

Commercial Bank of Dubai PSC

Consolidated Financial Statements

31 December 2007

Commercial Bank of Dubai PSC

Consolidated Financial Statements

31 December 2007

<i>Contents</i>	<i>Page</i>
Directors' report	1
Report of the auditors to the shareholders	2
Consolidated balance sheet	3
Consolidated statement of income	4
Consolidated statement of cash flows	5
Consolidated statement of changes in equity	6
Notes to the consolidated financial statements	7-38



P O Box 3800
Level 32, Emirates Towers
Sheikh Zayed Road
Dubai
United Arab Emirates

Telephone +971 (4) 403 0300
Fax +971 (4) 330 1515
Website www.ae-kpmg.com

Report of the Auditors to the Shareholders

The Shareholders
Commercial Bank of Dubai PSC

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Commercial Bank of Dubai PSC ("the Bank") and its subsidiary ("referred to as the Group"), which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting principles used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2007, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the relevant Articles of the Company and the UAE Federal Law No. 8 of 1984 (as amended).

Report on other legal and regulatory requirements

As required by the Federal Law No. 8 of 1984 (as amended), we further confirm that we have obtained all information and explanations necessary for our audit, that proper financial records have been kept by the Group and the contents of the Directors' report which relate to these consolidated financial statements are in agreement with the Group's financial records. We are not aware of any violation of the above mentioned Law and the Articles of Association having occurred during the year ended 31 December 2007, which may have had a material adverse effect on the business of the Group or its financial position.

Munther Dajani
Registration No: 268

16 JAN 2008

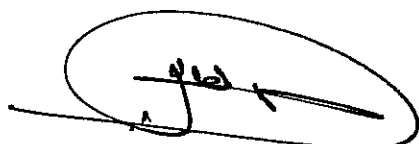
Commercial Bank of Dubai PSC

Consolidated balance sheet

as at 31 December 2007

	Note	2007 AED'000	2006 AED'000
ASSETS			
Cash and balances with Central Bank	5	5,730,341	3,227,018
Due from banks		209,087	664,665
Loans and advances	6	20,777,094	12,642,569
Investment securities	7	2,290,410	1,055,189
Property and equipment	8	415,642	381,796
Other assets	9	1,013,443	733,541
Total assets		30,436,017	18,704,778
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks		3,241,929	336,423
Customers' deposits		21,176,937	13,755,671
Other liabilities	10	1,258,253	802,592
Total liabilities		25,677,119	14,894,686
EQUITY			
Share capital	11	1,129,476	1,052,093
Legal reserve	11	1,257,375	1,024,247
Capital reserve	11	38,638	38,638
General reserve	11	1,070,000	870,000
Cumulative changes in fair values	11	457,521	276,724
Reserve for proposed bonus issue	11	282,369	-
Proposed cash dividend	11	338,843	473,442
Proposed directors' remuneration	11	6,000	4,000
Retained earnings	11	178,676	70,948
Total equity		4,758,898	3,810,092
Total liabilities and equity		30,436,017	18,704,778

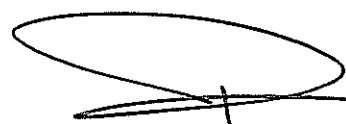
The attached notes on pages 7 to 38 form part of these consolidated financial statements.



H.E. Ahmed Humaid Al Tayer
Chairman



H.E. Saeed Ahmed Ghobash
Deputy Chairman



Peter Baltussen
Chief Executive

The report of the Auditors is set out on page 2.

Commercial Bank of Dubai PSC

Consolidated statement of income for the year ended 31 December 2007

	Note	2007 AED'000	2006 AED'000
Interest income	12	1,377,951	1,010,011
Interest expense	13	(506,215)	(384,107)
Net interest income		871,736	625,904
Net fees and commission income	14	266,162	214,502
Net gains from dealing in foreign currencies		62,086	44,807
Net gains/(losses) from investments at fair value through income statement	15	116,865	(35,277)
Net gains from sale of available-for-sale investments		40,015	35,275
Dividend income	16	15,740	9,929
Other income		11,618	6,167
		1,384,222	901,307
Provisions for impairment losses		(24,814)	(17,741)
Impairment loss on available for sale investments	7.3	(11,926)	-
Provisions for impairment losses on other assets		(4,549)	(3,411)
Net interest and other income		1,342,933	880,155
General and administrative expenses	17	(371,399)	(251,164)
Depreciation	8	(35,617)	(27,619)
Total expenses		(407,016)	(278,783)
Net profit for the year		935,917	601,372
Earnings per share	18	AED 0.84	AED 0.63

The attached notes on pages 7 to 38 form part of these consolidated financial statements.

