The National Bank of Dubai

Public Joint Stock Company and its subsidiaries

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2006 (UNAUDITED)

National Bank of Dubai – PJSC
Performance Comments – Period 1 January 2006 to 30 June 2006

The Bank's total assets increased from AED 51.4 Bn at 31 December 05 to 58.8 Bn at 30 June 06, a growth of 14.4 %. This growth continued to focus on expanding Commercial banking activity and increasing market share, thereby further strengthening the Bank's stable and sustainable revenue stream. Buoyant UAE and regional economies have assisted the Bank in this process.

Loans and Advances now represent 60% of the asset base, having grown by 26.6 % to AED 35.4 Bn as at 30th June 2006 from AED 27.9 Bn as at 31 Dec 2005. This growth has been supported by consistent growth in the customer deposit base which has increased from AED 37.1 Bn at 31 December 05 to AED 42.5 Bn at 30 June 06.

The investment portfolio comprising largely of fixed income bonds of AED 15.2 Bn with an average rating of AA+, rose slightly to AED 16.9 Bn from AED 16.2 Bn at 31 December 2005. The firmer interest rate environment has reduced bond valuations, and in accordance with International Financial Reporting Standards, the change in fair value has been adjusted against Equity as at 30 June 06.

Interest margins have been pressured by rising interest rates but the healthy growth in loans and customer deposits has ensured that the impact has been cushioned and Net Interest Income at AED 593.1 million was 20.2 % higher than the same period last year.

Other Income at AED 278.8 Million during the first half 2006 increased by AED 44 Mn or 18.7 % over the same period last year, reflecting increased fee and commission revenue from a growing trade finance business and higher loan activity.

The increase in expenses reflects necessary investment in technology, manpower and distribution channels, in support of on-going and new business initiatives.

Net profit for the first half of 2006, at AED 504.3 Mn was in line with budgetary expectations. The net profit of AED 637.1 M for the same period last year included one-off extraordinary revenue from Investment sales (AED 79 Mn) and write back of Provision on Investment (AED 23 Mn)

Return on Equity at 30 June 06 was 20.5%, as compared to 23.8% at 30 June 05.

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CONSOLIDATED INCOME STATEMENT
30 June 2006 (Unaudited)

	Three months ended 30 June		*Six months ended 30 June*	
	2006	*2005*	***2006***	*2005*
	AED'000	*AED'000*	***AED'000***	*AED'000*
Interest income	**756,021**	470,274	**1,418,730**	832,367
Interest expense	**(459,434)**	(188,610)	**(825,655)**	(339,085)
NET INTEREST INCOME	**296,587**	281,664	**593,075**	493,282
Other income	**134,327**	148,010	**278,848**	234,807
(Loss) gain from disposal of securities available for sale	**(11,377)**	13,003	**(26,341)**	121,218
OPERATING INCOME	**419,537**	442,677	**845,582**	849,307
General and administrative expenses	**(163,806)**	(115,453)	**(318,186)**	(226,224)
Provisions for impairment of loans and advances	**(17,490)**	(4,500)	**(32,129)**	(9,000)
Provision for securities	**-**	23,000	**-**	23,000
Provision for due from banks	**9,000**	-	**9,000**	-
	(172,296)	(96,953)	**(341,315)**	(212,224)
NET PROFIT FOR THE PERIOD	**247,241**	345,724	**504,267**	637,083
Earnings per share	**AED 0.19**	AED 0.27	**AED 0.39**	AED 0.49

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CONSOLIDATED BALANCE SHEET
30 June 2006 (Unaudited)

	Unaudited 30 June 2006 AED'000	*Audited 31 December 2005 AED'000*	*Unaudited 30 June 2005 AED'000*
ASSETS			
Cash and balances with Central Bank	**3,796,502**	2,549,439	2,947,753
Due from banks	**1,511,511**	3,529,061	1,927,741
Securities	**16,939,016**	16,184,204	15,186,996
Loans and advances	**35,366,661**	27,936,688	23,778,895
Fixed assets	**380,810**	394,103	386,084
Other assets	**795,828**	814,816	755,049
TOTAL ASSETS	**58,790,328**	51,408,311	44,982,518
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Due to banks	**8,151,702**	5,574,741	3,842,083
Customers' deposits	**42,466,113**	37,091,537	35,508,143
Medium term notes	**2,754,375**	2,754,375	-
Other liabilities	**487,347**	489,974	282,538
TOTAL LIABILITIES	**53,859,537**	45,910,627	39,632,764
SHAREHOLDERS' EQUITY			
Share capital	**1,296,779**	1,296,779	1,080,649
Legal reserve	**648,390**	648,390	540,325
Special reserve	**648,390**	648,390	540,325
Reserve for general banking risks	**300,000**	300,000	300,000
General reserve	**1,769,116**	1,769,116	1,769,116
Retained earnings	**658,515**	658,515	512,692
Profit for the period	**504,267**	-	637,083
Proposed cash dividend	**-**	518,712	-
Cumulative changes in fair values	**(894,666)**	(342,218)	(30,436)
TOTAL SHAREHOLDERS' EQUITY	**4,930,791**	5,497,684	5,349,754
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**58,790,328**	51,408,311	44,982,518
CONTRA ACCOUNTS AND OTHER COMMITMENTS			
Letter of credit	**2,680,732**	1,757,958	1,296,136
Guarantees and other endorsements	**6,386,276**	5,243,234	4,247,335
Acceptances	**842,917**	349,904	314,501
Forward exchange contracts and SWAPS	**22,432,937**	15,953,436	13,698,198
	32,342,862	23,304,532	19,556,170

