth of 14.2% over the AED 33.4 Billion as at 31st March 2008. A 6.9% increase compared to AED 35.8 Billion as at 31st December 2008.

❖ حقق إجمالي الأصول والبالغ ٣٨,٢ مليار درهم كما في ٣١ مارس ٢٠٠٩ نموا بنسبة ١٤,٢% بالمقارنة مع ٣٣,٤ مليار درهم كما في ٣١ مارس ٢٠٠٨ وبنسبة ٦,٩% مقارنة بـ ٣٥,٨ مليار درهم كما في ٣١ ديسمبر ٢٠٠٨.

- ❖ Loans and Advances remained approx. at December 2008 levels at AED 28.4 Million and grew by 23.4% compared with last March.

❖ حافظت القروض والتسلفيات على نفس المستوى تقريبا بالمقارنة مع نهاية ٢٠٠٨ عند ٢٨,٤ مليار درهم وارتفعت بنسبة ٢٣,٤% مقارنة مع نهاية مارس من العام السابق.

- ❖ Customers' Deposits were up by 22.3% compared to last March and 9.8% as compared to December 2008 to AED 28.2 Billion.

❖ حققت ودائع العملاء نموا بمقدار ٢٢,٣% بالمقارنة مع نهاية مارس ٢٠٠٨ و ٩,٨% مقارنة بنهاية العام الماضي لتصل إلى ٢٨,٢ مليار درهم.

- ❖ The shareholders' equity now stands at AED 4.7 Billion and the capital adequacy ratio at 13%.

❖ تبلغ حقوق المساهمين ٤,٧ مليار درهم ونسبة كفاية رأس المال ١٣%.

- ❖ Trade Finance remains at AED 11.7 Billion, when compared to last year end and a 6.3% increase when compared to last March.

❖ وحافظ تمويل التجارة على نفس المستوى عند ١١,٧ مليار درهم كما في نهاية العام الماضي وارتفع بنسبة ٦,٣% مقارنة مع مارس ٢٠٠٨.

- ❖ Net interest income of AED 323 Million is 31.4% over the last year.

❖ بلغ صافي إيرادات الفوائد ٣٢٣ مليون درهم للفترة المنتهية في ٣١ مارس ٢٠٠٩ محققا نموا بنسبة ٣١,٤% عن نفس الفترة من السنة الماضية.

