

**ABU DHABI COMMERCIAL
BANK P.J.S.C.**

**Review report and interim
condensed consolidated
financial statements for the
period ended 30 September 2006**

ABU DHABI COMMERCIAL BANK P.J.S.C.

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the Directors of
Abu Dhabi Commercial Bank P.J.S.C.
Abu Dhabi, UAE

We have reviewed the accompanying consolidated balance sheet of Abu Dhabi Commercial Bank P.J.S.C. ("the Bank") as of 30 September 2006 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the period then ended as set out in pages 2 to 14. These interim condensed consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to issue a report on these interim condensed consolidated financial statements based on our review.

We conducted our review in accordance with International Standard on Review Engagement 2400. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the interim condensed consolidated financial statements are free of material misstatement. A review is limited primarily to inquiries of bank 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.

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 International Financial Reporting Standards.

Saba Y. Sindaha
Registration Number 410
9 October 2006

**Consolidated balance sheet
as at 30 September 2006**

	Notes	As at 30 September 2006 (unaudited) AED'000	As at 31 December 2005 (audited) AED'000
ASSETS			
Cash and balances with Central Banks		1,835,093	1,702,321
Deposits and balances due from banks		10,449,195	9,989,250
Trading investments	3	90,819	392,836
Loans and advances, net	4	54,012,126	42,164,061
Non trading investments	5	3,065,578	1,771,454
Other assets		2,056,492	1,061,243
Property, plant and equipment, net		472,622	403,192
Total assets		71,981,925	57,484,357
LIABILITIES			
Due to banks		6,425,953	6,049,451
Customers' deposits		40,864,850	33,937,379
Short and medium term borrowings	6	12,028,523	7,749,484
Other liabilities		2,461,683	1,129,630
Total liabilities		61,781,009	48,865,944
EQUITY			
Share capital	7	4,000,000	4,000,000
Statutory and legal reserves		1,566,833	1,566,833
General and contingency reserves		2,000,000	2,000,000
Cumulative change in fair values		50,269	75,881
Retained earnings		2,527,690	966,216
Total shareholders' equity		10,144,792	8,608,930
Minority interest		56,124	9,483
Total equity		10,200,916	8,618,413
Total liabilities and equity		71,981,925	57,484,357
Commitments and contingent liabilities	8	29,976,751	25,520,872

Saeed Al Hajeri
Chairman

Eirvin Knox
Chief Executive Officer

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

**Consolidated income statement (unaudited)
for the period ended 30 September 2006**

	Note	<u>3 months ended 30 Sep.</u>		<u>9 months ended 30 Sep.</u>	
		2006 AED'000	2005 AED'000	2006 AED'000	2005 AED'000
Interest income		1,104,507	704,256	2,954,874	1,641,625
Interest expense		(655,909)	(286,895)	(1,652,311)	(688,675)
Net interest income		448,598	417,361	1,302,563	952,950
Net fee and commission income		135,459	296,465	962,850	796,354
Net gains from dealing in foreign currencies and derivatives		29,886	23,592	128,502	53,517
Dividend income		296	-	3,767	2,149
Other operating (loss)/income		10,483	23,904	(1,855)	83,325
Operating income		624,722	761,322	2,395,827	1,888,295
Staff expenses		(103,782)	(87,796)	(292,980)	(222,973)
Depreciation		(11,076)	(8,411)	(29,962)	(21,560)
Other operating expenses		(59,627)	(46,339)	(176,080)	(113,971)
Allowance for doubtful loans and advances, net of recoveries		(31,328)	(38,140)	(278,870)	(104,847)
Operating expenses		(205,813)	(180,686)	(777,892)	(463,351)
Profit from operations before taxation		418,909	580,636	1,617,935	1,424,944
Overseas income tax expense		(866)	38	(1,681)	(431)
Net profit for the period		418,043	580,674	1,616,254	1,424,513
Attributed to:					
Equity holders of the parent		409,414	580,674	1,560,348	1,424,513
Minority interest		8,629	-	55,906	-
Net profit for the period		418,043	580,674	1,616,254	1,424,513
Basic earnings per share (AED)	9	0.10	0.15	0.39	0.37

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

ABU DHABI COMMERCIAL BANK P.J.S.C.