Appropriations have been reflected in the consolidated statement of changes in equity.

The report of the Auditors is set out on page 2.

Commercial Bank of Dubai PSC

Consolidated statement of cash flows for the year ended 31 December 2007

	Note	2007 AED'000	2006 AED'000
OPERATING ACTIVITIES			
Profit for the year		935,917	601,372
Adjustments for:			
Depreciation		35,617	27,619
Impairment loss on available for sale investments		11,926	-
Gain on disposal of property and equipment		(28)	(37)
Investment income		(90,229)	(47,349)
Net unrealized (gains) /losses on investments at fair value through income statement		(82,391)	37,422
Net unrealized loss on derivatives		12,171	2,329
Realized gains on sale of available-for-sale investments		(31,600)	(44,306)
Impairment loss on investment written off		(377)	-
Directors' remuneration paid		(4,000)	(4,000)
		787,006	573,050
Increase in statutory reserve with the Central Bank		(329,977)	(173,717)
Increase in loans and advances		(8,134,525)	(3,299,718)
Increase in other assets		(257,643)	(122,631)
Increase in customers' deposits		7,421,266	3,119,792
Increase in other liabilities		421,231	117,519
Increase in due to banks maturing after three months		1,248,725	-
Net cash flow from operating activities		1,156,083	214,295
INVESTING ACTIVITIES			
Purchase of investments		(1,300,719)	(429,263)
Purchase of property and equipment		(69,603)	(63,878)
Investment income		90,229	47,349
Proceeds from sale of investments		348,737	153,107
Proceeds from sale of property and equipment		168	100
Net cash flow used in investing activities		(931,188)	(292,585)
FINANCING ACTIVITIES			
Dividend paid		(473,442)	(188,246)
Share subscription through rights issue		309,534	945,439
Net cash flow (used in)/from financing activities		(163,908)	757,193
Net increase in cash and cash equivalents		60,987	678,903
Cash and cash equivalents at 1 January		2,659,441	1,980,538
Cash and cash equivalents at 31 December	19	2,720,428	2,659,441

The attached notes on pages 7 to 38 form part of these consolidated financial statements.

The report of the Auditors is set out on page 2.

Commercial Bank of Dubai PSC

Consolidated statement of changes in equity for the year ended 31 December 2007

	Share capital AED'000	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 2006	627,487	313,744	38,638	770,000	642,535	48,442	380,492	2,821,338
Bonus issue (30%)	188,246	-	-	-	-	-	(188,246)	-
Cash dividend paid (30%)	-	-	-	-	-	-	(188,246)	(188,246)
Directors' remuneration paid	-	-	-	-	-	-	(4,000)	(4,000)
Realized gains on sale of available-for-sale investments	-	-	-	-	(44,306)	-	-	(44,306)
Revaluation of available-for-sale investments	-	-	-	-	(321,505)	-	-	(321,505)
Share subscription through rights issue	236,360	709,079	-	-	-	-	-	945,439
Profit for the year	-	-	-	-	-	601,372	-	601,372
Transferred to legal reserve	-	1,424	-	-	-	(1,424)	-	-
Transfer to general reserve	-	-	-	100,000	-	(100,000)	-	-
Proposed bonus issue (Nil)	-	-	-	-	-	-	-	-
Proposed cash dividend (45%)	-	-	-	-	-	(473,442)	473,442	-
Proposed directors' remuneration	-	-	-	-	-	(4,000)	4,000	-
At 31 December 2006	1,052,093	1,024,247	38,638	870,000	276,724	70,948	477,442	3,810,092
Cash dividend paid (45%)	-	-	-	-	-	-	(473,442)	(473,442)
Directors' remuneration paid	-	-	-	-	-	-	(4,000)	(4,000)
Realized gains on sale of available-for-sale investments	-	-	-	-	(31,600)	-	-	(31,600)
Revaluation of available-for-sale investments	-	-	-	-	200,471	-	-	200,471
Impairment loss on available for sale investment	-	-	-	-	11,926	-	-	11,926
Share subscription through rights issue	77,383	232,151	-	-	-	-	-	309,534
Profit for the year	-	-	-	-	-	935,917	-	935,917
Transferred to legal reserve	-	977	-	-	-	(977)	-	-
Transfer to general reserve	-	-	-	200,000	-	(200,000)	-	-
Proposed bonus issue (2.5%)	-	-	-	-	-	(282,369)	282,369	-
Proposed cash dividend (30%)	-	-	-	-	-	(338,843)	338,843	-
Proposed directors' remuneration	-	-	-	-	-	(6,000)	6,000	-
At 31 December 2007	1,129,476	1,257,375	38,638	1,070,000	457,521	178,676	627,212	4,758,898

