

Commercial Bank of Dubai PSC

Condensed consolidated interim financial
statements

30 June 2006

Commercial Bank of Dubai PSC

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Review report of the Auditors to the Board of Directors of Commercial Bank of Dubai PSC

We have reviewed the accompanying consolidated interim balance sheet of Commercial Bank of Dubai PSC ("the Bank") and its subsidiary CBD Financial Services LLC (together referred to as "the Group") as of 30 June 2006 and the related consolidated interim statements of income, cash flows and changes in equity for the six months period then ended. These condensed consolidated interim financial statements are the responsibility of the Group's management. Our responsibility is to issue a report on these condensed consolidated interim financial statements based on our review.

We conducted our review in accordance with International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the condensed consolidated interim financial statements are free of material mis-statement. A review is limited primarily to inquiries of Group personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

The comparative figures as at 30 June 2005 and for the six and three months period then ended have not been reviewed as this is the first time condensed consolidated interim financial statements for the six months period have been reviewed.

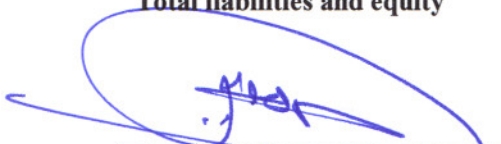
Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not presented fairly, in all material respects, in accordance with International Accounting Standard No. 34.

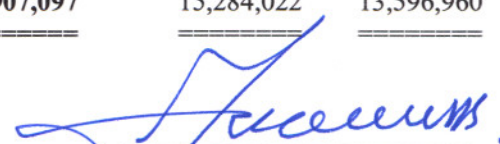
13 JUL 2006

Munther Dajani
Registration Number: 268

Commercial Bank of Dubai PSC
Consolidated interim balance sheet
As at 30 June 2006

	Note	30 June 2006 AED'000 Reviewed	31 December 2005 AED'000 Audited	30 June 2005 AED'000 Unaudited
ASSETS				
Cash and balances with Central Bank		2,287,834	1,832,133	936,636
Due from banks		2,258,938	2,024,779	932,599
Loans and advances	3	10,412,122	9,342,851	9,664,122
Investment securities	4	938,379	1,137,960	1,123,587
Property and equipment		369,549	345,600	343,213
Other assets		640,275	600,699	596,803
Total assets		16,907,097	15,284,022	13,596,960
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks		546,125	1,154,272	690,650
Customers' deposits		12,492,878	10,635,879	9,652,404
Other liabilities		771,566	672,533	664,000
Total liabilities		13,810,569	12,462,684	11,007,054
EQUITY				
Share capital	5	815,733	627,487	627,487
Share subscription through right issue	5	513,475	-	-
Legal reserve		313,744	313,744	272,821
Capital reserve		38,638	38,638	38,638
General reserve		770,000	770,000	670,000
Cumulative changes in fair values		313,282	642,535	682,582
Reserve for proposed bonus issue		-	188,246	-
Proposed cash dividend		-	188,246	-
Proposed directors' remuneration		-	4,000	-
Retained earnings		331,656	48,442	298,378
Total equity		3,096,528	2,821,338	2,589,906
Total liabilities and equity		16,907,097	15,284,022	13,596,960


H.E. Ahmed Humaid Al Tayer
Chairman


Mr. Yaqoob Yousuf Hassan
Deputy Chief Executive

The condensed consolidated interim financial statements were approved by the board of directors on 13 July 2006.

The attached notes on pages 6 to 12 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
Consolidated interim statement of income
For the six and three months period ended 30 June 2006

	<i>Note</i>	<i>Six months period ended</i>		<i>Three months period ended</i>	
		30 June 2006 AED'000 Reviewed	30 June 2005 AED'000 Unaudited	30 June 2006 AED'000 Reviewed	30 June 2005 AED'000 Unaudited
Interest income		446,538	274,517	235,372	151,252
Interest expense		166,957	67,780	87,903	42,285
Net interest income		279,581	206,737	147,469	108,967
Net fees and commission income		105,984	65,276	52,468	36,632
Net gains from dealing in foreign currencies		21,787	13,670	12,731	4,594
Net income from investments at fair value through income statement		(11,537)	45,623	(63,860)	1,598
Net gain from sale of available-for-sale investments		9,341	45,374	543	34,793
Dividend income		9,503	4,301	3,738	2,604
Other income		6,488	6,324	3,229	3,334
		421,147	387,305	156,318	192,522
Recoveries net of impairment losses		1,406	3,928	(552)	361
Allowances for impairment losses on other assets		(3,584)	-	-	-
Net interest and other income		418,969	391,233	155,766	192,883
General and administrative expenses		122,646	99,155	63,105	52,811
Depreciation		13,109	12,718	6,558	6,411
Total expenses		135,755	111,873	69,663	59,222
Profit for the period		283,214	279,360	86,103	133,661
Earnings per share (AED)	6	0.35	0.45	0.11	0.21