❖ Fees and commission grew by 8.6% when compared to 31st March 2008.	❖ نمت إيرادات الرسوم والعمولات بنسبة ٨,٦% بالمقارنة مع ٣١ مارس ٢٠٠٨.
❖ FOREX Income increased by 5.4% when compared to 31st March 2008.	❖ نمت الإيرادات من التعامل بالعملة الأجنبية بنسبة ٥,٤% مقارنة مع ٣١ مارس ٢٠٠٨.
<i>The Bank's Financial results for the First Quarter 2009 demonstrate that the Bank continues to enjoy a high level of performance i.e. evident from the following:-</i> ▪ Net Interest Margin 4.05% (March '08: 3.4%). ▪ Coverage ratio 100.8% (March '08: 90.3%). ▪ Efficiency ratio 30.9% (March '08: 30.7%).	كما أظهرت النتائج المالية للبنك في نهاية فترة الثلاثة اشهر المنتهية في ٣١ مارس ٢٠٠٩ استمرار تمتع البنك بنسب أداء عالية مبنية بالنسب المحققة التالية: • صافي هامش الإئتمان ٤,٠٥% (مارس ٢٠٠٨ : ٣,٤%). • نسبة التغطية ١٠٠,٨% (مارس ٢٠٠٨ : ٩٠,٣%). • نسبة الكفاءة التشغيلية ٣٠,٩% (مارس ٢٠٠٨ : ٣٠,٧%).
Ratings : i) Fitch – In its last rating received on January 19th 2009, FITCH affirmed the Long-term Issuer Default (IDR) "A" and the Short-term IDR 'F1'. The outlook for the ratings is 'Stable' with Support Rating Floor 'A'.	التصنيف الائتماني: i) أكدت وكالة "فيتش" في آخر تقرير تصنيف (تقييم) لها للبنك ، والذي تم إستلامه في تاريخ ١٩ يناير ٢٠٠٩ ، على تصنيف "A" للتصنيف طويل الأمد لإئتمان (إقتراض) البنك ، وتصنيف "F1" للتصنيف قصير الأمد ، بالإضافة إلى نظرة مستقبلية "مستقرة" للبنك ، وتصنيف إمكانية دعم حكومي من فئة "A".
ii) Moody's Investors Services – In its last rating received on July 22nd 2008, Moody's assigned 'A2' long term and 'Prime-1' short term deposit ratings for the Bank. The outlook for the ratings is 'Stable'.	ii) منحت وكالة "موديز" لخدمات المستثمر في تقرير تصنيفها (تقييمها) للبنك ، والذي تم منحه في تاريخ ٢٢ يوليو ٢٠٠٨ ، تصنيف "A2" للتصنيف طويل الأمد للودائع لدى البنك ، وتصنيف "Prime-1" للتصنيف قصير الأمد لتلك الودائع ، بالإضافة إلى نظرة مستقبلية "مستقرة" للبنك.
iii) Capital Intelligence – Last received in July 2008, CI affirmed 'A' Long-term and 'A2' Short-term, with a Support rating '2'. The outlook for the ratings is 'Stable'.	iii) أكدت وكالة "كابيتال إنتيليجنس" في آخر تقرير تصنيف (تقييم) لها للبنك ، والذي تم إستلامه في يوليو ٢٠٠٩ ، على تصنيف "A" للتصنيف طويل الأمد للبنك ، وتصنيف "A2" للتصنيف قصير الأمد ، وتصنيف إمكانية دعم حكومي من فئة "2" ، بالإضافة إلى نظرة مستقبلية "مستقرة" للبنك.
Established in the UAE in 1969, Commercial Bank of Dubai PSC offers a wide range of commercial and consumer banking products and services through a network of 23 branches, 3 Islamic Branches, 2 Cash Offices and 149 ATMs in the UAE. The Bank is listed in DFM and fully owned by UAE Nationals, including 20% by the Government of Dubai.	ويقدم بنك دبي التجاري الذي تم تأسيسه في عام ١٩٦٩ مجموعة متنوعة من المنتجات والخدمات المصرفية للأفراد والشركات من خلال ٢٣ فرعاً بالإضافة إلى ٣ مراكز للخدمات الإسلامية ومكتبي صرف و ١٤٩ جهاز صراف آلي منتشرة في مختلف أنحاء الدولة. كما أن اسهم البنك مدرجة في سوق دبي المالي وهي مملوكة بالكامل لمواطني دولة الإمارات العربية المتحدة وبنسبة ٢٠% لحكومة دبي.

Commercial Bank of Dubai PSC

Condensed consolidated interim financial statements
31 March 2009

Commercial Bank of Dubai PSC

Condensed consolidated interim financial statements

For the three-month period ended 31 March 2009

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Independent Auditors' Report on Review of Interim Financial Information

To the Shareholders Commercial Bank of Dubai PSC

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Commercial Bank of Dubai PSC ("the Bank") and its subsidiary CBD Financial Services LLC (collectively referred to as "the Group") as at 31 March 2009, and the related condensed consolidated interim statement of comprehensive income (comprising a condensed consolidated interim statement of comprehensive income and a separate condensed consolidated interim income statement), condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the three-month period then ended (the interim financial information). Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as at 31 March 2009 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.



