# The National Bank of Dubai

**Public Joint Stock Company and its subsidiaries**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**31 MARCH 2007 (UNAUDITED)**

ERNST & YOUNG

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# REVIEW REPORT TO THE BOARD OF DIRECTORS OF THE NATIONAL BANK OF DUBAI PUBLIC JOINT STOCK COMPANY

***Introduction***

We have reviewed the accompanying consolidated balance sheet of The National Bank of Dubai Public Joint Stock Company and its subsidiaries at 31 March 2007, and the related consolidated statements of income, cash flows and changes in equity for the three month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

***Scope of Review***

We conducted our review in accordance with 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 condensed consolidated financial statements are not presented fairly, in all material respects, in accordance with IAS 34.

Ernst & Young

Signed by
Edward B Quinlan
Partner
Registration No. 93

26 April 2007

Dubai

# CONSOLIDATED INCOME STATEMENT
31 March 2007

| | Note | Three months ended 31 March 2007 Unaudited AED'000 | 2006 Unaudited AED'000 |
|---|---|---|---|
| Interest income | | **998,181** | 662,709 |
| Interest expense | | **(637,905)** | (366,221) |
| **NET INTEREST INCOME** | | **360,276** | 296,488 |
| Other income | | **203,378** | 144,521 |
| Gain (loss) from disposal of securities available for sale | | **449** | (14,964) |
| **OPERATING INCOME** | | **564,103** | 426,045 |
| General and administrative expenses | | **(224,732)** | (154,380) |
| Provisions for impairment of loans and advances | | **(37,468)** | (14,639) |
| | | **(262,200)** | (169,019) |
| **PROFIT FOR THE PERIOD** | | **301,903** | 257,026 |
| Basic and diluted earnings per share | 3 | **AED 0.23** | AED 0.20 |

The attached explanatory notes 1 to 6 form part of the interim condensed consolidated financial statements.

The National Bank of Dubai
Public Joint Stock Company and its subsidiaries

# CONSOLIDATED BALANCE SHEET
31 March 2007

| | Note | *31 March 2007 Unaudited AED'000* | *31 December 2006 Audited AED'000* | *31 March 2006 Unaudited AED'000* |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and balances with Central Bank | | **4,486,295** | 3,128,074 | 2,894,959 |
| Due from banks | | **3,095,740** | 3,553,755 | 1,648,397 |
| Securities | | **17,682,457** | 17,629,382 | 17,836,937 |
| Loans and advances | | **46,669,302** | 43,218,217 | 37,781,766 |
| Investment Properties | | **157,136** | 157,136 | - |
| Fixed assets | | **369,198** | 373,741 | 380,998 |
| Other assets | | **1,144,371** | 1,215,865 | 977,712 |
| **TOTAL ASSETS** | | **73,604,499** | 69,276,170 | 61,520,769 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | |
| **LIABILITIES** | | | | |
| Due to banks | | **8,974,144** | 10,642,253 | 7,083,180 |
| Customers' deposits | | **48,874,282** | 45,408,116 | 38,472,641 |
| Medium term notes | | **8,582,590** | 6,388,236 | 2,754,375 |
| Other liabilities | | **825,636** | 793,930 | 8,105,586 |
| Dividends payable | | **518,712** | - | - |
| **TOTAL LIABILITIES** | | **67,775,364** | 63,232,535 | 56,415,782 |
| **SHAREHOLDERS' EQUITY** | | | | |
| Share capital | | **1,296,779** | 1,296,779 | 1,296,779 |
| Legal reserve | | **648,390** | 648,390 | 648,390 |
| Special reserve | | **648,390** | 648,390 | 648,390 |
| Reserve for general banking risks | | **300,000** | 300,000 | 300,000 |
| General reserve | | **2,669,116** | 2,669,116 | 1,769,116 |
| Retained earnings | | **86,794** | 86,794 | 658,515 |
| Profit for the period | | **301,903** | - | 257,026 |
| Proposed cash dividend | | **-** | 518,712 | - |
| Proposed scrip dividend | | **259,356** | 259,356 | - |
| Cumulative changes in fair values | 4 | **(381,593)** | (383,902) | (473,229) |
| **TOTAL SHAREHOLDERS' EQUITY** | | **5,829,135** | 6,043,635 | 5,104,987 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **73,604,499** | 69,276,170 | 61,520,769 |

Approved by the Group Chief Executive on 26 April 2007

R. Douglas Dowie
Group Chief Executive

The attached explanatory notes 1 to 6 form part of the interim condensed consolidated financial statements.

