Commercial Bank of Dubai PSC

Condensed consolidated interim financial statements

31 March 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 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 31 March 2006 and the related consolidated interim statements of income, cash flows and changes in equity for the three month period then ended. These condensed consolidated interim financial statements are a 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 Standards 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 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 31 March 2005 and for the three month period then ended have not been reviewed as this is the first time condensed consolidated interim financial statements for the three month 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.

16 APR 2006

KPMG

Sharad Bhandari
Registration No. 267

Commercial Bank of Dubai PSC

Consolidated interim balance sheet

As at 31 March 2006

	Note	**31 March 2006 AED'000 Reviewed**	31 December 2005 AED'000 Audited	31 March 2005 AED'000 Unaudited
ASSETS				
Cash and balances with Central Bank		**1,450,881**	1,832,133	936,876
Due from banks		**2,056,947**	2,024,779	565,273
Loans and advances	*3*	**12,184,885**	9,342,851	8,057,437
Investment securities	*4*	**1,120,448**	1,137,960	811,522
Property and equipment		**356,190**	345,600	337,431
Other assets		**755,996**	600,699	598,867
Total assets		**17,925,347**	15,284,022	11,307,406
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks		**1,589,494**	1,154,272	206,569
Customers' deposits		**12,814,750**	10,635,879	8,232,845
Other liabilities		**878,772**	672,533	632,558
Total liabilities		**15,283,016**	12,462,684	9,071,972
EQUITY				
Share capital	*5*	**815,733**	627,487	627,487
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		**458,663**	642,535	461,771
Reserve for proposed bonus issue		-	188,246	-
Proposed cash dividend		-	188,246	-
Proposed directors' remuneration		-	4,000	-
Retained earnings		**245,553**	48,442	164,717
Total equity		**2,642,331**	2,821,338	2,235,434
Total liabilities and equity		**17,925,347**	15,284,022	11,307,406

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 16 April 2006.

The attached notes on pages 6 to 11 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 three months period ended 31 March 2006

	Note	*Three months period ended* 31 March 2006 AED'000 Reviewed	31 March 2005 AED'000 Unaudited
Interest income		**211,166**	123,265
Interest expense		**79,054**	25,495
Net interest income		**132,112**	97,770
Net fees and commission income		**53,516**	28,644
Net gains from dealing in foreign currencies		**9,056**	9,076
Net income from investments at fair value through income statement		**52,323**	44,025
Net gain from sale of available-for-sale investments		**8,798**	10,581
Dividend income		**5,765**	1,697
Other income		**3,259**	2,990
		264,829	194,783
Recoveries net of impairment losses		**1,958**	3,567
Allowances for impairment losses on other assets		**(3,584)**	-
Net interest and other income		**263,203**	198,350
General and administrative expenses		**59,541**	46,344
Depreciation		**6,551**	6,307
Total expenses		**66,092**	52,651
Profit for the period		**197,111**	145,699
Earnings per share	*6*	**AED 0.24**	AED 0.18

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Commercial Bank of Dubai PSC