Munther Dajani
Registration No: 268

22 APR 2009

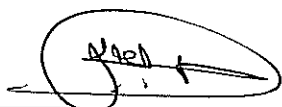
Commercial Bank of Dubai PSC

Condensed consolidated interim statement of financial position

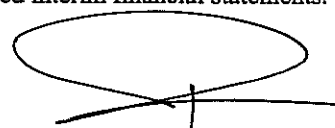
As at 31 March 2009

	Note	31 March 2009 AED'000 Reviewed	31 December 2008 AED'000 Audited	31 March 2008 AED'000 Reviewed
ASSETS				
Cash and balances with Central Bank		5,168,732	2,208,583	5,340,483
Due from banks	3	787,337	919,719	1,162,314
Loans and advances	4	28,371,438	28,579,258	22,990,826
Investment securities	5	2,040,133	2,233,307	2,417,355
Property and equipment		496,547	475,799	422,737
Other assets		1,343,696	1,340,635	1,116,588
Total assets		38,207,883	35,757,301	33,450,303
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks		2,134,017	2,361,169	4,363,337
Customers' deposits	6	28,282,825	25,754,648	23,118,371
Medium term borrowing	7	1,469,200	1,469,200	-
Other liabilities		1,613,198	1,469,101	1,367,384
Total liabilities		33,499,240	31,054,118	28,849,092
EQUITY				
Share capital	8	1,764,806	1,411,845	1,411,845
Legal reserve		1,379,679	1,379,679	1,257,375
Capital reserve		38,638	38,638	38,638
General reserve		1,100,000	1,100,000	1,070,000
Cumulative changes in fair values of AFS investments		(9,911)	(19,187)	377,744
Cumulative changes in fair values of cash flow hedge instruments		(25,486)	(5,545)	-
Reserve for proposed bonus issue	8	-	352,961	-
Proposed cash dividend		-	211,777	-
Proposed directors' remuneration		-	6,000	-
Retained earnings		460,917	227,015	445,609
Total equity		4,708,643	4,703,183	4,601,211
Total liabilities and equity		38,207,883	35,757,301	33,450,303

The condensed consolidated interim financial statements were approved by the Board of Directors on 22 April 2009.
The attached notes on pages 7 to 21 form part of these condensed consolidated interim financial statements.



H.E. Ahmed Humaid Al Tayer
Chairman



Mr. Peter Baltussen
Chief Executive Officer

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

Commercial Bank of Dubai PSC

Condensed consolidated interim income statement

For the three-month period ended 31 March 2009

	Note	31 March 2009 AED '000 Reviewed	31 March 2008 AED '000 Reviewed
Interest income		512,744	417,287
Interest expense		(189,314)	(171,160)
Net interest income		323,430	246,127
Net fees and commission income		84,802	78,117
Net gains from dealing in foreign currencies and derivatives		24,991	23,706
Net gains/(losses) from investments FVPL - held for trading		9,365	(1,625)
Net (losses)/ gains from sale of available-for-sale investments		(35,031)	29,871
Dividend income		7,406	16,581
Other income		3,847	3,248
		418,810	396,025
Provisions for impairment losses	4	(29,538)	(18,501)
Recoveries		8,911	10,769
Impairment losses on available-for-sale investments		(34,842)	-
Net interest and other income		363,341	388,293
General and administrative expenses		(118,113)	(111,419)
Depreciation		(11,326)	(9,941)
Total expenses		(129,439)	(121,360)
Profit for the period		233,902	266,933
Earnings per share	9	AED 0.13	AED 0.15

The attached notes on pages 7 to 21 form part of these condensed consolidated interim financial statements.

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

Commercial Bank of Dubai PSC

Condensed consolidated interim statement of comprehensive income

For the three-month period ended 31 March 2009

	31 March 2009 AED'000 Reviewed	31 March 2008 AED'000 Reviewed
Net profit for the period	233,902	266,933
Other comprehensive income:		
Changes in fair value of effective portion of cash flow hedge	(19,941)	-
Changes in available-for-sale investments:		
Realised losses/(gains) on sale of available-for-sale investments	624	(31,232)
Amortisation of reclassified investments	8,078	-
Revaluation of available-for-sale investments	(34,268)	(48,545)
Impairment losses on available-for-sale investments	34,842	-
Net change in available-for-sale investments	9,276	(79,777)
Directors' remuneration	(6,000)	(6,000)
Other comprehensive expense for the period	(16,665)	(85,777)
Total comprehensive income for the period	217,237	181,156

The attached notes on pages 7 to 21 form part of these condensed consolidated interim financial statements.