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**Consolidated statement of changes in shareholders' equity (unaudited)
for the period ended 30 September 2006**

	Share capital AED'000	Statutory reserve AED'000	Legal reserve AED'000	General reserve AED'000	Contingency reserve AED'000	Proposed dividends AED'000	Cumulative changes in fair value AED'000	Retained earnings AED'000	Attributable to equity holders of the parent AED'000	Minority interest AED'000	Total equity AED'000
Balance at 1 January 2005	1,250,000	614,592	569,805	1,775,000	150,000	562,500	21,258	17,166	4,960,321	-	4,960,321
Net profit for the period	-	-	-	-	-	-	-	1,424,513	1,424,513	-	1,424,513
Dividends paid	-	-	-	-	-	(312,500)	-	-	(312,500)	-	(312,500)
Bonus shares issued	750,000	-	-	-	-	(250,000)	-	(500,000)	-	-	-
Difference arising on translation of the financial statements of the Bank's overseas branches	-	-	-	-	-	-	-	(704)	(704)	-	(704)
Net movement in cumulative changes in fair values of available for sale investments	-	-	-	-	-	-	3,633	-	3,633	-	3,633
Balance at 30 September 2005	2,000,000	614,592	569,805	1,775,000	150,000	-	24,891	940,975	6,075,263	-	6,075,263
Balance at 1 January 2006	4,000,000	805,810	761,023	1,850,000	150,000	-	75,881	966,216	8,608,930	9,483	8,618,413
Net profit for the period	-	-	-	-	-	-	-	1,560,348	1,560,348	55,906	1,616,254
Dividends paid to minority shareholders	-	-	-	-	-	-	-	-	-	(9,265)	(9,265)
Difference arising on translation of the financial statements of the Bank's overseas branches	-	-	-	-	-	-	-	1,126	1,126	-	1,126
Net movement in cumulative changes in fair values of available for sale investments	-	-	-	-	-	-	(25,612)	-	(25,612)	-	(25,612)
Balance at 30 September 2006	4,000,000	805,810	761,023	1,850,000	150,000	-	50,269	2,527,690	10,144,792	56,124	10,200,916

The movement in foreign exchange translation adjustments represent the net foreign exchange translation gain/(loss) arising from translating the financial statements of the Bank's foreign branches into UAE Dirham.

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

**Consolidated statement of cash flows (unaudited)
for the period ended 30 September 2006**

	<u>Nine months ended 30 September</u>	
	2006	2005
	AED'000	AED'000
OPERATING ACTIVITIES		
Net profit before taxation and minority interest	1,617,935	1,424,944
Adjustments for:		
Currency translation	1,126	(704)
Depreciation	29,962	21,560
Gain on disposal of property, plant and equipment	22	(9)
Allowance for doubtful loans and advances, net of recoveries	278,870	104,847
Loss on sale of non trading investments	-	(1,654)
Operating profit before changes in operating assets and liabilities	1,927,915	1,548,984
(Increase)/decrease in due from banks	(401,554)	2,117,611
Increase in loans and advances	(12,126,935)	(10,610,795)
Decrease/(increase) in trading investments	302,017	(98,826)
Increase in other assets	(995,249)	(100,044)
Increase/(decrease) in due to banks	1,195,862	(442,614)
Increase in customers' deposits	6,927,471	3,743,347
Increase in other liabilities	1,332,222	320,741
Cash used in operations	(1,838,251)	(3,521,596)
Directors' remuneration paid	(1,850)	(1,850)
Overseas taxation paid	-	(140)
Net cash used in operating activities	(1,840,101)	(3,523,586)
INVESTING ACTIVITIES		
Net (purchase)/ disposal of non-trading investments	(1,319,736)	253,904
Purchase of property and equipment, net of disposals	(99,414)	(166,577)
Net cash (used in)/ from investing activities	(1,419,150)	87,327
FINANCING ACTIVITIES		
Dividends paid	-	(312,500)
Proceeds from short and medium term borrowings	4,279,039	3,636,270
Dividends paid to minority shareholders	(9,265)	-
Net cash from financing activities	4,269,774	3,323,770
Increase/(decrease) in cash and cash equivalents	1,010,523	(112,489)
Cash and cash equivalents at 1 January	3,943,126	2,387,083
Cash and cash equivalents at 30 September	4,953,649	2,274,594