The attached notes on pages 6 to 12 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
Consolidated interim statement of cash flows
For the six months period ended 30 June 2006

	<i>Note</i>	<i>Six months period ended</i>	
		30 June 2006 AED'000 Reviewed	30 June 2005 AED'000 Unaudited
OPERATING ACTIVITIES			
Profit for the period		283,214	279,360
<i>Adjustments for:</i>			
Depreciation		13,109	12,718
Gain on disposal of property and equipment		(22)	(19)
Investment income		(20,315)	(64,765)
Net unrealised losses/(gains) on investments at fair value through income statement		13,008	(30,533)
Realised gains on sales of available for sale investments		(11,499)	(19,928)
Directors' remuneration paid		(4,000)	(2,400)
		-----	-----
Operating profit before working capital changes		273,495	174,433
Increase in statutory reserve with the Central Bank		(109,131)	(37,945)
Increase in loans and advances		(1,069,271)	(2,147,991)
Increase in other assets		(39,576)	(210,045)
Increase in due from banks maturing after three months		-	(31,110)
Increase in customers' deposits		1,856,999	2,174,540
Increase in other liabilities		99,033	203,326
		-----	-----
Net cash flow from operating activities		1,011,549	125,208
		-----	-----
INVESTING ACTIVITIES			
Purchase of investments		(163,765)	(127,547)
Purchase of property and equipment		(37,198)	(24,548)
Investment income		20,315	64,765
Proceeds from sale of investments		32,584	64,320
Proceeds from sale of property and equipment		162	22
		-----	-----
Net cash flow used in investing activities		(147,902)	(22,988)
		-----	-----
FINANCING ACTIVITIES			
Dividend paid		(188,246)	(163,692)
Share subscription through right issue		513,475	-
		-----	-----
Net cash flow from/(used in) financing activities		325,229	(163,692)
		-----	-----
Net increase/(decrease) in cash and cash equivalents		1,188,876	(61,472)
Cash and cash equivalents at 1 January		1,980,538	596,848
		-----	-----
Cash and cash equivalents at 30 June	7	3,169,414	535,376
		=====	=====

The attached notes on pages 6 to 12 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
Consolidated interim statement of changes in equity
For the six months period ended 30 June 2006

	Share capital	Share subscription through right issue	Legal reserve	Capital reserve	General reserve	Cumulative changes in fair values	Retained earnings	Proposed distributions	Total
	AED'000	AED'000 (refer note 5)	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
At 1 January 2005	545,641	-	272,821	38,638	670,000	276,875	19,018	247,938	2,070,931
Bonus issue	81,846	-	-	-	-	-	-	(81,846)	-
Cash dividend paid	-	-	-	-	-	-	-	(163,692)	(163,692)
Directors' remuneration paid	-	-	-	-	-	-	-	(2,400)	(2,400)
Realised gain on sale of available for sale investments	-	-	-	-	-	(19,928)	-	-	(19,928)
Revaluation of available for sale Investments	-	-	-	-	-	425,635	-	-	425,635
Profit for the period	-	-	-	-	-	-	279,360	-	279,360
At 30 June 2005 (Unaudited)	627,487	-	272,821	38,638	670,000	682,582	298,378	-	2,589,906
At 1 January 2006	627,487	-	313,744	38,638	770,000	642,535	48,442	380,492	2,821,338
Bonus issue	188,246	-	-	-	-	-	-	(188,246)	-
Cash dividend paid	-	-	-	-	-	-	-	(188,246)	(188,246)
Directors' remuneration paid	-	-	-	-	-	-	-	(4,000)	(4,000)
Realised gain on sale of available for sale investments	-	-	-	-	-	(11,499)	-	-	(11,499)
Revaluation of available for sale investments	-	-	-	-	-	(317,754)	-	-	(317,754)
Share subscription through right issue (refer note 5)	-	513,475	-	-	-	-	-	-	513,475
Profit for the period	-	-	-	-	-	-	283,214	-	283,214
At 30 June 2006 (Reviewed)	815,733	513,475	313,744	38,638	770,000	313,282	331,656	-	3,096,528

The attached notes on pages 6 to 12 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 six months period ended 30 June 2006

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 the Dubai Financial Market.

The condensed consolidated interim financial statements of the Bank for the six months period ended 30 June 2006 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. Consequently, the comparative financial information for the six and three months period ended 30 June 2005 is for the Bank only. 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 do not include all the information required for full annual consolidated financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2005.

