

Commercial Bank of Dubai PSC

Condensed consolidated interim financial statements
30 September 2006

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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 condensed 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 September 2006 and the related condensed consolidated interim statements of income, cash flows and changes in equity for the nine 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 misstatement. A review is limited primarily to inquiries of Group personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly, do not express an audit opinion.

The comparative figures as at 30 September 2005 and for the nine and three months period then ended have not been reviewed as this is the first time condensed consolidated interim financial statements for the nine months period ended 30 September 2006 are required to be reviewed.

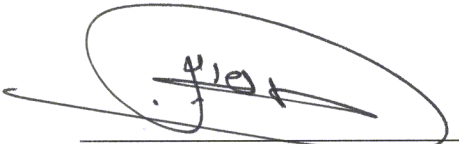
Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not presented fairly, in all material respects in accordance with International Accounting Standard No. 34.

Vijendranath Malhotra

Registration No: 48 B

Commercial Bank of Dubai PSC
Condensed consolidated interim balance sheet
As at 30 September 2006

		30 September 2006	31 December 2005	30 September 2005
	<i>Note</i>	AED'000 Reviewed	AED'000 Audited	AED'000 Unaudited
ASSETS				
Cash and balances with Central Bank		3,356,402	1,832,133	1,046,850
Due from banks		1,041,762	2,024,779	2,029,539
Loans and advances	3	11,254,617	9,342,851	9,025,368
Investment securities	4	1,023,654	1,137,960	1,172,520
Property and equipment		377,523	345,600	343,793
Other assets		734,676	600,699	516,620
Total assets		<u>17,788,634</u>	<u>15,284,022</u>	<u>14,134,690</u>
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks		827,476	1,154,272	412,070
Customers' deposits		12,279,094	10,635,879	10,316,632
Other liabilities		981,257	672,533	688,910
Total liabilities		<u>14,087,827</u>	<u>12,462,684</u>	<u>11,417,612</u>
EQUITY				
Share capital	5	944,102	627,487	627,487
Share subscription through rights issue	5	431,965	-	-
Legal reserve		698,850	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		327,947	642,535	696,416
Reserve for proposed bonus issue		-	188,246	-
Proposed cash dividend		-	188,246	-
Proposed directors' remuneration		-	4,000	-
Retained earnings		489,305	48,442	411,716
Total equity		<u>3,700,807</u>	<u>2,821,338</u>	<u>2,717,078</u>
Total liabilities and equity		<u>17,788,634</u>	<u>15,284,022</u>	<u>14,134,690</u>


H.E. Ahmed Humaid Al Tayer
Chairman


Peter Baltussen
Chief Executive

The condensed consolidated interim financial statements were approved by the board of directors on 15 October 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
Condensed consolidated interim statement of income
For the nine and three months period ended 30 September 2006

	<u>Nine months period ended</u>		<u>Three months period ended</u>	
	30 September 2006	30 September 2005	30 September 2006	30 September 2005
<i>Note</i>	AED'000 Reviewed	AED'000 Unaudited	AED'000 Reviewed	AED'000 Unaudited
Interest income	715,432	446,234	268,894	171,717
Interest expense	(273,224)	(117,914)	(106,267)	(50,134)
Net interest income	442,208	328,320	162,627	121,583
Net fees and commission income	162,499	108,145	56,515	42,869
Net gains from dealing in foreign currencies	32,349	19,019	10,562	5,349
Net income from investments at fair value through income statement	536	45,878	12,073	255
Net gain from sale of available-for-sale investments	11,246	48,844	1,905	3,470
Dividend income	9,929	4,524	426	223
Other income	9,661	9,491	3,173	3,167
	668,428	564,221	247,281	176,916
Impairment losses net of recoveries	(13,730)	(114)	(15,136)	(4,042)
Allowances for impairment losses on other assets	(3,584)	-	-	-
Net interest and other income	651,114	564,107	232,145	172,874
General and administrative expenses	(190,298)	(152,506)	(67,652)	(53,351)
Depreciation	(19,953)	(18,903)	(6,844)	(6,185)
Total expenses	(210,251)	(171,409)	(74,496)	(59,536)
Profit for the period	440,863	392,698	157,649	113,338
Earnings per share (AED)	0.49	0.45	0.18	0.13