Consolidated interim statement of cash flows

For the three months period ended 31 March 2006

	Note	*Three months period ended* 31 March 2006 AED'000 Reviewed	31 March 2005 AED'000 Unaudited
OPERATING ACTIVITIES			
Profit for the period		**197,111**	145,699
Adjustments for:			
Depreciation		**6,551**	6,307
Gain on disposal of property and equipment		**-**	(10)
Investment income		**(15,011)**	(17,930)
Net unrealised gains on investments at fair value through income statement		**(51,875)**	(38,373)
Realised gains on sales of available for sale investments		**(11,338)**	(8,410)
Directors' remuneration paid		**(4,000)**	(2,400)
Operating profit before working capital changes		**121,438**	84,883
Increase in statutory reserve with the Central Bank		**(11,733)**	(45,190)
Increase in loans and advances		**(2,842,034)**	(541,306)
Increase in other assets		**(155,297)**	(212,109)
Increase in due from banks maturing after three months		**-**	(31,110)
Increase in customers' deposits		**2,178,871**	754,981
Increase in other liabilities		**206,239**	171,884
Net cash flow (used in)/from operating activities		**(502,516)**	182,033
INVESTING ACTIVITIES			
Purchase of investments		**(122,202)**	(11,314)
Purchase of property and equipment		**(17,141)**	(12,357)
Investment income		**15,011**	17,930
Proceeds from sale of investments		**19,055**	35,663
Proceeds from sale of property and equipment		**-**	15
Net cash (used in)/flow from investing activities		**(105,277)**	29,937
FINANCING ACTIVITIES			
Dividend paid		**(188,246)**	(163,692)
Net cash flow used in financing activities		**(188,246)**	(163,692)
Net (decrease)/increase in cash and cash equivalents		**(796,039)**	48,278
Cash and cash equivalents at 1 January		**1,980,538**	596,848
Cash and cash equivalents at 31 March	7	**1,184,499**	645,126

The attached notes on pages 6 to 11 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 three months period ended 31 March 2006

	Share capital	Legal reserve	Capital reserve	General reserve	Cumulative changes in fair values	Retained earnings	Proposed distributions	Total
	AED'000	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	-	-	-	-	(8,410)	-	-	(8,410)
Revaluation of available for sale investments	-	-	-	-	193,306	-	-	193,306
Profit for the period	-	-	-	-	-	145,699	-	145,699
At 31 March 2005 (Unaudited)	627,487	272,821	38,638	670,000	461,771	164,717	-	2,235,434
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	-	-	-	-	(11,338)	-	-	(11,338)
Revaluation of available for sale investments	-	-	-	-	(172,534)	-	-	(172,534)
Profit for the period	-	-	-	-	-	197,111	-	197,111
At 31 March 2006 (Reviewed)	**815,733**	**313,744**	**38,638**	**770,000**	**458,663**	**245,553**	**-**	**2,642,331**

The attached notes on pages 6 to 11 form part of these condensed consolidated interim financial statements.

The review report of the Auditors is set out on page 1.

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 three months period ended 31 March 2006 comprise the Bank and its subsidiary "CBD Financial Services LLC" (together referred to as "the Group"). The subsidiary which was incorporated on 9 March 2005 in Dubai, United Arab Emirates 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 three month period ended 31 March 2005 is for the Bank only. The Bank 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 are the Group's first condensed consolidated financial statements. 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.

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	**31 March 2006 AED'000 Reviewed**	31 December 2005 AED'000 Audited
Overdrafts	**5,340,651**	4,290,956
Loans	**6,068,834**	4,282,161
Advances against letters of credit and trust receipts	**498,789**	451,581
Bills discounted	**512,235**	553,115
Gross loans and advances	**12,420,509**	9,577,813
Less: Provisions for impairment losses	**(235,624)**	(234,962)
Net loans and advances	**12,184,885**	9,342,851

3. LOANS AND ADVANCES (continued)

Analysis by Sector

	31 March 2006 (reviewed)		31 December 2005 (audited)	
	Domestic AED'000	**International AED'000**	Domestic AED'000	International AED'000
Commercial and business	**5,542,657**	**160,997**	4,922,759	164,931
Banks and financial Institutions	**211,617**	**-**	261,035	-
Government and Public sector entities	**50,260**	**15,356**	49,329	15,821
Personal	**612,379**	**-**	604,777	-
Individuals	**5,759,879**	**-**	3,485,425	-
Others	**67,364**	**-**	73,736	-
	12,244,156	**176,353**	9,397,061	180,752

The movement on provisions for impairment losses is as follows:

	31 March 2006 AED'000 Reviewed	31 December 2005 AED'000 Audited
Balance at 1 January	**234,962**	217,995
Amounts written off	**(3,725)**	(13,937)
Charge	**3,875**	39,593
Interest not recognised	**6,345**	20,981
Recoveries	**(5,833)**	(29,670)
	235,624	234,962

Interest not recognised as income is calculated on the face value of the impaired loans which amounted to AED 290 million *(three months period ended 31 March 2005: AED 244 million)*.