The attached notes on pages 7 to 38 form part of these consolidated financial statements.
The report of the Auditors is set out on page 2.

Commercial Bank of Dubai PSC

Notes to the consolidated financial statements for the year ended 31 December 2007

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 consolidated financial statements of the Bank for the year ended 31 December 2007 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). 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

In preparing these consolidated financial statements, the Group has adopted IFRS 7 *Financial Instruments: Disclosures* and IAS 1 *Presentation of Financial Statements - Capital Disclosures* as applicable effective 1st January 2007. The adoption of IFRS 7 and the amendment to IAS 1 impacted the type and amount of disclosures made in these consolidated financial statements, but had no impact on the reported profits or financial position of the Group. In accordance with the requirements of the standards, the Group has provided full comparative information.

These financial statements were approved by the Board of Directors on 16th of January 2008.

The standards and interpretations that are issued but not yet effective for accounting periods beginning on 1 January 2007 are as follows:

- IFRS -8: Operating Segments (effective 1 January 2009);
- IAS - 23 (Revised): Borrowing costs (1 January 2009);
- IAS - 1 (Revised): Presentation of financial statements (1 January 2009);
- IFRIC - 13: Customer loyalty programmes (1 July 2008); and
- IFRIC - 12: Service Concession Arrangements (effective 1 January 2008).

b) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- Derivative financial instruments are measured at fair value;
- Financial instruments at fair value through income statement are measured at fair value;
- Available-for-sale financial assets are measured at fair value; and
- Donated land which is valued at the market value on the date of donation.

Commercial Bank of Dubai PSC

Notes to the consolidated financial statements (*continued*)
for the year ended 31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Basis of preparation (continued)

The financial statements are presented in United Arab Emirates Dirhams ("AED"), which is the Group's "functional currency", rounded to the nearest thousand.

The accounting policies set out below have been applied consistently by the Group to all periods presented in these consolidated financial statements.

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.

Interest in Joint Venture

Joint ventures are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognized gains and losses of the joint venture on an equity accounting basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in joint venture, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of joint venture.

Transactions eliminated on consolidation

Intra-group balances and any unrealized gains arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

d) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset for the Group and a financial liability or equity instrument of another party. The Group classifies its financial assets at initial recognition in the following categories.

Classification

- *Financial assets at fair value through income statement:* This category includes those financial assets which are designated by the management as being those at fair value through income statement at inception.
- *Loans and advances:* Loans and advances are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. They arise when the Group provides money directly to the borrower with no intention of trading the receivable.
- *Held-to-maturity:* Investments classified as held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the intention of and the ability to hold to maturity.

Commercial Bank of Dubai PSC

Notes to the consolidated financial statements (*continued*)
for the year ended 31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial instruments – classification (*continued*)

- *Available-for-sale:* Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or market prices.

Derivative financial instruments

Classification

The Group enters into derivative financial instruments including forwards, futures, swaps and options in the foreign exchange and capital markets. Derivative financial instruments, that do not qualify for hedge accounting are classified as “FVPL – financial assets held for trading” financial instruments.

Recognition and fair valuation

Derivative financial instruments are initially recognized at cost on the date on which the derivative contract is entered into. Subsequent to their initial recognition, derivative financial instruments are stated at fair value. Fair values are obtained by reference to quoted market prices, discounted cash flow models and pricing models, as appropriate.

The positive market values (unrealized gains) for derivative financial instruments are included in assets and the negative market values (unrealized losses) for derivative financial instruments are included in liabilities.

