

Commercial Bank of Dubai PSC

Condensed consolidated interim financial statements
31 March 2012

Commercial Bank of Dubai PSC

Condensed consolidated interim financial statements
For the three-month period ended 31 March 2012

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

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

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Commercial Bank of Dubai PSC ("the Bank") and its subsidiary CBD Financial Services LLC (collectively referred to as "the Group") as at 31 March 2012, the condensed consolidated interim statements of comprehensive income (comprising a condensed consolidated interim statement of comprehensive income and a separate condensed consolidated interim income statement), changes in equity and cash flows for the three-month period then ended, and notes to the condensed consolidated interim financial information (the "condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 31 March 2012 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.


Munther Dajani
Registration No: 268

18 APR 2012

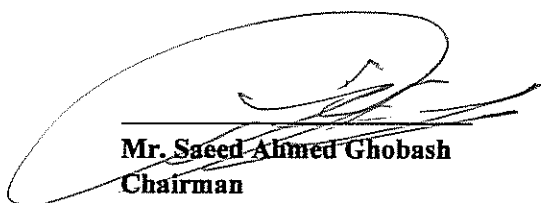
Commercial Bank of Dubai PSC

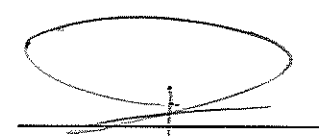
Condensed consolidated interim statement of financial position

As at 31 March 2012

	Note	31 March 2012 AED'000 (Unaudited)	31 December 2011 AED'000 Audited	31 March 2011 AED'000 (Unaudited)
ASSETS				
Cash and balances with Central Bank	5	5,727,142	5,376,083	6,039,831
Due from banks	6	1,183,769	1,700,862	3,043,953
Loans and advances and Islamic financing	7	27,564,801	26,815,087	27,405,276
Investment securities	8	2,317,604	1,911,842	1,719,116
Investment properties		171,926	173,823	177,630
Property and equipment		448,212	452,318	441,018
Other assets		1,979,890	1,811,305	1,999,890
Total assets		39,393,344	38,241,320	40,826,714
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks		1,046,476	326,066	122,332
Customers' deposits and Islamic customers' deposits	9	28,342,796	28,423,430	30,787,024
Medium term borrowing	10	1,633,567	1,631,501	1,467,504
Other liabilities		2,206,158	1,538,710	2,693,636
Total liabilities		33,228,997	31,919,707	35,070,496
EQUITY				
Share capital	11	2,038,352	1,941,287	1,941,287
Legal reserve		1,379,683	1,379,683	1,379,683
Capital reserve		38,638	38,638	38,638
General reserve		1,100,000	1,100,000	1,100,000
Cumulative changes in fair values of AFS investments		28,017	31,419	42,962
Cumulative changes in fair values of cash flow hedge instruments		-	-	(18,069)
Proposed cash dividend		-	388,257	-
Proposed directors' remuneration		-	11,000	-
Retained earnings		1,579,657	1,431,329	1,271,717
Total equity		6,164,347	6,321,613	5,756,218
Total liabilities and equity		39,393,344	38,241,320	40,826,714

The condensed consolidated interim financial statements were approved by the Board of Directors on 18th April 2012.


Mr. Saeed Ahmed Ghobash
Chairman


Mr. Peter Baltussen
Chief Executive Officer

The attached notes on pages 7 to 18 form part of these condensed consolidated interim financial statements.
The review report of the Auditors is set out on page 1.

Commercial Bank of Dubai PSC

Condensed consolidated interim income statement

For the three-month period ended 31 March 2012

		31 March 2012 AED'000 (Unaudited)	31 March 2011 AED'000 (Unaudited)
	<i>Note</i>		
Interest income and income from Islamic financing		420,404	460,191
Interest expense and distributions to Islamic depositors		(89,867)	(127,548)
Net interest income and net income from Islamic financing		330,537	332,643
Net fees and commission income		89,517	87,191
Net gains from foreign exchange and derivatives		29,230	25,754
Net gains from investments at fair value through profit or loss - held for trading		691	175
Net gains from sale of available-for-sale investments		1,756	366
Dividend and other investment income		7,038	9,655
Other income		7,667	5,465
Total operating income before provisions		466,436	461,249
Impairment allowances on loans and advances and Islamic financing	7	(96,152)	(76,117)
Recoveries	7	7,191	12,114
Net operating income		377,475	397,246
General and administrative expenses			
Depreciation and amortization		(121,139)	(119,057)
		(13,860)	(14,958)
Total operating expenses		(134,999)	(134,015)
Net profit for the period		242,476	263,231
Basic and diluted earnings per share	12	AED 0.12	AED 0.13

The attached notes on pages 7 to 18 form part of these condensed consolidated interim financial statements.