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

Commercial Bank of Dubai PSC

Condensed consolidated interim statement of changes in equity

For the three-month period ended 31 March 2009

	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 hedging instruments AED'000	Retained earnings AED'000	Proposed distributions AED'000	Total AED'000
At 1 January 2008	1,129,476	1,257,375	38,638	1,070,000	457,521	-	178,676	627,212	4,758,898
Cash dividend paid (30%)	-	-	-	-	-	-	-	(338,843)	(338,843)
Bonus shares issued (25%)	282,369	-	-	-	-	-	-	(282,369)	-
Total comprehensive income for the period	-	-	-	-	(79,777)	-	266,933	(6,000)	181,156
At 31 March 2008 (Reviewed)	1,411,845	1,257,375	38,638	1,070,000	377,744	-	445,609	-	4,601,211
At 1 January 2009	1,411,845	1,379,679	38,638	1,100,000	(19,187)	(5,545)	227,015	570,738	4,703,183
Cash dividend paid (15%)	-	-	-	-	-	-	-	(211,777)	(211,777)
Bonus shares issued (25%)	352,961	-	-	-	-	-	-	(352,961)	-
Total comprehensive income for the period	-	-	-	-	9,276	(19,941)	233,902	(6,000)	217,237
At 31 March 2009 (Reviewed)	1,764,806	1,379,679	38,638	1,100,000	(9,911)	(25,486)	460,917	-	4,708,643

The attached notes on pages 7 to 21 form part of these condensed consolidated interim financial statements.

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

Commercial Bank of Dubai PSC

Condensed consolidated interim statement of cash flows

For the three-month period ended 31 March 2009

	31 March 2009 AED'000 Reviewed	31 March 2008 AED'000 Reviewed
OPERATING ACTIVITIES	<i>Note</i>	
Net profit for the period	233,902	266,933
<i>Adjustments for:</i>		
Depreciation	11,326	9,941
Impairment losses on available-for-sale investments	34,842	-
Dividend income	(7,406)	(16,581)
Net unrealised (gains)/losses on investments at fair value through income statement – held for trading	(9,688)	6,182
Realised losses/(gains) on sale of investments	35,424	(65,659)
Net unrealised losses/(gains) on derivatives	4,604	(1,504)
Amortisation of reclassified investments	(727)	-
Directors' remuneration paid	(6,000)	(6,000)
	296,277	193,312
Decrease/(increase) in statutory reserve with the Central Bank	174,716	(130,998)
Decrease/(increase) in loans and advances	207,820	(2,213,732)
Increase in other assets	(50,174)	(94,463)
Decrease in due from banks maturing after three months	-	31,110
Increase in customers' deposits	2,528,177	1,941,434
Increase in other liabilities	166,664	99,945
(Decrease)/increase in due to banks maturing after three months	(14,302)	403,328
Net cash flow from operating activities	3,309,178	229,936
INVESTING ACTIVITIES		
Purchase of investments	(13,099)	(432,686)
Purchase of property and equipment	(32,073)	(17,036)
Dividend income	7,406	16,581
Proceeds from sale of investments	155,698	287,448
Net cash flow from/(used in) investing activities	117,932	(145,693)
FINANCING ACTIVITIES		
Dividend paid	(211,777)	(338,843)
Net cash flow used in financing activities	(211,777)	(338,843)
Net increase/(decrease) in cash and cash equivalents	3,215,333	(254,600)
Cash and cash equivalents at 1 January	(706,775)	2,720,428
Cash and cash equivalents at the end of the period	2,508,558	2,465,828

The attached notes on pages 7 to 21 form part of these condensed consolidated interim financial statements.
The review report of the Auditors is set out on page 1.

Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements

For the three-month period ended 31 March 2009

1. LEGAL STATUS AND ACTIVITIES

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

The condensed consolidated interim financial statements of the Bank for the three-month period ended 31 March 2009 comprise the Bank and its subsidiary "CBD Financial Services LLC" (together referred to as "the Group"). The subsidiary was incorporated on 9 March 2005 in Dubai, United Arab Emirates and is registered as a limited liability company in accordance with Federal Law No. 8 of 1984 (as amended) and commenced its operations from 9 October 2005. The Bank effectively holds 100% interest in its subsidiary. The Bank's principal activity is commercial banking while that of its subsidiary is to act as a broker for local shares and bonds.

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

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") IAS 34 Interim Financial Reporting. These financial statements do not include all the information required for full annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements of the Group as at and for the year ended 31 December 2008.

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the audited consolidated financial statements as at and for the year ended 31 December 2008.

b) Basis of preparation

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

- Derivative financial instruments are measured at fair value;
- Financial instruments at fair value through income statement are measured at fair value;
- Available-for-sale financial assets are measured at fair value; and
- Donated land which is valued at the market value on the date of donation.