Gain and losses on subsequent measurement

The gains or losses from derivative financial instruments that do not qualify for hedge accounting are recognized in the income statement as they arise.

Initial recognition

Purchases and sales of investment securities are recognized on trade-date which is the date on which the Group commits to purchase or sell the securities. Loans and advances are recognized when cash is advanced to the borrowers. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through income statement.

De-recognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all the risks and rewards of ownership. A financial liability is derecognized when it is extinguished.

Subsequent measurement

Financial assets available-for-sale and investments at fair value through the income statement are subsequently carried at fair value.

Loans and advances and held-to-maturity investments are carried at amortized cost using the effective interest method.

Gains and losses arising from changes in the fair value of the investments at fair value through income statement category are included in the income statement in the period in which they arise.

Commercial Bank of Dubai PSC

Notes to the consolidated financial statements (*continued*)
for the year ended 31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial instruments (continued)

Gains and losses arising from changes in the fair value of available-for-sale investments are recognized directly in equity, until the financial asset is derecognized or impaired at which time the cumulative gain or loss previously recognized in equity is recognized in the income statement.

Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

Impairment

Financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Loans and advances are presented net of provisions for impairment. The recoverable amount of individually significant loans and advances is calculated as the present value of the expected future cash flows, discounted at the instrument's original effective interest rate. Short-term balances are not discounted. Specific provisions are made against the carrying amount of loans and advances that are identified as being impaired; based on regular reviews of outstanding balances, to reduce these loans and advances to their recoverable amounts. Collective provisions are maintained to reduce the carrying amount of group of similar loans and advances to their estimated recoverable amounts at the balance sheet date. The expected cash flows for group of similar assets are estimated based on previous experience and considering the credit rating of the underlying customers and late payments of interest or penalties. Increase in the provision account is recognized in the income statement.

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale investments, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in income statement is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement and are reversed through the cumulative changes in fair value under equity.

If in a subsequent period the fair value of a debt instrument increases which can be linked objectively to an event occurring after the write down, the write-down may not be reversed through profit or loss; instead, any subsequent increases in carrying amount of such an asset should be recognized as a fair value change in equity.

e) Offsetting

Financial assets and liabilities are offset and the net amount is reported on the balance sheet only when the bank has a legally enforceable right to set off the recognized amounts and the transactions are intended to be settled on a net basis.

Commercial Bank of Dubai PSC

Notes to the consolidated financial statements *(continued)*
for the year ended 31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses except for donated land, which is stated at the market value at the date of donation. The cost of all property and equipment other than freehold land and capital work in progress is depreciated using the straight-line method over their estimated useful lives as follows:

Buildings	20 to 30 years
Leasehold improvements	5 years
Furniture, equipment and vehicles	3 to 5 years

g) Provisions

A provision is recognized if as a result of a past event, the group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability.

h) Employees' terminal benefits and long-term incentive arrangements

Provision is made for amounts payable under the UAE Federal Labour Law applicable to non UAE nationals' accumulated periods of service at the balance sheet date. The Bank pays its contributions in respect of UAE nationals under the UAE Pension and Social Security Law. Effective from 1 January 2007, the Group has introduced a long term incentive arrangement. Under this arrangement the employees under certain grades are eligible for the incentive at the offering date contingent upon the Group's performance period at the award date. The award is the percentage of the average annual base salary of the respective grades. The salary includes the basic salary and fixed allowances excluding national allowance and cost of living allowance as at the effective date.

i) Revenue recognition

Interest income is recognized in the income statement for loans and advances using the effective interest method. Interest on impaired loans and advances is calculated at its original effective interest rate applied to the carrying amount of the loan and not recognized as interest income.

Interest expense is recognized in the income statement on an accrual basis.

Fee and commission income are recognized when the related services are provided.

Commission income on those transactions in which the Group acts as an agent is recognized on an accrual basis.

Net income from investments at fair value through income statement which arises from gains and losses resulting from disposal and from the fair valuation of such investments are recognized when they occur.

Dividend income is recognized when the Group's right to receive the payment is established.

Commercial Bank of Dubai PSC

Notes to the consolidated financial statements (*continued*)
for the year ended 31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Foreign currencies

Foreign currency transactions are recorded at rates of exchange ruling at the value dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date, which are stated at historical cost, are translated at the foreign exchange rate ruling at that date.