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Commercial Bank of Dubai PSC

Condensed consolidated interim statement of comprehensive income For the three-month period ended 31 March 2012

	31 March 2012 AED'000 (Unaudited)	31 March 2011 AED'000 (Unaudited)
Net profit for the period	242,476	263,231
Other comprehensive income:		
Changes in fair value of effective portion of cash flow hedge	-	2,633
Changes in available-for-sale investments:		
Realised gains on sale of available-for-sale investments	(1,756)	(366)
Amortisation of reclassified investments	4,780	4,725
Revaluation of available-for-sale investments	(6,426)	2,311
Net change in available-for-sale investments	(3,402)	6,670
Other comprehensive (expense) / income for the period	(3,402)	9,303
Total comprehensive income for the period	239,074	272,534

The attached notes on pages 7 to 18 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 2012

	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 distribution AED'000	Total AED'000
At 1 January 2011	1,941,287	1,379,683	38,638	1,100,000	36,292	(20,702)	1,008,486	395,257	5,878,941
Transactions with owners, recorded directly in equity:									
Cash dividend paid for 2010 (20%)	-	-	-	-	-	-	-	-	-
Directors' remuneration paid for 2010	-	-	-	-	-	-	-	(388,257)	(388,257)
Comprehensive income								(7,000)	(7,000)
Net profit for the period	-	-	-	-	-	-	263,231	-	263,231
Other comprehensive income	-	-	-	-	6,670	2,633	-	-	9,303
Total comprehensive income									
At 31 March 2011 (Unaudited)	1,941,287	1,379,683	38,638	1,100,000	42,962	(18,069)	1,271,717	-	5,756,218
At 1 January 2012	1,941,287	1,379,683	38,638	1,100,000	31,419	-	1,431,329	399,257	6,321,613
Transactions with owners, recorded directly in equity:									
Cash dividend paid for 2011 (20%)	-	-	-	-	-	-	-	-	-
Bonus shares issued for 2011 (5%)	97,065	-	-	-	-	-	(97,065)	(388,257)	(388,257)
Directors' remuneration paid for 2011	-	-	-	-	-	-	2,917	(11,000)	(8,083)
Comprehensive income									
Net profit for the period	-	-	-	-	-	-	242,476	-	242,476
Other comprehensive expense for the period	-	-	-	-	(3,402)	-	-	-	(3,402)
Total comprehensive income									
At 31 March 2012 (Unaudited)	2,038,352	1,379,683	38,638	1,100,000	28,017	-	1,579,657	-	6,164,347

The attached notes on pages 7 to 18 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 2012

	31 March 2012 AED'000	31 March 2011 AED'000
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Profit for the period	242,476	263,231
Adjustments for:		
Depreciation and amortization	13,860	14,958
Loss on disposal of property and equipment	116	62
Dividend net of investment losses	(6,618)	(9,655)
Net unrealised gains on investments at fair value through profit or loss - held for trading net of forex translation	(56)	(112)
Realised gains on sale of investments	(2,101)	(546)
Net unrealized loss / (income) on derivatives	42	(616)
Directors' remuneration paid	(8,083)	(7,000)
	239,636	260,322
Increase in statutory reserve with the Central Bank	(36,559)	(77,502)
Increase in loans and advances and Islamic financing	(749,714)	(240,288)
Decrease / (increase) in other assets	68,428	(36,220)
Decrease in due from banks with original maturity of more than three months	4,315	-
(Decrease) / increase in customers' deposits and Islamic customers' deposits	(80,634)	1,577,362
Increase in medium term borrowing	2,066	848
Increase in other liabilities	431,184	733,436
Increase in due to banks with original maturity of more than three months	-	36,730
Net cash flows (used in) / from operating activities	(121,278)	2,254,688
INVESTING ACTIVITIES		
Purchase of investments	(512,016)	(14,766)
Purchase of property and equipment	(7,863)	(17,255)
Increase in investment properties	(170)	(100)
Dividend income	6,967	9,837
Proceeds from sale of investments	103,869	11,681
Proceeds from sale of property and equipment	60	162
Net cash flows used in investing activities	(409,153)	(10,441)
FINANCING ACTIVITIES		
Dividends paid	(388,257)	(388,257)
Net cash flows used in financing activities	(388,257)	(388,257)
Net (decrease) / increase in cash and cash equivalents	(918,688)	1,855,990
Cash and cash equivalents at 1 January	5,047,093	5,559,115
Cash and cash equivalents at the end of the period	4,128,405	7,415,105

The attached notes on pages 7 to 18 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 2012

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 on the Dubai Financial Market.