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

Condensed consolidated interim statement of cash flows

For the nine months period ended 30 September 2006

	Note	Nine months period ended	
		30 September 2006 AED'000 Reviewed	30 September 2005 AED'000 Unaudited
OPERATING ACTIVITIES			
Profit for the period		440,863	392,698
Adjustments for:			
Depreciation		19,953	18,903
Gain on disposal of property and equipment		(22)	(19)
Investment income		(23,320)	(71,306)
Net unrealised (gains) / losses on investments at fair value through income statement		1,609	(27,940)
Realised gains on sales of available for sale investments		(12,487)	(20,759)
Directors' remuneration paid		(4,000)	(2,400)
Operating profit before working capital changes		422,596	289,177
Increase in statutory reserve with the Central Bank		(103,715)	(128,666)
Increase in loans and advances		(1,911,766)	(1,509,237)
Increase in other assets		(133,977)	(129,862)
Increase in due from banks maturing after three months		-	(31,110)
Increase in customers' deposits		1,643,215	2,838,768
Increase in other liabilities		308,724	228,236
Net cash flow from operating activities		225,077	1,557,306
INVESTING ACTIVITIES			
Purchase of investments		(291,703)	(180,520)
Purchase of property and equipment		(52,016)	(31,313)
Dividend income		9,929	4,524
Proceeds from sale of investments		115,690	147,214
Proceeds from sale of property and equipment		162	22
Net cash flow used in investing activities		(217,938)	(60,073)
FINANCING ACTIVITIES			
Dividend paid		(188,246)	(163,692)
Share subscription through rights issue		945,440	-
Net cash flow from/(used in) financing activities		757,194	(163,692)
Net increase in cash and cash equivalents		764,333	1,333,541
Cash and cash equivalents at 1 January		1,980,538	596,848
Cash and cash equivalents at 30 September	7	2,744,871	1,930,389

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
Condensed consolidated interim statement of changes in equity
For the nine months period ended 30 September 2006

	Share capital AED'000	Share subscription through rights issue AED'000 (refer note 5)	Legal reserve AED'000	Capital reserve AED'000	General reserve AED'000	Cumulative changes in fair values AED'000	Retained earnings AED'000	Proposed distributions AED'000	Total 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	-	-	-	-	-	(20,759)	-	-	(20,759)
Revaluation of available for sale investments	-	-	-	-	-	440,300	-	-	440,300
Profit for the period	-	-	-	-	-	-	392,698	-	392,698
At 30 September 2005 (Unaudited)	627,487	-	272,821	38,638	670,000	696,416	411,716	-	2,717,078
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	-	-	-	-	-	(12,487)	-	-	(12,487)
Revaluation of available for sale investments	-	-	-	-	-	(302,101)	-	-	(302,101)
Share subscription through rights issue (refer note 5)	128,369	431,965	385,106	-	-	-	-	-	945,440
Profit for the period	-	-	-	-	-	-	440,863	-	440,863
At 30 September 2006 (Reviewed)	944,102	431,965	698,850	38,638	770,000	327,947	489,305	-	3,700,807

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 nine months period ended 30 September 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 Dubai Financial Market.

The condensed consolidated interim financial statements of the Bank for the nine months period ended 30 September 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 nine months period ended 30 September 2005 is for the Bank only. The Bank effectively holds a 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 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 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 nine months period ended 30 September 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:

	30 September 2006 AED'000 Reviewed	31 December 2005 AED'000 Audited
Analysis by type		
Overdrafts	5,191,289	4,290,956
Loans	5,244,314	4,282,161
Advances against letters of credit and trust receipts	514,329	451,581
Bills discounted	553,594	553,115
Gross loans and advances	11,503,526	9,577,813
Less: Allowances for impairment losses	(248,909)	(234,962)
Net loans and advances	11,254,617	9,342,851

Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)

For the nine months period ended 30 September 2006

3. LOANS AND ADVANCES (continued)

Analysis by Sector

	30 September 2006 (Reviewed)		31 December 2005 (audited)	
	Domestic AED'000	International AED'000	Domestic AED'000	International AED'000
Commercial and business	6,263,411	121,694	4,922,759	164,931
Banks and financial institutions	17,464	-	261,035	-
Government and Public sector entities	94,705	-	49,329	15,821
Personal	673,500	-	604,777	-
Individuals	4,257,221	708	3,485,425	-
Others	74,823	-	73,736	-
	<u>11,381,124</u>	<u>122,402</u>	<u>9,397,061</u>	<u>180,752</u>

The movement on allowances for impairment losses is as follows:

	30 September 2006 AED'000 Reviewed	31 December 2005 AED'000 Audited
Balance at 1 January	234,962	217,995
Amounts written off	(20,659)	(13,937)
Charge	30,320	39,593
Interest not recognized	20,876	20,981
Recoveries	(16,590)	(29,670)
	<u>248,909</u>	<u>234,962</u>

Interest not recognised as income is calculated on the face value of the impaired loans which amounted to AED 334.6 million as at 30 September 2006 (on 31 December 2005: AED 304.9 million).

Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)

For the nine months period ended 30 September 2006

4. INVESTMENT SECURITIES

	30 September 2006 AED'000 Reviewed	31 December 2005 AED'000 Audited
Investments at fair value through income statement	217,195	175,376
Held-to-maturity		
Government securities	89,161	83,695
Public Sector Securities	125,000	-
Available-for-sale		
Quoted securities	590,893	854,218
Unquoted securities	1,782	25,048
	1,024,031	1,138,337
Less: Allowance for impairment losses	(377)	(377)
	1,023,654	1,137,960

5. EQUITY

Share capital

The shareholders in their Extra-ordinary General meeting held on 21 September 2005, approved to split the 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 September 2006 comprised 944,101,696 ordinary shares of AED 1 each (30 September 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 Meetings held on 15 February 2006 and transferred to share capital.