The National Bank of Dubai
Public Joint Stock Company and its subsidiaries

# CONSOLIDATED STATEMENT OF CASH FLOWS
31 March 2007

| | *Three months ended 31 March* | |
|---|---|---|
| | ***2007*** | *2006* |
| | ***Unaudited*** | *Unaudited* |
| | ***AED'000*** | *AED'000* |
| **OPERATING ACTIVITIES** | | |
| Profit for the period | **301,903** | 257,026 |
| Adjustments for: | | |
| Depreciation | **20,775** | 20,480 |
| Provision for credit losses | **37,468** | 14,639 |
| Amortisation of premium/discount on securities | **3,418** | 5,362 |
| Operating profit before changes in operating assets and liabilities: | **363,564** | 297,507 |
| Due from banks | **(2,124,322)** | 80,205 |
| Trading securities (including managed funds) | **1,737,198** | (306,954) |
| Loans and advances | **(3,488,553)** | (9,859,717) |
| Other assets | **71,494** | (162,896) |
| Customers' deposits | **3,466,166** | 1,381,104 |
| Due to banks | **(1,668,109)** | 1,508,439 |
| Other liabilities | **62,542** | 7,618,912 |
| Net cash (used in) from operating activities | **(1,580,020)** | 556,600 |
| **INVESTING ACTIVITIES** | | |
| Purchase of securities available for sale, net | **(1,791,382)** | (1,482,152) |
| Purchase of investment properties | **(28,136)** | - |
| Additions to fixed assets, net | **(16,232)** | (7,375) |
| Net cash used in investing activities | **(1,835,750)** | (1,489,527) |
| **FINANCING ACTIVITIES** | | |
| Proceeds from debt issues | **2,194,354** | - |
| Dividends paid | **-** | (518,712) |
| Directors' fees | **(2,700)** | (3,300) |
| Net cash used in financing activities | **2,191,654** | (522,012) |
| **DECREASE IN CASH AND CASH EQUIVALENTS** | **(1,224,116)** | (1,454,939) |
| Cash and cash equivalents at 1 January | **6,043,080** | 5,537,899 |
| **CASH AND CASH EQUIVALENTS AT 31 MARCH** | **4,818,964** | 4,082,960 |
| Cash and cash equivalents comprise the following balance sheet amounts with original maturities of three months or less: | | |
| Cash and balances with Central Bank | **4,486,295** | 2,894,959 |
| Deposits and other balances due from banks | **332,669** | 1,188,001 |
| | **4,818,964** | 4,082,960 |
| Operational cash flows from interest and dividend: | | |
| Interest paid | **608,706** | 339,755 |
| Interest received | **955,417** | 594,789 |
| Dividend received | **4,267** | 348 |

The attached explanatory notes 1 to 6 form part of the interim condensed consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
31 March 2007

| | *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* | *Current period's profit AED'000* | *Proposed cash dividend AED'000* | *Proposed scrip dividend AED'000* | *Cumulative changes in fair values AED'000* | *Total AED'000* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **At 1 January 2007** | 1,296,779 | 648,390 | 648,390 | 300,000 | 2,669,116 | 86,794 | - | 518,712 | 259,356 | (383,902) | **6,043,635** |
| Net movement in cumulative changes in fair values recognised directly in equity | - | - | - | - | - | - | - | - | - | 2,309 | **2,309** |
| Profit for the period | - | - | - | - | - | - | 301,903 | - | - | - | **301,903** |
| Total income and expense for the period | - | - | - | - | - | - | 301,903 | - | - | 2,309 | **304,212** |
| Transfer to dividend payable | - | - | - | - | - | - | - | (518,712) | - | - | **(518,712)** |
| **At 31 March 2007** *(Unaudited)* | **1,296,779** | **648,390** | **648,390** | **300,000** | **2,669,116** | **86,794** | **301,903** | **-** | **259,356** | **(381,593)** | **5,829,135** |
| **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 | - | - | - | - | - | - | - | - | - | (131,011) | **(131,011)** |
| Profit for the period | - | - | - | - | - | - | 257,026 | - | - | - | **257,026** |
| Total income and expense for the period | - | - | - | - | - | - | 257,026 | - | - | (131,011) | **126,015** |
| Dividends paid – 2005 | - | - | - | - | - | - | - | (518,712) | - | - | **(518,712)** |
| **Balance at 31 March 2006** *(Unaudited)* | **1,296,779** | **648,390** | **648,390** | **300,000** | **1,769,116** | **658,515** | **257,026** | **-** | **-** | **(473,229)** | **5,104,987** |

The attached explanatory notes 1 to 6 form part of the interim condensed consolidated financial statements.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2007 (Unaudited)

## 1 GENERAL

The National Bank of Dubai Public Joint Stock Company (the Bank) was incorporated in Dubai in 1963 as The National Bank of Dubai Limited under a charter granted by H.H. The Ruler of Dubai and was registered in 1994 under the Commercial Companies Law Number 8 of 1984 (as amended) as a Public Joint Stock Company. The address of the Bank's registered office is P.O. Box 777, Dubai, United Arab Emirates.