The condensed consolidated interim financial statements of the Bank for the three-month period ended 31 March 2012 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 shares and bonds.

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

2. BASIS OF PREPARATION

(a) Statement of Compliance

The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") IAS 34 Interim Financial Reporting. These condensed consolidated interim financial statements do not include all the information required for full annual audited 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 2011.

(b) Use of estimates and judgment

The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the annual audited consolidated financial statements of the Group as at and for the year ended 31 December 2011.

3. SIGNIFICANT ACCOUNTING POLICIES

The Group has consistently applied the accounting policies and methods of computation used for the preparation of last published annual audited consolidated financial statements for the year ended 31 December 2011.

4. RISK GOVERNANCE AND FINANCIAL RISK MANAGEMENT

The Group's Risk Governance and Financial Risk Management objectives, policies and procedures are consistent with those disclosed in the annual audited consolidated financial statements for the year ended 31 December 2011.

Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 31 March 2012

5. CASH AND BALANCES WITH CENTRAL BANK

	31 March 2012 AED'000 (Unaudited)	31 December 2011 AED'000 Audited
Cash on hand	461,517	461,525
Balances with Central Bank		
Deposits and other balances	29,595	115,087
Statutory reserves	1,736,030	1,699,471
Negotiable certificates of deposit	3,500,000	3,100,000
	<u>5,727,142</u>	<u>5,376,083</u>

All the above balances are held in accounts within UAE.

6. DUE FROM BANKS

	31 March 2012 AED'000 (Unaudited)	31 December 2011 AED'000 Audited
Current and demand deposits	163,264	113,798
Placements	1,020,505	1,587,064
	<u>1,183,769</u>	<u>1,700,862</u>

Due from banks include current and demand deposits of AED 163.2 million (31 December 2011: AED 113.8 million) and AED 165.3 million (31 December 2011: AED 119 million) placements 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 2012

7. LOANS AND ADVANCES AND ISLAMIC FINANCING

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

	31 March 2012 AED'000 (Unaudited)	31 December 2011 AED'000 Audited
Loans and advances		
Overdrafts	6,076,477	6,531,911
Loans	21,015,565	19,704,353
Advances against letters of credit and trust receipts	879,069	889,065
Bills discounted	851,700	848,762
Gross loans and advances	28,822,811	27,974,091
Islamic financing		
Murabaha	342,302	314,154
Ijara	278,896	280,967
Others	33,949	26,947
Gross Islamic financing	655,147	622,068
Gross loans and advances and Islamic financing	29,477,958	28,596,159
Less: provision for impairment losses on loans and advances	(1,911,423)	(1,779,334)
Less: provision for impairment losses on Islamic financing	(1,734)	(1,738)
	(1,913,157)	(1,781,072)
Net loans and advances and Islamic financing	27,564,801	26,815,087

Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 31 March 2012

7. LOANS AND ADVANCES AND ISLAMIC FINANCING (CONTINUED)

	31 March 2012 AED'000 (Unaudited)	31 December 2011 AED'000 Audited
Analysis by sector		
Commercial and business:-		
Agriculture & allied activities	34,617	36,965
Mining & quarrying	296,813	268,566
Manufacturing	1,395,036	1,335,861
Construction & real estate	4,190,110	4,280,728
Trade	7,599,186	7,637,496
Transport & communication	403,447	316,789
Services	4,577,848	4,285,322
Business and investment	5,932,554	5,639,008
Total commercial and business	24,429,611	23,800,735
Banks and financial institutions	300,954	319,605
Government and public sector entities	2,267,438	1,968,884
Personal – schematic	2,249,365	2,210,682
Others	230,590	296,253
Gross loans and advances and Islamic financing	29,477,958	28,596,159
Less: Provisions for impairment losses	(1,913,157)	(1,781,072)
Net loans and advances and Islamic financing	27,564,801	26,815,087
	31 March 2012 AED'000 (Unaudited)	31 December 2011 AED'000 Audited
The movement in provisions for impairment losses is as follows:		
Balance at 1 January	1,781,072	1,255,502
Amounts written off during the period/year	-	(67,464)
Charge for the period / year:		
- specific	94,452	506,537
- collective	1,700	5,500
Interest not recognized	44,275	129,204
Recoveries	(7,191)	(41,689)
Amortization of interest impairment losses	(1,151)	(6,518)
	1,913,157	1,781,072

Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 31 March 2012

8. INVESTMENT SECURITIES

31 March 2012 (Unaudited)	Domestic AED'000	Regional AED'000	International AED'000	Total AED'000
Held for trading				
Fixed rate securities				
- Government	7,500	-	-	7,500
- Others	-	7,301	-	7,301
Floating rate non government securities	7,363	-	-	7,363
Available-for-sale				
Equities	190,071	-	-	190,071
Fund of funds	21,966	87,143	-	109,109
Fixed rate securities				
- Government	422,620	106,287	-	528,907
- Others	288,500	36,877	3,742	329,119
Floating rate non government securities	154,252	59,503	-	213,755
Held-to-maturity				
Fixed rate government securities	175,515	-	-	175,515
Floating rate securities				
- Government	713,703	-	-	713,703
- Others	35,261	-	-	35,261
Total investment securities	2,016,751	297,111	3,742	2,317,604
31 December 2011 (Audited)				
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

Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)
For the three-month period ended 31 March 2012

9. CUSTOMERS' DEPOSITS AND ISLAMIC CUSTOMERS' DEPOSITS

Customers' deposits	31 March 2012 AED'000 (Unaudited)	31 December 2011 AED'000 Audited
Current and demand accounts	10,288,202	9,701,753
Savings accounts	1,155,010	1,120,794
Time deposits	13,803,310	14,587,938
	25,246,522	25,410,485
Islamic customers' deposits		
Current and demand accounts	371,945	320,979
Mudaraba saving	171,690	163,620
Investment deposits and Wakala	2,552,639	2,528,346
	3,096,274	3,012,945
Total customers' deposits and Islamic customers' deposits	28,342,796	28,423,430

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.

Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 31 March 2012

10. 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.

11. EQUITY

Share Capital

The issued and fully paid up ordinary share capital as at 31 March 2012 comprised 2,038,351,976 ordinary shares of AED 1 each (31 December 2011: 1,941,287,596 shares of AED 1 each).

Bonus issue

At the Annual General Meeting (AGM) held on 14 March 2012, the Shareholders approved 20% cash dividend and bonus issue of 5% in the ratio of 1 bonus share for every 20 shares held as opposed to 20% cash dividend proposed by the Board of Directors. Weighted average number of shares outstanding has been retrospectively adjusted to include the bonus shares approved in the AGM (refer to note 12).

12. BASIC AND DILUTED EARNINGS PER SHARE

The earnings per share is based on the Group's profit for the three month period ended 31 March 2012 attributable to the shareholders amounting to AED 242,476 thousand (three month period ended 31 March 2011: AED 263,231 thousand), and on the weighted average number of shares in issue totaling 2,038,351,976 (31 March 2011: 2,038,351,976).

13. CASH AND CASH EQUIVALENTS

	31 March 2012 AED'000 (Unaudited)	31 March 2011 AED'000 (Unaudited)
Cash in hand	461,517	335,332
Balances with the Central Bank	29,595	621,422
Negotiable certificate of deposits with the Central Bank	3,500,000	3,500,000
Due from banks with original maturities less than three months	1,183,769	3,043,953
	5,174,881	7,500,707
Due to banks with original maturities less than three months	(1,046,476)	(85,602)
	4,128,405	7,415,105

Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 31 March 2012

14. 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.

	31 March 2012 AED'000 (Unaudited)	31 December 2011 AED'000 Audited
Contingent liabilities:		
Letters of credit	1,176,233	1,412,956
Guarantees	6,406,333	6,669,008
	7,582,566	8,081,964
Credit commitments:		
Undrawn commitments to extend credit	8,933,859	8,646,291
Capital commitments:		
Capital expenditure commitments	40,528	40,528
Total contingent liabilities and commitments	16,556,953	16,768,783

15. SEGMENTAL REPORTING

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

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

Business segments

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

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.

Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 31 March 2012

15. SEGMENTAL REPORTING (CONTINUED)

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

	Corporate banking AED'000	Consumer banking AED'000	Treasury and AED'000	Islamic Banking AED'000	Total AED'000
31 March 2012 (Unaudited)					
Assets	27,157,431	2,266,020	6,790,322	3,179,571	39,393,344
Liabilities	21,504,225	5,858,534	2,705,842	3,160,396	33,228,997
31 December 2011 (Audited)					
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
31 March 2012 (Unaudited)					
Net interest income and Income from Islamic financing	269,746	45,962	5,940	8,889	330,537
Other income	91,037	17,778	25,324	1,760	135,899
Total income	360,783	63,740	31,264	10,649	466,436
Allocated cost	83,091	24,324	5,424	8,300	121,139
Impairment allowances net of recoveries	82,012	6,934	-	15	88,961
Depreciation and amortization	9,130	3,898	440	392	13,860
Total expenses	174,233	35,156	5,864	8,707	223,960
Net profit for the period	186,550	28,584	25,400	1,942	242,476
31 March 2011 (Unaudited)					
Net interest income and Income from Islamic Financing	274,691	49,620	5,298	3,034	332,643
Other income	87,236	16,767	23,846	757	128,606
Total income	361,927	66,387	29,144	3,791	461,249
Allocated cost	83,096	22,917	4,882	8,162	119,057
Impairment allowances net of recoveries	32,045	30,908	-	1,050	64,003
Depreciation and amortization	9,867	4,210	475	406	14,958
Total expenses	125,008	58,035	5,357	9,618	198,018
Net profit for the period	236,919	8,352	23,787	(5,827)	263,231

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For the three-month period ended 31 March 2012

16. RELATED PARTY TRANSACTIONS

	Directors and key management personnel		Other related parties	
	31 March 2012 AED'000 (Unaudited)	31 December 2011 AED'000 Audited	31 March 2012 AED'000 (Unaudited)	31 December 2011 AED'000 Audited
Loans and advances	<u>12,152</u>	<u>173,719</u>	<u>421,607</u>	<u>563,609</u>
Deposits	<u>9,493</u>	<u>25,705</u>	<u>1,024,144</u>	<u>595,307</u>
	31 March 2012 AED'000 (Unaudited)	31 March 2011 AED'000 Audited	31 March 2012 AED'000 (Unaudited)	31 March 2011 AED'000 Audited
Interest income	86	1,731	4,656	6,800
Interest expense	<u>3</u>	<u>60</u>	<u>1,059</u>	<u>3,649</u>

No provisions for impairment have been recognised in respect of loans given to related parties (31 December 2011: NIL).

The loans issued to directors during the three-month period ended 31 March 2012 are unsecured and repayable monthly over a maximum period of 5 years (31 December 2011: 5 years) and carry interest at the rates comparable to the third party loans.

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

Key management compensation

	31 March 2012 AED'000 (Unaudited)	31 March 2011 AED'000 (Unaudited)
Salaries and other short-term benefits	4,853	3,805
Post retirement benefits	<u>138</u>	<u>468</u>

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17. CAPITAL ADEQUACY

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

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

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

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

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

The following limits have been applied for Tier 2 capital:

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

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Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 31 March 2012

17. CAPITAL ADEQUACY (CONTINUED)

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

	Basel II		Basel I	
	31 March 2012 AED'000 (Unaudited)	31 December 2011 AED'000 Audited	31 March 2012 AED'000 (Unaudited)	31 December 2011 AED'000 Audited
Core tier 1 capital				
Share capital	2,038,352	1,941,287	2,038,352	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	1,579,657	1,431,329	1,579,657	1,431,329
Tier 1 Capital	6,097,692	5,852,299	6,097,692	5,852,299
Upper tier 2 capital				
Fair value reserve	12,608	14,139	12,608	14,139
Collective provisions	431,766	430,066	-	-
	444,374	444,205	12,608	14,139
Lower tier 2 capital				
Subordinated term loans	1,473,221	1,841,526	1,473,221	1,841,526
Tier 2 capital	1,917,595	2,285,731	1,485,829	1,855,665
Deductions from Tier 1 & Tier 2				
Investments in un consolidated subsidiaries	(10,000)	(10,000)	(10,000)	(10,000)
Total capital base	8,005,287	8,128,030	7,573,521	7,697,964
Risk weighted assets (RWA) Pillar 1				
On-balance sheet	-	-	26,686,081	26,320,447
Off-balance sheet	-	-	5,381,774	5,118,205
Credit risk	33,117,422	32,426,824	-	-
Market risk	49,997	25,449	-	-
Operational risk	2,757,592	2,757,596	-	-
Risk weighted assets	35,925,011	35,209,869	32,067,855	31,438,652
Tier 1 ratio	16.97%	16.62%	19.01%	18.61%
Capital adequacy ratio (Pillar 1)	22.28%	23.08%	23.62%	24.49%

18. COMPARATIVE FIGURES

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