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to AED at the foreign exchange rates ruling at the dates that the fair values were determined.

Forward foreign exchange contracts are translated into AED at mid market rates of exchange ruling at the balance sheet date. Foreign exchange differences arising on translation are recognized in the income statement.

k) Cash and cash equivalents

For the purposes of the consolidated cash flow statement, cash and cash equivalents consist of cash on hand and balances with the Central Bank (excluding statutory reserve), due from and due to banks maturing within three months of the balance sheet date.

l) Use of estimates and judgements

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may therefore differ resulting in future changes in these estimates. In particular, considerable judgment by management is required in the following:

Impairment losses on loans and advances

The Group reviews its loan portfolios to assess impairment on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Commercial Bank of Dubai PSC

Notes to the consolidated financial statements *(continued)*
for the year ended 31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1) Use of estimates and judgements (continued)

Held-to-maturity investments

The Group follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value not amortized cost.

Impairment of available-for-sale investments

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

3. FINANCIAL RISK MANAGEMENT

a) Introduction and overview

The Group has exposure to the following primary risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information relating to the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

As part of its management of risks, the Group acquired and implemented systems for the management of its Credit Risk, Market Risk, Liquidity Risk and Asset and Liability Management (ALM) Risk. These systems include credit origination, analysis, rating, pricing and approval. For treasury, the Group has acquired systems for front, mid, and back offices to efficiently manage market risk, liquidity risk, and ALM risk. For Operational risk, the Group has developed internally, tools that can allow the analysis, quantification, and reporting of operational risk events/losses that are faced on a granular cluster level.

In addition, the Group is also exposed to other risks that are managed along with the key risks, and these are quantified, monitored and reported as part of the Group's Internal Capital Adequacy Assessment Policy (ICAAP) Framework. Such risks include, among others, interest rate risk on the banking book, concentration risk, strategic risk, business risk, and legal and compliance risk.

Commercial Bank of Dubai PSC

Notes to the consolidated financial statements *(continued)*
for the year ended 31 December 2007

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Introduction and overview (continued)

Risk management framework

The Board of Directors (the "Board") has the overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Group Asset and Liability (ALCO) Committee, Credit Risk Committee, Executive Committee, and Management Committee. These are responsible for developing and monitoring Group risk management policies in each of their specified areas. These committees comprise key Group officers, who convene frequently to appraise the Group's risk profile and various risk issues. However, the Board of Directors is ultimately responsible for the approval of the risk policies and procedures, infrastructure and management of all risks related to the Group.

Credit Risk which is managed by the Group's Credit Risk Committee includes a continuous review of credit limits, policies and procedures, the approval of specific exposures and workout situations, constant re-evaluation of the loans portfolio and the sufficiency of provisions thereof.

The Asset and Liability Committee (ALCO) monitors and controls market and liquidity risks primarily by means of a gap analysis of maturities of assets and liabilities day-to-day and stress test simulation analysis. In addition, the Group has also built its Internal Model based on a market risk management capability including Value-at-Risk and stress testing analysis.

Operational Risk is managed by the Management Committee with the support of the Risk Management Department and various other units/divisions across the Group including IT.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly on an ongoing basis so as to reflect changes in market conditions, products and services offered.

b) Credit risk

Credit risk is the risk of loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations arising principally from the Group's loans and advances, due from banks and non-trading investments.

For risk management purposes, credit risk arising on trading investments is managed independently, but reported as a component of market risk exposure.

Commercial Bank of Dubai PSC

Notes to the consolidated financial statements *(continued)*
for the year ended 31 December 2007

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to the Group Credit Risk Committee which is responsible for oversight of the Group's credit risk including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishment of an authorization structure and limits for the approval and renewal of credit facilities. Lending authorities have been established at various levels together with a framework of dual/multiple credit approval delegated authorities. Larger facilities require approval by the Group Credit Risk Committee and / or the Board of Directors, as appropriate.
- Establishing limits and actual level of exposure are regularly reviewed and updated by the Group Credit Risk Committee or the Board of Directors, as appropriate.
- Limiting concentrations of exposure to industry sectors, geographic locations and counter parties.
- Developing and maintaining the Group's risk grading in each category of exposures according to the degree of risk of financial loss faced and to ensure focus of management on the attendant risks. The risk grading system is used in determining whether impairment provisions may be required against specific credit exposures. The current risk grading framework consists of eight grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the Executive Committee and is subject to regular reviews by the Group Risk Management Department.
- Credit review procedures are designed to identify at an early stage exposures which require more detailed monitoring and review; and
- Reviewing compliance, on an ongoing basis, with agreed exposure limits relating to counter parties, industries and countries and reviewing limits in accordance with risk management strategy and market trends.