Share subscription through rights issue

The shareholders in their Extra-ordinary General meeting held on 15 February 2006 approved an increase in the share capital as it was on 31 December 2005 by 50% through a 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 installments 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 till 20 June 2006, which was transferred to share capital in July 2006 upon completion of all legal formalities. In respect of the second installment, the shareholders have subscribed and fully paid for 107,991,270 shares of AED 431,965,080 including the share premium amount up-to 20 September 2006. The share capital of the Group will be increased with the subscription of the second installment once the decree from the Ministry of Economy regarding increased share capital is received.

In respect of the third installments, the shareholders have provided post dated cheques / authorisations for 76,860,436 numbers of shares of AED 307,441,744 including share premium.

Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)

For the nine months period ended 30 September 2006

The shares that remain unsubscribed are 523,018 numbers of shares of AED 2,092,072 including the 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.

6. EARNINGS PER SHARE

The earnings per share is based on the Group's profit for the nine and three months period ended 30 September 2006 attributable to the shareholders amounting to AED 440,863 thousand and AED 157,649 thousand respectively (*nine and three months ended 30 September 2005: AED 392,698 thousand and AED 113,338 thousand respectively*), and on the weighted average number of shares in issue totaling 896,590,083 (*30 September 2005: 872,834,278*). The weighted average number of shares at 30 September 2005 and accordingly earnings per share for nine and three months period ended 30 September 2005 have been adjusted to reflect the bonus issue and the share split made during 2005.

7. CASH AND CASH EQUIVALENTS

	30 September 2006 AED'000 Reviewed	30 September 2005 AED'000 Unaudited
Cash on hand	361,373	344,030
Balances with the Central Bank	5,322	-
Negotiable certificate of deposits with the Central Bank	2,195,000	-
Due from banks maturing within three months	1,010,652	1,998,429
	3,572,347	2,342,459
Due to banks maturing within three months	(827,476)	(412,070)
	2,744,871	1,930,389

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 un-drawn loan commitments.

9. CONCENTRATION OF ASSETS, LIABILITIES AND CONTINGENT LIABILITIES

	30 September 2006 (reviewed)			31 December 2005 (audited)		
	Assets	Liabilities	Contingent Liabilities	Assets	Liabilities	Contingent Liabilities
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Geographic region						
Domestic	16,776,825	13,302,878	6,270,558	14,061,197	12,034,159	4,656,468
International	1,011,809	784,949	162,034	1,222,825	428,525	151,351
Total	17,788,634	14,087,827	6,432,592	15,284,022	12,462,684	4,807,819
Customer groups						
Commercial and business	6,315,721	4,739,051	5,325,375	5,607,435	4,811,936	4,030,584
Banks and financial institutions	4,609,190	886,883	710,991	4,584,076	1,229,623	581,737
Government and public sector entities	383,897	1,590,477	29,164	215,109	1,351,757	53,285
Individuals	4,931,429	5,736,768	363,786	4,043,256	4,694,804	139,098
Others	1,548,397	1,134,648	3,276	834,146	374,564	3,115
Total	17,788,634	14,087,827	6,432,592	15,284,022	12,462,684	4,807,819

Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)

For the nine months period ended 30 September 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 September 2006	31 December 2005
	AED'000	AED'000
	Reviewed	Audited
Loans and advances		
Outstanding at 1 January	130,109	172,153
Loans issued	398,706	11,079
Repayments	(226,238)	(53,123)
Closing balance	302,577	130,109
Deposits		
Deposits at 1 January	282,715	102,116
Received	299,493	195,424
Repaid	(274,212)	(14,825)
Closing balance	307,996	282,715

	Nine months period ended		Three months period ended	
	30 September 2006	30 September 2005	30 September 2006	30 September 2005
	AED'000	AED'000	AED'000	AED'000
	Reviewed	Unaudited	Reviewed	Unaudited
Interest income	11,989	6,668	4,688	2,223
Interest expense	3,439	2,004	1,083	668

Balance of contingent liabilities and commitments as at 30 September 2006 is AED 171.5 million (30 September 2005: AED 241.5 million). No provisions for impairment have been recognised in respect of loans given to related parties (nine months period ended 30 September 2005: NIL).

Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)

For the nine months period ended 30 September 2006

11. RELATED PARTY TRANSACTIONS (CONTINUED)

	<i>Nine months period ended</i>		<i>Three months period ended</i>	
	30 September	30 September	30 September	30 September
	2006	2005	2006	2005
	AED'000	AED'000	AED'000	AED'000
	Reviewed	Unaudited	Reviewed	Unaudited
Salaries and other short-term benefits	5,760	4,766	2,362	1,686
Post retirement benefits	584	645	185	231

12. COMPARATIVE FIGURES

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