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CONSOLIDATED STATEMENT OF CASH FLOWS
30 June 2006 (Unaudited)

	Six months ended 30 June	
	2006	*2005*
	AED'000	*AED'000*
OPERATING ACTIVITIES		
Profit before tax	**504,267**	637,083
Adjustments for:		
Depreciation	**31,064**	36,544
Provision for credit losses	**32,129**	9,000
Provision for securities	**-**	(23,000)
Provision for due from banks	**(9,000)**	-
Amortisation of premium/discount on securities	**11,115**	11,228
Gains less losses arising from securities available for sale	**26,341**	(121,218)
Operating profit before changes in operating assets and liabilities:	**595,916**	549,637
Deposits with UAE Central Bank	**-**	250,000
Due from banks	**(210,886)**	302,418
Trading securities (including managed funds)	**(241,377)**	(437,889)
Loans and advances	**(7,462,102)**	(7,168,033)
Other assets	**(6,231)**	(127,743)
Customers' deposits	**5,374,576**	4,030,840
Due to banks	**2,576,961**	835,141
Other liabilities	**673**	(59,834)
Net cash from (used in) operating activities	**627,530**	(1,825,463)
INVESTING ACTIVITIES		
Securities	**(1,078,120)**	(562,119)
Additions to fixed assets, net of disposals	**(17,771)**	(17,541)
Net cash used in investing activities	**(1,095,891)**	(579,660)
FINANCING ACTIVITIES		
Dividends paid	**(518,712)**	(648,389)
Directors' fees	**(3,300)**	(3,000)
Net cash used in financing activities	**(522,012)**	(651,389)
DECREASE IN CASH AND CASH EQUIVALENTS	**(990,373)**	(3,056,512)
Cash and cash equivalents at 1 January	**5,537,899**	6,316,484
CASH AND CASH EQUIVALENTS AT 30 JUNE	**4,547,526**	3,259,972
Cash and cash equivalents comprise the following balance sheet amounts with original maturities of three months or less:		
Cash and balances with Central Bank	**3,796,502**	2,947,753
Deposits and other balances due from banks	**751,024**	312,219
	4,547,526	3,259,972

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

30 June 2006 (Unaudited)

	Share Capital AED'000	*Legal reserve AED'000*	*Special reserve AED'000*	*Reserve for general banking risks AED'000*	*General reserve AED'000*	*Retained earnings AED'000*	*Proposed cash dividend AED'000*	*Cumulative changes in fair values AED'000*	*Total AED'000*
At 1 January 2006	1,296,779	648,390	648,390	300,000	1,769,116	658,515	518,712	(342,218)	5,497,684
Net movement in cumulative changes in fair values recognised directly in equity	-	-	-	-	-	-	-	(552,448)	(552,448)
Net profit for the period	-	-	-	-	-	504,267	-	-	504,267
Total income and expense for the period	-	-	-	-	-	504,267	-	(552,448)	(48,181)
Dividends paid – 2005	-	-	-	-	-	-	(518,712)	-	(518,712)
At 30 June 2006	**1,296,779**	**648,390**	**648,390**	**300,000**	**1,769,116**	**1,162,782**	**-**	**(894,666)**	**4,930,791**
At 1 January 2005	1,080,649	540,325	540,325	300,000	1,769,116	512,692	648,389	46,171	5,437,667
Net movement in cumulative changes in fair values recognised directly in equity	-	-	-	-	-	-	-	(76,607)	(76,607)
Net profit for the period	-	-	-	-	-	637,083	-	-	637,083
Total income and expense for the period	-	-	-	-	-	637,083	-	(76,607)	560,476
Dividends paid – 2004	-	-	-	-	-	-	(648,389)	-	(648,389)
At 30 June 2005	**1,080,649**	**540,325**	**540,325**	**300,000**	**1,769,116**	**1,149,775**	**-**	**(30,436)**	**5,349,754**