Internal Audit undertakes regular audits of business units and Group credit processes.

Exposure to credit risk

The Group measures its exposure to credit risk by reference to the gross carrying amount of financial assets less interest suspended and impairment losses, if any.

Commercial Bank of Dubai PSC

Notes to the consolidated financial statements (*continued*)
for the year ended 31 December 2007

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

	Loans and advances		Due from banks		Non-trading investments	
	2007	2006	2007	2006	2007	2006
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Carrying amount	20,777,094	12,642,569	209,087	664,665	1,992,313	835,211
Individually impaired						
Grade 5: Substandard a	9,050	33,014	-	-	-	-
Grade 6: Substandard b	175,254	124,386	-	-	-	-
Grade 7: Doubtful	51,174	48,988	-	-	-	-
Grade 8: Loss	41,808	42,400	-	-	-	380
Gross amount	277,286	248,788	-	-	-	380
Interest suspended	(79,103)	(62,403)	-	-	-	-
Specific provision for impairment	(136,745)	(109,696)	-	-	-	(377)
Carrying amount	61,438	76,689	-	-	-	3
Collectively impaired						
Grades 5 & 6: Substandard	18,762	23,362	-	-	-	-
Grade 7: Doubtful	4,872	16,046	-	-	-	-
Grade 8: Loss	2,861	4,939	-	-	-	-
Gross amount	26,495	44,347	-	-	-	-
Interest suspended	(5,313)	(14,488)	-	-	-	-
Collective provision for impairment	(21,182)	(27,707)	-	-	-	-
Carrying amount	-	2,152	-	-	-	-
Past due but not impaired						
Watch list – overdue by less than 90 days	158,495	136,997	-	-	-	-
Carrying amount	158,495	136,997	-	-	-	-
Past due comprises:						
Less than 30 days	62,898	83,940	-	-	-	-
30 – 60 days	65,957	30,375	-	-	-	-
60 – 90 days	29,640	22,682	-	-	-	-
Carrying amount	158,495	136,997	-	-	-	-
Neither past due nor impaired						
Grades 1, 2 & 3: lowest, minimal & moderate risk	20,365,720	12,314,018	209,087	664,665	1,992,313	835,208
Grade 4: showing signs of weakness	233,941	155,213	-	-	-	-
Collective provision for impairment	(42,500)	(42,500)	-	-	-	-
Carrying amount	20,557,161	12,426,731	209,087	664,665	1,992,313	835,208
Total carrying amount	20,777,094	12,642,569	209,087	664,665	1,992,313	835,211

Commercial Bank of Dubai PSC

Notes to the consolidated financial statements *(continued)*
for the year ended 31 December 2007

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Impaired loans and advances and non-trading investments

Impaired loans and advances and non-trading investments are financial assets for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the agreements.

The Group's current Credit Risk Rating Methodology comprised of 8 grades as set out below. The grades 1 to 3 reflects performing accounts, grade 4 reflects the irregular accounts and grades 5 to 8 reflects defaulted/non-performing accounts

Grades	Risk grade	Risk significance
1	Grade 1a	Considered Good- Lowest Risk
2	Grade 1b	Considered Good – Minimal Risk
3	Grade 1c	Considered Good – Moderate Risk
4	Grade 2	Showing Signs of weakness
5	Grade 3a	Substandard "a"- Interest Suspended (Payment of Principal or Interest is in arrears beyond 3 months)
6	Grade 3b	Substandard "b"- Provision Starts (Payment of Principal or Interest is in arrears beyond 3 months)
7	Grade 4	Doubtful of recovery
8	Grade 5	Loss (Fully provided for, and written off)

During the year the Group upgraded its Credit Risk Rating Methodology to make it in line with the requirements set out in Basel II Accord, which is yet to be implemented. The Group Risk Management Department has developed a 14 grade rating methodology based on actual historical data, as follows:

- First 10 grades for non-defaulted borrowers; and
- Last 4 grades for defaulted borrowers.