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

Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued) *For the three-month period ended 31 March 2009*

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Basis of preparation (continued)

The Group has consistently applied the accounting policies and methods of computation used for the preparation of last published annual consolidated financial statements for the year ended 31 December 2008.

However, the Group has adopted IAS 1 'Presentation of financial statements' (Revised 2007) and IFRS 8 'Operating segments' for the first time in preparation of these condensed consolidated interim financial statements. These new and revised IASs, which became applicable for annual periods beginning on or after 1 January 2009, affect the presentation and disclosure of these condensed consolidated interim financial statements and do not affect the Group's reported profit or loss or equity.

IAS 1 – Presentation of financial statements (Revised 2007)

The revised IAS introduces the term 'total comprehensive income' which represents changes in equity during a period other than those resulting from transactions with owners in their capacity as owners. The Group has applied the revised IAS 1 retrospectively and has adopted a two statement approach to present comprehensive income i.e. income statement and a separate statement of comprehensive income. Further the revised IAS 1 has also changed the title of 'balance sheet' to 'statement of financial position'.

IFRS 8 – Operating segments

The Group primarily manages its operation through business and geographical segments, for which the information is disclosed in the annual financial statements.

c) Basis of consolidation

Subsidiary

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

Interest in Joint Venture

Joint ventures are those entities over whose activities the Group has joint control established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Joint ventures are accounted for using equity method and are initially recognised at cost. The condensed consolidated interim financial statements include the Group's share of income and expenses from the date that joint control commences until the date joint control ceases. When the Group's share of losses exceeds its interest in joint ventures, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the joint ventures.

Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)
For the three-month period ended 31 March 2009

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Basis of consolidation (continued)

Transactions eliminated on consolidation

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

d) Financial instruments

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

Classification

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

Initial recognition

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

Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued) For the three-month period ended 31 March 2009

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial instruments (continued)

De-recognition

Financial assets are derecognised 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 derecognised when it is extinguished.

Subsequent measurement

Financial assets available-for-sale and investments at fair value through the income statement are subsequently carried at fair value.

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

Gains and losses on subsequent measurement

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

Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value is determined using valuation techniques. Valuation techniques include net present value techniques, discounted cash flow methods, and comparison with similar instruments for which market observable prices exist. In all other cases the instruments are measured at acquisition cost, including transaction costs, less impairment losses, if any. 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.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate at the balance sheet date for an instrument with similar terms and conditions.

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

Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 31 March 2009

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial instruments (continued)

Impairment

Financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Loans and advances are presented net of provisions for impairment. The recoverable amount of individually significant loans and advances is calculated as the present value of the expected future cash flows, discounted at the instrument's original effective interest rate. Short-term balances are not discounted. Specific provisions are made against the carrying amount of loans and advances that are identified as being impaired, based on regular reviews of outstanding balances, to reduce these loans and advances to their recoverable amounts. Collective provisions are maintained to reduce the carrying amount of groups of similar loans and advances to their estimated recoverable amounts at the balance sheet date.

The expected cash flows for groups of similar assets are estimated based on previous experience and considering the credit rating of the underlying customers and late payments of interest or penalties. Increases in the provision account are recognised in the income statement.

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether there is objective evidence of impairment. If objective evidence of impairment exists for available-for-sale investments, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement, is removed from equity and recognised in the income statement.

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 profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. 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 equity.

e) Derivative financial instruments

Classification

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

Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)
For the three-month period ended 31 March 2009

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Derivative financial instruments (continued)

Initial and subsequent measurement

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

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

Gains and losses on subsequent measurement

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

f) Financial risk management

The Group's financial risk management objectives, policies and procedures are consistent with those disclosed in the audited consolidated financial statements as at and for the year ended 31 December 2008.

3. DUE FROM BANKS

	31 March 2009 AED'000 Reviewed	31 December 2008 AED'000 Audited
Current and demand deposits	26,626	30,870
Placements	760,711	888,849
	<u>787,337</u>	<u>919,719</u>

Due from banks include current and demand deposits of AED 22 million (2008: AED 25 million) and AED 128 million placements (2008: nil) with banks outside UAE.

Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)
For the three-month period ended 31 March 2009

4. LOANS AND ADVANCES

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

	31 March 2009 AED'000 Reviewed	31 December 2008 AED'000 Audited
Analysis by type		
Overdrafts	8,385,818	8,327,210
Loans	18,233,911	18,165,365
Advances against letters of credit and trust receipts	812,093	1,068,273
Bills discounted	1,286,987	1,345,326
	<u>28,718,809</u>	<u>28,906,174</u>
Less: Provisions for impairment losses	(347,371)	(326,916)
Net loans and advances	<u><u>28,371,438</u></u>	<u><u>28,579,258</u></u>

	31 March 2009 AED'000 Reviewed	31 December 2008 AED'000 Audited
Analysis by sector		
Commercial and business:-		
Agriculture & allied activities	26,197	26,174
Mining & quarrying	149,277	204,312
Manufacturing	1,645,822	1,685,909
Construction	4,150,429	4,004,166
Trade	8,415,666	9,081,784
Transport & communication	553,839	600,995
Services	2,882,632	2,634,890
Total commercial and business	<u>17,823,862</u>	<u>18,238,230</u>
Banks and financial institutions	480,265	514,719
Government and public sector entities	655,851	636,330
Personal – schematic	2,614,584	2,683,886
Individual – for business	6,302,933	5,952,305
Others	841,314	880,704
	<u>28,718,809</u>	<u>28,906,174</u>
Less: Provisions for impairment losses	(347,371)	(326,916)
Net loans and advances	<u><u>28,371,438</u></u>	<u><u>28,579,258</u></u>

Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)
For the three-month period ended 31 March 2009

4. LOANS AND ADVANCES (CONTINUED)

The movement in provisions for impairment losses is as follows:

	31 March 2009 AED'000 Reviewed	31 December 2008 AED'000 Audited
Balance at 1 January	326,916	284,843
Amounts written off during the period/year	(8,779)	(10,067)
Charge for the period/year	29,538	83,454
Interest not recognised	8,607	30,785
Recoveries	(8,911)	(62,099)
	<u>347,371</u>	<u>326,916</u>

Classified loans and advances

At 31 March 2009, the aggregate amount of non - performing loans amounted to AED 253.489 million (31 December 2008: AED 241.015 million). The Group is keeping adequate specific provisions against the non – performing loans, in addition to the provisions the Group also holds other forms of tangible securities to fully cover non-performing loans.

Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)
For the three-month period ended 31 March 2009

5. INVESTMENT SECURITIES

	DOMESTIC	REGIONAL	INTERNATIONAL	TOTAL
	AED'000	AED'000	AED'000	AED'000
31 March 2009 (Reviewed)				
Held for trading				
Equities	32,470	-	1,183	33,653
Fund of funds	-	24,125	-	24,125
Available for sale				
Equities	363,601	14,163	-	377,764
Fund of funds	30,293	175,205	-	205,498
Fixed rate securities				
- Government	-	-	41,872	41,872
- Others	-	-	12,711	12,711
Floating rate securities	149,235	45,729	-	194,964
Held to maturity				
Fixed rate securities				
- Government	257,403	-	-	257,403
Floating rate securities				
- Government	817,688	-	-	817,688
- Others	73,460	-	-	73,460
Joint venture	995	-	-	995
Total investments securities	1,725,145	259,222	55,766	2,040,133
	DOMESTIC	REGIONAL	INTERNATIONAL	TOTAL
	AED'000	AED'000	AED'000	AED'000
31 December 2008 (Audited)				
Held for trading				
Equities	22,090	-	1,192	23,282
Fund of funds	-	32,229	-	32,229
Available for sale				
Equities	458,700	15,304	-	474,004
Fund of funds	30,005	278,262	-	308,267
Fixed rate securities				
- Government	-	-	41,872	41,872
- Others	-	-	18,096	18,096
Floating rate securities	147,002	48,300	-	195,302
Held to maturity				
Fixed rate securities				
- Government	254,199	-	-	254,199
Floating rate securities				
- Government	812,087	-	-	812,087
- Others	73,460	-	-	73,460
Joint venture	509	-	-	509
Total investments securities	1,798,052	374,095	61,160	2,233,307

Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued) For the three-month period ended 31 March 2009

5. INVESTMENT SECURITIES (CONTINUED)

5.1 Fund of funds investments

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

5.2 Impairment loss on investments

During the three-month period ended 31 March 2009, the market value of some of the Group's strategic equity investments in local and regional listed companies, classified as available-for-sale investments have declined. Although the respective companies are considered not impaired, the Group in line with IFRS, has booked an impairment loss that aggregates to AED 34.842 million (31 March 2008: AED nil). Accordingly, this impairment loss has been removed from equity and recognised in the income statement in compliance with the Group's accounting policy.