The preparation of interim financial statements requires management to make judgements, 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 judgements 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 consolidated financial statements as at and for the year ended 31 December 2005.

b) Basis of preparation

The condensed consolidated interim financial statements are prepared on a fair value basis for investments at fair value through income statement, forward foreign exchange contracts held for trading and investments available-for-sale, except those for which a reliable measure of fair value is not available, which are accounted for at cost. Other financial assets and liabilities and non financial assets and liabilities are stated at amortized cost or historical cost, except for donated land which is valued at the market value on the date of donation.

The Bank has consistently applied the accounting policies used for the preparation of last published annual financial statements.

The 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 six months period ended 30 June 2006

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated 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.

3. LOANS AND ADVANCES

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

Analysis by type	30 June 2006 AED'000 Reviewed	31 December 2005 AED'000 Audited
Overdrafts	4,715,002	4,290,956
Loans	4,948,909	4,282,161
Advances against letters of credit and trust receipts	452,374	451,581
Bills discounted	529,074	553,115
	-----	-----
Gross loans and advances	10,645,359	9,577,813
Less: Allowances for impairment losses	(233,237)	(234,962)
	-----	-----
Net loans and advances	10,412,122	9,342,851
	=====	=====

Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)

For the six months period ended 30 June 2006

3. LOANS AND ADVANCES (continued)

Analysis by Sector

	30 June 2006 (reviewed)		31 December 2005 (audited)	
	Domestic AED'000	International AED'000	Domestic AED'000	International AED'000
Commercial and business	5,512,343	124,731	4,922,759	164,931
Banks and financial institutions	192,466	-	261,035	-
Government and public sector entities	45,571	14,892	49,329	15,821
Personal	644,818	-	604,777	-
Individuals	4,028,784	498	3,485,425	-
Others	81,256	-	73,736	-
	<u>10,505,238</u>	<u>140,121</u>	<u>9,397,061</u>	<u>180,752</u>

The movement on allowances for impairment losses is as follows:

	30 June 2006 AED'000 Reviewed	31 December 2005 AED'000 Audited
Balance at 1 January	234,962	217,995
Amounts written off	(12,075)	(13,937)
Charge	10,753	39,593
Interest not recognised	11,756	20,981
Recoveries	(12,159)	(29,670)
	<u>233,237</u>	<u>234,962</u>

Interest not recognised as income is calculated on the face value of the impaired loans which amounted to AED 333.5 million (six months period ended 30 June 2005: AED 237.5 million).

Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)

For the six months period ended 30 June 2006

4. INVESTMENT SECURITIES	30 June 2006 AED'000 Reviewed	31 December 2005 AED'000 Audited
Investments at fair value through income statement	206,258	175,376
Held-to-maturity		
Government securities	88,319	83,695
Available-for-sale		
Quoted securities	642,465	854,218
Unquoted securities	1,714	25,048
	<u>938,756</u>	<u>1,138,337</u>
Less: Allowance for impairment losses	(377)	(377)
	<u>938,379</u>	<u>1,137,960</u>

5. EQUITY

Share capital

The shareholders in their Extra-ordinary General meeting held on 21 September 2005, approved the split of shares of the Group in the ratio of 1:10. The par value of each share after the split is AED 1 and the comparative number of shares has been adjusted accordingly for the calculation of earnings per share.

The issued and fully paid up ordinary share capital as at 30 June 2006 comprised 815,732,970 ordinary shares of AED 1 each (30 June 2005: 627,486,900 shares of AED 1 each (adjusted)).

Bonus issue

A bonus issue of 30% in the ratio of 3 bonus shares for every 10 shares held (2004: 15%) was approved by the shareholders in the Extraordinary General Meeting held on 15 February 2006 and was transferred to share capital.

Share subscription through rights issue

The shareholders in their Extra ordinary General meeting held on 15 February 2006 have approved an increase the share capital as it was on 31 December 2005 by 50% through rights issue at AED 4 per share including a share premium of AED 3 per share to be subscribed by the shareholders either in lump-sum or in three instalments by 20 June 2006, 20 September 2006 and 20 March 2007.

The shareholders have subscribed and fully paid for 128,368,726 numbers of shares of AED 513,474,904 including share premium upto 20 June 2006. In respect of the second and third installments, the shareholders have provided post dated cheques authorisations for 184,851,706 numbers of shares of AED 739,406,824 including share premium. The shares that remain unsubscribed are 523,018 numbers of shares of AED 2,092,072 including share premium. The unsubscribed shares will be allocated on a pro-rata basis in accordance with the Article (29) of the Articles of Association of the Bank after 20 March 2007 to those shareholders who have additionally subscribed by 20 June 2006.