4. INVESTMENT SECURITIES

	31 March 2006 AED'000 Reviewed	31 December 2005 AED'000 Audited
Investments at fair value through income statement	**251,333**	175,376
Held-to-maturity		
Government securities	**85,148**	83,695
Available-for-sale		
Quoted securities	**686,330**	854,218
Unquoted securities	**98,014**	25,048
	1,120,825	1,138,337
Less: Allowance for impairment losses	**(377)**	(377)
	1,120,448	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 31 March 2006 comprised 815,732,970 ordinary shares of AED 1 each *(31 March 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.

6. EARNINGS PER SHARE

The earnings per share is based on the Group profit for the three month period ended 31 March 2006 attributable to the shareholders amounting to AED 197,111 thousand *(three months ended 31 March 2005: AED 145,699 thousand),* and on the weighted average number of shares in issue totaling 815,732,970 *(31 March 2005: 627,486,900).* The weighted average number of shares at 31 March 2005 and accordingly earnings per share for three months period ended 31 March 2005 have been adjusted to reflect the bonus issue and the share split made during 2005.

7. CASH AND CASH EQUIVALENTS

	31 March 2006 AED'000 Reviewed	31 March 2005 AED'000 Unaudited
Cash on hand	**327,065**	227,252
Balances with the Central Bank	**91,091**	90,280
Negotiable certificate of deposits with the Central Bank	**330,000**	-
Due from banks maturing within three months	**2,025,837**	534,163
	2,773,993	851,695
Due to banks	**(1,589,494)**	(206,569)
	1,184,499	645,126

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

	31 March 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	**16,772,700**	**14,868,392**	**13,931,829**	14,061,197	12,034,159	4,656,468
International	**1,152,647**	**414,624**	**1,116,020**	1,222,825	428,525	151,351
Total	**17,925,347**	**15,283,016**	**15,047,849**	15,284,022	12,462,684	4,807,819
Customer groups						
Commercial and business	**6,274,974**	**6,803,893**	**3,843,664**	5,607,435	4,811,936	4,030,584
Banks and financial institutions	**4,134,109**	**1,795,523**	**10,684,155**	4,584,076	1,229,623	581,737
Government and public sector entities	**290,488**	**1,485,850**	**63,616**	215,109	1,351,757	53,285
Individuals	**6,383,678**	**4,844,009**	**453,229**	4,043,256	4,694,804	139,098
Others	**842,098**	**353,741**	**3,185**	834,146	374,564	3,115
Total	**17,925,347**	**15,283,016**	**15,047,849**	15,284,022	12,462,684	4,807,819

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	
	31 March 2006 AED'000 Reviewed	31 December 2005 AED'000 Audited
Loans and advances		
Outstanding at 1 January	**130,109**	172,153
Loans issued	**273,865**	11,079
Repayments	**(3,209)**	(53,123)
Closing balance	**400,765**	130,109
Deposits		
Deposits at 1 January	**282,715**	102,116
Received	**25,523**	195,424
Repaid	**(215,650)**	(14,825)
Closing balance	**92,588**	282,715

	Three months period ended	
	31 March 2006 AED'000 Reviewed	31 March 2005 AED'000 Unaudited
Interest income	**3,682**	2,222
Interest expense	**1,657**	668

Balance of contingent liabilities and commitments as at 31 March 2006 is AED 658 million *(31 December 2005: AED 322.9 million)*. No provisions for impairment have been recognised in respect of loans given to related parties *(3 months period ended 31 March 2005: NIL)*

Key management compensation	***Three months period ended***	
	31 March 2006 AED'000 Reviewed	31 March 2005 AED'000 Unaudited
Salaries and other short-term benefits	**1,638**	1,541
Post retirement benefits	**134**	207

12. COMPARATIVE FIGURES

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