5.3 Reclassification of investment securities

5.3.1 During 2008 the Group had reclassified certain fixed maturity bonds amounting to AED 931 million, being the fair value as at 1 October 2008 from available-for-sale investments to held-to-maturity investments primarily due to change in the intentions and ability of the Group to hold these bonds until maturity.

5.3.2 The Group as a result of the adoption of amendments from the IASB had reclassified investments amounting to AED 84 million, being the fair value as at 1 July 2008, from the fair value through income statement classification to the available-for-sale investments category. In view of the fact that there was no trading in the reclassified investments, the management had considered 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:

	31 March 2009 AED'000	31 December 2008 AED'000
Before reclassification		
Unrealised fair value loss recognised in income statement	-	(8,629)
After reclassification		
Unrealised fair value loss recognised in cumulative changes in fair values	(1,901)	(60,481)

The unrealised fair value loss recognised in cumulative change in fair values in equity was subsequently charged to income statement as impairment losses, as these securities were considered impaired by the management.

Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 31 March 2009

6. CONVERSION OF DEPOSIT FROM MINISTRY OF FINANCE INTO TIER II CAPITAL

Customer deposits include deposits aggregating to AED 1,841.526 million from UAE Ministry of Finance. These deposits were received in two tranches; the first deposit is for AED 916.736 million for 3 years and second deposit is for AED 924.790 million for 5 years, with an option to convert these into Tier II capital. The Group accepted to convert the first tranche into Tier II capital. Pending approval of Ministry of Finance.

7. MEDIUM TERM BORROWING

This represents a 3 years USD Syndicated Loan arrangement with an option to rollover on a quarterly or semi-annual basis. The arrangement carries interest at the rate of 3 month LIBOR plus 75 basis points payable on quarterly basis.

8. EQUITY

Share capital

The issued and fully paid up ordinary share capital as at 31 March 2009 comprised 1,764,806,906 ordinary shares of AED 1 each (*31 December 2008: 1,411,845,525 shares of AED 1 each*).

Bonus issue

A bonus issue of 25% in the ratio of 2.5 bonus shares for every 10 shares held was approved by the shareholders in the Ordinary General Meeting held on 18 March 2009, and transferred to the share capital of the Group.

9. EARNINGS PER SHARE

The earnings per share is based on the Group's profit for the three month period ended 31 March 2009 attributable to the shareholders amounting to AED 233,902 thousand (*three month ended 31 March 2008: AED 266,933 thousand*), and on the weighted average number of shares in issue totaling 1,764,806,906 (*31 March 2008: 1,764,806,906*).

Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 31 March 2009

10. CASH AND CASH EQUIVALENTS

	31 March 2009 AED'000 Reviewed	31 March 2008 AED'000 Reviewed
Cash in hand	524,342	629,222
Balances with the Central Bank	698,836	85,577
Negotiable certificate of deposits with the Central Bank	2,500,000	3,300,000
Due from banks maturing within three months	787,337	1,162,314
	<u>4,510,515</u>	<u>5,177,113</u>
Due to banks maturing within three months	(2,001,957)	(2,711,285)
	<u>2,508,558</u>	<u>2,465,828</u>