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

**Notes to the interim condensed consolidated financial statements
for the period ended 30 September 2006****1 General**

Abu Dhabi Commercial Bank P.J.S.C. (“the Bank”) is a public joint stock company with limited liability incorporated in the Emirate of Abu Dhabi, United Arab Emirates. The Bank changed its name from Khalij Commercial Bank to Abu Dhabi Commercial Bank after merging with Emirates Commercial Bank and Federal Commercial Bank on 1 July 1985. The Bank carries on retail, commercial, investment, merchant, brokerage and fund management activities through its network of forty branches in the United Arab Emirates and two branches in India.

The registered head office of the Bank is at P.O. Box 939, Abu Dhabi, United Arab Emirates (U.A.E.).

The Bank is registered as a public joint stock company in accordance with U.A.E. Federal Law No. (8) of 1984 (as amended).

The interim condensed consolidated financial statements are presented in UAE Dirhams (AED) since that is the currency in which the majority of the Bank’s transactions are denominated.

2 Summary of significant accounting policies**Basis of preparation**

The interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The interim condensed consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments.

These interim condensed consolidated financial statements are prepared in accordance with International Accounting Standard No. 34. Interim Financial Reporting issued by the International Accounting Standard Board and also comply with the applicable requirements of the laws in the U.A.E.

The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the audited annual financial statements for the year ended 31 December 2005.

**Notes to the interim condensed consolidated financial statements
for the period ended 30 September 2006 (continued)**

3 Trading investments

	30 September 2006 (unaudited) AED'000	31 December 2005 (audited) AED'000
Fair value	90,819	392,836

Trading investments represent investments in mutual funds that present the Bank with opportunity of return through dividend income and trading gains. They have no fixed maturity or coupon rate. The fair values of these funds are based on valuations provided by Fund Managers.

4 Loans and advances, net

	30 September 2006 (unaudited) AED'000	31 December 2005 (audited) AED'000
Overdrafts	14,284,412	14,548,158
Personal installment loans	4,962,520	4,498,700
Term loans	34,202,145	22,891,726
Credit cards	413,563	232,327
Other facilities	1,188,083	707,250
	55,050,723	42,878,161
Less: Allowance for doubtful loans and advances	(1,038,597)	(714,100)
	54,012,126	42,164,061

**Notes to the interim condensed consolidated financial statements
for the period ended 30 September 2006 (continued)**

4 Loans and advances, net (continued)

The composition of the loans and advances portfolio net of interest in suspense is as follows:

	30 September 2006 (unaudited)			31 December 2005 (audited)		
	Domestic AED'000	International AED'000	Total AED'000	Domestic AED'000	International AED'000	Total AED'000
Economic sector						
Agriculture	20,264	-	20,264	29,167	-	29,167
Energy	737,106	738,228	1,475,334	1,306,846	750,398	2,057,244
Trading	2,224,263	180,177	2,404,440	1,499,079	183,673	1,682,752
Construction	1,927,454	13,902	1,941,356	1,955,824	4,940	1,960,764
Transport	1,987,541	66,572	2,054,113	550,997	89,283	640,280
Personal	6,671,870	8,119	6,679,989	4,361,754	3,420	4,365,174
Personal - others	18,206,788	548,038	18,754,826	17,934,826	197,229	18,132,055
Government	2,303,448	26	2,303,474	4,582,566	-	4,582,566
Financial Institution	4,514,639	2,459,518	6,974,157	395,147	2,323,533	2,718,680
Manufacturing	2,003,392	479,537	2,482,929	1,389,918	281,080	1,670,998
Services	7,479,369	2,286,740	9,766,109	2,462,970	684,431	3,147,401
Others	193,732	-	193,732	1,844,959	46,121	1,891,080
Total	48,269,866	6,780,857	55,050,723	38,314,053	4,564,108	42,878,161
Less: Allowance for doubtful loans and advances			(1,038,597)			(714,100)
Total			54,012,126			42,164,061

**Notes to the interim condensed consolidated financial statements
for the period ended 30 September 2006 (continued)**

5 Non trading investments

	30 September 2006 (unaudited) AED'000	31 December 2005 (audited) AED'000
Available for sale investments	2,803,468	1,509,344
Held to maturity investments	262,110	262,110
	3,065,578	1,771,454