The Bank's principal activity is commercial banking.

On 7 March 2007, the Bank announced that National Bank of Dubai and Emirates Bank International are at an early stage of a transaction that could lead to the establishment of a merged entity subject to shareholders' and regulatory approvals.

## 2 ACCOUNTING POLICIES

The interim condensed consolidated financial statements of the Bank are prepared in accordance with International Financial Reporting Standard 34, Interim Financial Reporting. The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2006.

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards. In addition, results for the three months ended 31 March 2007 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2007.

## 3 EARNINGS PER SHARE

Earnings per share is computed by dividing the profit attributable to the shareholders by the weighted average number of shares outstanding during the period of 1,296,778,850 (2006: 1,296,778,850) of AED 1 each. The number of shares has not been adjusted for the bonus issue which took place on 5 April 2007. Adjusted for the bonus issue, earnings per share would have been AED 0.19 (2006: AED 0.17).

## 4 CUMULATIVE CHANGES IN FAIR VALUES

| | *31 March 2007 AED'000* | *31 March 2006 AED'000* |
|---|---|---|
| ***Available for sale investments*** | | |
| Balance at 1 January | **(395,221)** | (360,891) |
| Net increase (decrease) in fair value during the period | **2,720** | (140,114) |
| Realised losses during the period | **-** | 14,964 |
| **Balance at 31 March** | **(392,501)** | (486,041) |
| ***Cash flow hedges*** | | |
| Fair value at 1 January | **11,319** | 18,673 |
| Net increase (decrease) in fair value during the period | **535** | (2,803) |
| | **11,854** | 15,870 |
| Realised during the period | **(946)** | (3,058) |
| **Fair value at 31 March** | **10,908** | 12,812 |
| **Balance of cumulative changes at 31 March** | **(381,593)** | (473,229) |

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2007 (Unaudited)

## 5 SEGMENTAL INFORMATION

For operating purposes the Bank is organised into two major business segments: Commercial Banking, which principally handles loans and other credit facilities and deposit and current accounts for corporate, government, institutional and individual customers and Treasury and others which involves the management of the Bank's treasury services, investment portfolio, asset management and brokerage services. These segments are the basis on which the Bank reports its primary segment information. Transactions between segments are conducted at rates determined by management taking into consideration the cost of funds and an equitable allocation of expenses.

| | *Commercial Banking* | | *Treasury and others* | | *Total* | |
|---|---|---|---|---|---|---|
| | ***31 March 2007 AED'000*** | *31 March 2006 AED'000* | ***31 March 2007 AED'000*** | *31 March 2006 AED'000* | ***31 March 2007 AED'000*** | *31 March 2006 AED'000* |
| Segment revenue | **916,767** | 562,620 | **285,241** | 229,646 | **1,202,008** | 792,266 |
| Inter-segment adjustment | **34,271** | 89,819 | **(34,271)** | (89,819) | **-** | - |
| | **951,038** | 652,439 | **250,970** | 139,827 | **1,202,008** | 792,266 |
| Net profit for the period | **269,006** | 216,322 | **32,897** | 40,704 | **301,903** | 257,026 |
| Segment assets | **48,156,532** | 39,113,899 | **25,447,967** | 22,406,870 | **73,604,499** | 61,520,769 |
| Segment liabilities and equity | **53,767,540** | 50,004,633 | **19,836,959** | 11,516,136 | **73,604,499** | 61,520,769 |

For operational and management reporting purposes the Bank is organised as one geographical segment. Consequently, no secondary segment information is required to be provided.

## 6 COMMITMENTS AND CONTINGENT LIABILITIES

The Bank has the following credit related commitments:

| | ***31 March 2007 AED'000*** | *31 December 2006 AED'000* |
|---|---|---|
| *Contingent liabilities:* | | |
| Letters of credit | **3,679,690** | 3,017,168 |
| Guarantees and acceptances | **9,236,541** | 8,493,045 |
| | **12,916,231** | 11,510,213 |
| *Commitments:* | | |
| Irrevocable commitments to extend credit: | | |
| Original term to maturity of more than one year | **6,818,234** | 4,394,522 |