11. CONTINGENT LIABILITIES AND COMMITMENTS

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

12. CONCENTRATION OF ASSETS, LIABILITIES AND CONTINGENT LIABILITIES

	31 March 2009			31 December 2008		
	Assets AED'000	Liabilities AED'000	Contingent liabilities AED'000	Assets AED'000	Liabilities AED'000	Contingent liabilities AED'000
Geographic region						
UAE	37,184,625	30,814,502	10,454,459	34,722,794	28,203,301	9,926,784
GCC	907,645	430,571	25,444	914,863	407,864	35,862
Other Middle East countries	1,858	152,448	-	284	107,154	24,309
Europe and USA	79,886	2,029,488	216,448	81,338	2,128,858	718,011
Others	33,869	72,231	109,714	38,022	206,941	90,531
Total	38,207,883	33,499,240	10,806,065	35,757,301	31,054,118	10,795,497
Customer groups						
Commercial and business	18,532,240	12,459,561	7,721,213	19,477,434	12,909,354	8,746,520
Banks and financial institutions	2,069,300	4,203,463	426,658	2,435,556	4,503,382	660,843
Government and public sector entities	6,417,205	5,155,848	1,317,243	3,375,501	2,277,381	35,872
Individuals	8,917,574	9,597,655	1,339,606	8,504,997	10,760,148	1,350,761
Others	2,271,564	2,082,713	1,345	1,963,813	603,853	1,501
Total	38,207,883	33,499,240	10,806,065	35,757,301	31,054,118	10,795,497

Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 31 March 2009

13. RELATED PARTY TRANSACTIONS

	Directors and key management personnel		Other related parties	
	31 March 2009 AED'000 Reviewed	31 December 2008 AED'000 Audited	31 March 2009 AED'000 Reviewed	31 December 2008 AED'000 Audited
Loans and advances				
At 1 January	155,439	152,705	318,751	153,900
Loans issued	10,429	39,584	43,554	221,730
Repayments	(601)	(36,850)	(41,493)	(56,879)
Closing balance	165,267	155,439	320,812	318,751
Deposits				
At 1 January	46,301	64,290	44,455	68,027
Received	4,612	39,037	13,246	31,290
Repaid	(6,999)	(57,026)	(9,211)	(54,862)
Closing balance	43,914	46,301	48,490	44,445
	31 March 2009 AED'000 Reviewed	31 March 2008 AED'000 Reviewed	31 March 2009 AED'000 Reviewed	31 March 2008 AED'000 Reviewed
Interest income	1,618	1,866	3,081	3,553
Interest expense	309	340	158	175

No provisions for impairment have been recognised in respect of loans given to related parties (31 December 2008: NIL).

The loans issued to directors during the three-month period ended 31 March 2009 are unsecured and repayable monthly over a maximum period of 5 years (31 December 2008: 5 years) and carry interest at the rates comparable to the third party loans.

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

Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 31 March 2009

13. RELATED PARTY TRANSACTIONS (CONTINUED)

Key management compensation

	31 March 2009 AED'000 Reviewed	31 March 2008 AED'000 Reviewed
Salaries and other short-term benefits	3,088	3,469
Post retirement benefits	106	474
	<u> </u>	<u> </u>

14. CAPITAL ADEQUACY

The Group's regulatory Capital Adequacy ratio, set by the Central Bank of the UAE at a minimum level of 10%, is analysed into two tiers as follows:

	31 March 2009 AED'000 Reviewed	31 December 2008 AED'000 Audited
Tier I capital		
Share capital	1,764,806	1,764,806
Statutory reserve	1,379,679	1,379,679
General reserve	1,100,000	1,100,000
Retained earnings*	227,015	227,015
	<u> </u>	<u> </u>
Total	4,471,500	4,471,500
	<u> </u>	<u> </u>
Tier II capital		
Fair value reserve for available-for-sale investments and cash flow hedges	(35,397)	(24,732)
	<u> </u>	<u> </u>
Deductions from Tier I & Tier II		
Investments in subsidiaries	(10,000)	(10,000)
	<u> </u>	<u> </u>
Total capital base (a)	4,426,103	4,436,768
	<u> </u>	<u> </u>
Risk weighted assets:		
On balance sheet	28,189,944	28,362,258
Off balance sheet	5,923,967	5,716,950
	<u> </u>	<u> </u>
Risk weighted assets (b)	34,113,911	34,079,208
	<u> </u>	<u> </u>
Capital adequacy ratio (%) [(a)/(b)*100]	12.97%	13.02%
	<u> </u>	<u> </u>

* The Capital adequacy calculation does not include the profit for the three month period ended 31 March 2009.

Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)
For the three-month period ended 31 March 2009

15. COMPARATIVE FIGURES

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