6 Short and medium term borrowings

Unsecured notes

<u>Principal amount</u>	<u>Maturity</u>	30 September 2006 (unaudited) AED '000	31 December 2005 (audited) AED '000
Japanese Yen	2006	124,319	171,643
Singapore Dollar (SGD)	2006	185,038	176,746
US Dollar	2006	146,920	257,110
Japanese Yen	2007	46,620	-
Hong Kong Dollar (HKD)	2007	263,979	-
US Dollar	2007	348,935	18,365
Euro (EUR)	2007	102,470	-
Swiss Francs (CHF)	2008	152,717	-
UAE Dirhams (AED)	2009	365,000	-
US Dollar	2009	422,395	146,920
US Dollar	2010	3,673,000	3,305,700
US Dollar	2011	36,730	-
Swiss Francs (CHF)	2011	881,061	-
Hong Kong Dollar (HKD)	2011	47,139	-
Turkish Lira (TRY)	2016	90,000	-
		6,886,323	4,076,484
Syndicated loan:			
US Dollar	2008	3,673,000	3,673,000
Subordinated floating rate notes:			
US Dollar	2016	1,469,200	-
Total		12,028,523	7,749,484

**Notes to the interim condensed consolidated financial statements
for the period ended 30 September 2006 (continued)**

6 Short and medium term borrowings (continued)

Interest on unsecured notes is payable quarterly in arrears and the coupon rate is as follows.

Japanese Yen Notes	0.13% to 0.17% p.a.
US Dollar Notes	3 months LIBOR plus 10 to 35 basis points
Singapore Dollar Notes	3 months SGD SWAP offer rate plus 7 basis points
Hong Kong Dollar Notes	3 months HKD offer rate plus 10 to 34 basis points
Euro Notes	3 months LIBOR plus 12 basis points
Swiss Francs Notes (CHF)	3 months LIBOR plus 14 to 35 basis points
UAE Dirhams Notes (AED)	3 months EIBOR plus 22 basis points
Turkish Lira Notes (TRY)	3 months LIBOR plus 41 basis points

Interest on the syndicated loan is payable quarterly in arrears at a coupon rate of 27.5 basis points above LIBOR for three months US dollar deposits. The Bank has the option to roll over the syndicated loan for a further period of two years from the date of maturity.

The Bank also has an unsecured standby facility of US\$ 1,000 million (31 December 2005 – US\$ 925 million) from a consortium of banks with a drawdown period of one year.

The subordinated floating rate notes were obtained from financial institutions outside of UAE and qualify as Tier 2 subordinated loan capital for the first 5 year period till 2011 and thereafter it will be amortised at the rate of 20% per annum till 2016 for capital adequacy calculation (note 13) if these are not redeemed during 2011. This has been approved by the Central Bank of UAE.

Interest on the subordinated floating rate notes is payable quarterly in arrears at a coupon rate of 60 basis points over LIBOR for three months US Dollar deposits.

7 Share capital

	Authorised	Issued and fully paid	
		At 30 September 2006 (unaudited)	At 31 December 2005 (audited)
	AED'000	AED'000	AED'000
Ordinary shares of AED 1 each	4,000,000	4,000,000	4,000,000
	=====	=====	=====

Abu Dhabi Investment Authority holds 64.841% (31 December 2005 – 64.841%) of the issued and fully paid up share capital.

**Notes to the interim condensed consolidated financial statements
for the period ended 30 September 2006 (continued)**

8 Commitments and contingent liabilities

The Bank has the following commitments and contingent liabilities:

	30 September 2006 (unaudited) AED'000	31 December 2005 (audited) AED'000
Acceptances	242,762	240,957
Letters of credit	1,610,078	2,427,265
Guarantees	12,712,200	10,213,666
Irrevocable commitments to extend credit	15,403,064	12,601,943
Commitments for future capital expenditure	-	19,748
Commitments to invest in non-trading investment	8,647	17,293
	<u>29,976,751</u>	<u>25,520,872</u>

9 Basic earnings per share

Basic earnings per share are calculated by dividing the net profit for the period by the weighted average number of shares outstanding during the period as follows:

	30 September 2006 (unaudited)	30 September 2005 (unaudited)
Net profit for 9 months attributable to the shareholders of the Bank (AED'000)	<u>1,560,348</u>	<u>1,424,513</u>
Ordinary shares in issue throughout the period (000's)	<u>4,000,000</u>	<u>3,854,771</u>
Basic earnings per share (AED)	<u>0.39</u>	<u>0.37</u>

The earnings per share calculation for 2005 have been retroactively adjusted to reflect the bonus issue of shares, a 10 for 1 share split and 1 for 1 rights issue of shares in accordance with shareholders' approval on 6 March 2005 and 18 September 2005 respectively.