The share capital of the Group will be increased once the decree from the Ministry of Economy regarding the increased share capital is received.

Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)

For the six months period ended 30 June 2006

6. EARNINGS PER SHARE

The earnings per share is based on the Group profit for the six and three months period ended 30 June 2006 attributable to the shareholders amounting to AED 283,214 thousand and AED 86,103 thousand respectively (*six and three months ended 30 June 2005: AED 279,360 thousand and AED 133,661 thousand respectively*), and on the weighted average number of shares in issue totaling 815,732,970 (*30 June 2005: 627,486,900*). The weighted average number of shares at 30 June 2005 and accordingly earnings per share for six and three months period ended 30 June 2005 have been adjusted to reflect the bonus issue and the share split made during 2005.

7. CASH AND CASH EQUIVALENTS

	30 June 2006 AED'000 Reviewed	30 June 2005 AED'000 Unaudited
Cash on hand	354,199	324,537
Balances with the Central Bank	3,512	-
Negotiable certificate of deposits with the Central Bank	1,130,000	-
Due from banks maturing within three months	2,227,828	901,489
	<u>3,715,539</u>	<u>1,226,026</u>
Due to banks maturing within three months	(546,125)	(690,650)
	<u>3,169,414</u>	<u>535,376</u>

8. 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.

9. CONCENTRATION OF ASSETS, LIABILITIES AND CONTINGENT LIABILITIES

	30 June 2006 (reviewed)			31 December 2005 (audited)		
	Assets AED'000	Liabilities AED'000	Contingent Liabilities AED'000	Assets AED'000	Liabilities AED'000	Contingent Liabilities AED'000
Geographic region						
Domestic	15,442,846	13,066,278	5,681,480	14,061,197	12,034,159	4,656,468
International	1,464,251	744,291	150,930	1,222,825	428,525	151,351
Total	<u>16,907,097</u>	<u>13,810,569</u>	<u>5,832,410</u>	<u>15,284,022</u>	<u>12,462,684</u>	<u>4,807,819</u>
Customer groups						
Commercial and business	6,077,018	5,362,463	4,732,803	5,607,435	4,811,936	4,030,584
Banks and financial institutions	4,986,795	698,753	681,108	4,584,076	1,229,623	581,737
Government and public sector entities	290,077	1,903,137	49,397	215,109	1,351,757	53,285
Individuals	4,685,446	5,485,642	365,374	4,043,256	4,694,804	139,098
Others	867,761	360,574	3,728	834,146	374,564	3,115
Total	<u>16,907,097</u>	<u>13,810,569</u>	<u>5,832,410</u>	<u>15,284,022</u>	<u>12,462,684</u>	<u>4,807,819</u>

Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)

For the six months period ended 30 June 2006

9. CONCENTRATION OF ASSETS, LIABILITIES AND CONTINGENT LIABILITIES (CONTINUED)

Domestic represents all balances with United Arab Emirates residents regardless of the currency and international represents balances with overseas residents.

10. SEGMENTAL ANALYSIS

The Group operates in one geographic area, the United Arab Emirates, and its results arise largely from commercial and retail banking activities.

11. RELATED PARTY TRANSACTIONS

	Directors and key management personnel	
	30 June 2006	31 December 2005
	AED'000	AED'000
	Reviewed	Audited
Loans and advances		
Outstanding at 1 January	130,109	172,153
Loans issued	305,141	11,079
Repayments	(178,630)	(53,123)
	-----	-----
Closing balance	256,620	130,109
	=====	=====
Deposits		
Deposits at 1 January	282,715	102,116
Received	54,043	195,424
Repaid	(252,155)	(14,825)
	-----	-----
Closing balance	84,603	282,715
	=====	=====
	Six months period ended	
	30 June 2006	30 June 2005
	AED'000	AED'000
	Reviewed	Unaudited
Interest income	7,301	4,445
Interest expense	2,356	1,336
	=====	=====

Balance of contingent liabilities and commitments with related parties as at 30 June 2006 is AED 325 million (30 June 2005: AED 161.5 million). No provisions for impairment have been recognised in respect of loans given to related parties (six months period ended 30 June 2005: NIL)

Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)

For the six months period ended 30 June 2006

11. RELATED PARTY TRANSACTIONS (CONTINUED)

Key management compensation

	<i>Six months period ended</i>	
	30 June	30 June
	2006	2005
	AED'000	AED'000
	Reviewed	Unaudited
Salaries and other short-term benefits	3,398	3,080
Post retirement benefits	399	414
	===	===

12. COMPARATIVE FIGURES

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