The Bank has not issued any instruments which would have an impact on earnings per share when exercised.

**Notes to the interim condensed consolidated financial statements
for the period ended 30 September 2006 (continued)**

10 Derivative Instruments

In the ordinary course of business the Bank enters into various types of transactions that involve derivative financial instruments. The figures below are the notional amount of derivative financial instruments to which the Bank was a party as on the balance sheet date and are not indicative of the market risk or the credit risk associated with such instruments.

	30 September 2006 (unaudited) AED'000	31 December 2005 (audited) AED'000
Derivatives held for trading		
Forward foreign exchange contracts	3,651,381	1,766,990
Interest rate swaps	98,913,643	68,448,081
Forward rate agreements	1,295,144	1,875,806
Options	4,307,800	10,215,642
Futures	853,973	54,570
Commodity forwards	758,327	1,535
Energy swaps	1,103,239	598,508
	<hr/> 110,883,507 <hr/>	<hr/> 82,961,132 <hr/>
Derivatives held for hedging		
Interest rate swaps	3,057,254	1,093,048
Forward foreign exchange contracts	7,803,627	3,187,912
	<hr/> 10,860,881 <hr/>	<hr/> 4,280,960 <hr/>
	<hr/> 121,744,388 <hr/> <hr/>	<hr/> 87,242,092 <hr/> <hr/>

11 Seasonality of results

No income of seasonal nature was recorded in the statement of income for the nine months period ended 30 September 2006 and 2005.

**Notes to the interim condensed consolidated financial statements
for the period ended 30 September 2006 (continued)**

12 Business segments

The Bank's products and services can be categorized into the following business segments:

Commercial banking

This involves provision of loans and other credit facilities, deposits and current accounts for the bank's customers.

Investment banking

This involves the management of the banks' investment portfolio and treasury activities.

Transactions between segments are conducted at rates determined by management, taking into consideration the cost of funds.

	30 September 2006 (unaudited)		
	AED'000		
	Commercial banking	Investment Banking	Total
Total assets	40,637,038	31,344,887	71,981,925
Total liabilities	30,436,122	31,344,887	61,781,009
Total operating income	2,100,241	295,586	2,395,827
Segment results and profit from operations	1,337,888	280,047	1,617,935
Minority interest	-	(55,906)	(55,906)
Net profit before tax	1,337,888	224,141	1,562,029
Overseas tax expense - unallocated			(1,681)
Net profit for the period			1,560,348

**Notes to the interim condensed consolidated financial statements
for the period ended 30 September 2006 (continued)**

12 Business segments (continued)

	30 September 2005 (unaudited)		
	Commercial banking	AED'000 Investment Banking	Total
Total assets	32,410,265	18,022,641	50,432,906
Total liabilities	26,335,002	18,022,641	44,357,643
Total operating income	1,595,562	292,733	1,888,295
Segment results and profit from operations	1,283,682	141,262	1,424,944
Overseas tax expense - unallocated			(431)
Net profit for the period			1,424,513

13 Capital adequacy

The capital adequacy ratio calculated in accordance with the guidelines of the United Arab Emirates Central Bank is as follows:

	30 September 2006 (unaudited) AED'000	31 December 2005 (audited) AED'000
Total capital base	11,670,116	8,608,930
Risk weighted assets:		
Balance sheet assets	54,979,915	39,610,064
Off-balance sheet exposures	8,213,090	6,303,208
Total risk weighted assets	63,193,005	45,913,272
Total assets ratio (%)	18.47%	18.75%

Capital base at 30 September 2006 as shown above includes subordinated floating rate note balance of AED 1,469,200 thousands (note 6).

14 Comparative figures

Certain comparative figures were reclassified to conform with current period presentation.