The new methodology will give a multi-dimensional approach to the Group's Credit Risk Rating, where credit is assessed and rated on 2 dimensions, as follows:

- 1st Dimension: which assesses/rates borrower's probability of Default (PD)
- 2nd Dimension: which assesses/rates the facility and the Loss-Given Default (LGD)

Both dimensions create a Credit-Risk Rating Grid/Matrix which plays a key role in making pricing, approval, and credit monitoring more efficient.

Past due but not impaired loans

These are loans where contractual interest or principal payments are past due upto 90 days but the Group believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Group.

Loans with renegotiated terms

These are loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position. The Group does not usually offer concessions and ensures a mere rescheduling of the outstanding to improve the likelihood of collection. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

Commercial Bank of Dubai PSC

Notes to the consolidated financial statements *(continued)*
for the year ended 31 December 2007

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Allowances for impairment

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are specific loss components that relate to individually significant exposures, and a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy

The Group writes off a loan / an investment (and any related allowances for impairment) when the Group Credit Risk Committee determines that the loans / investments are uncollectible. This determination is reached after considering information such as the significant deterioration in the borrower's/issuer's financial position such that the borrower / issuer can no longer pay the obligation, or proceeds from collateral will not be sufficient to pay back the entire exposure or all possible efforts of collecting the amounts have been exhausted.

For smaller balances of standardized loans, write off decisions are generally based on a product-specific past due status.

Set out below is an analysis of the gross and net (of provisions for impairment) amounts of individually impaired assets by risk grade;

	Loans and advances		Due from banks		Non-trading investments	
			AED'000			
	Gross	Net	Gross	Net	Gross	Net
31 December 2007						
Grades 5&6: individually impaired	184,304	61,438	-	-	-	-
Grade 7: individually impaired	51,174	-	-	-	-	-
Grade 8: individually impaired	41,808	-	-	-	-	-
Total	277,286	61,438	-	-	-	-
31 December 2006						
Grades 5&6: individually impaired	157,400	76,689	-	-	-	-
Grade 7: individually impaired	48,988	-	-	-	-	-
Grade 8: individually impaired	42,400	-	-	-	380	3
Total	248,788	76,689	-	-	380	3

Collaterals

The Group holds collateral against loans and advances in the form of cash, guarantees, mortgages and liens over properties or other securities over assets. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and are subsequently monitored on a periodic basis. Generally collateral is not held against non-trading investments and due from banks, and no such collateral was held at 31 December 2007 or 2006.

The management estimates the fair value of collaterals and other security enhancements held against individually impaired loans and advances to reasonably approximate AED 24 million as at the reporting date.

Commercial Bank of Dubai PSC

Notes to the consolidated financial statements *(continued)*
for the year ended 31 December 2007

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

The Group monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk is shown below:

	Loans and advances		Due from banks		Non-trading investments	
	2007 AED'000	2006 AED'000	2007 AED'000	2006 AED'000	2007 AED'000	2006 AED'000
Carrying amount	<u>20,777,094</u>	<u>12,642,569</u>	<u>209,087</u>	<u>664,665</u>	<u>1,992,313</u>	<u>835,211</u>
Concentration by sector						
Commercial and Business:-						
Agriculture & allied activities	23,227	30,571	-	-	-	-
Mining & quarrying	100,485	20,734	-	-	-	-
Manufacturing	1,192,886	514,413	-	-	-	-
Construction	2,631,925	1,640,646	-	-	241,183	79,533
Trade	6,539,564	4,771,658	-	-	-	-
Transport & communication	288,600	141,782	-	-	9,336	14,252
Services	<u>2,369,413</u>	<u>1,808,143</u>	<u>-</u>	<u>-</u>	<u>67,241</u>	<u>4,299</u>
Total commercial and Business	13,146,100	8,927,947	-	-	317,760	98,084
Banks and financial institutions	490,508	58,742	209,087	664,665	1,047,652	348,832
Government and public sector entities	800,642	36,386	-	-	626,901	388,672
Personal-schematic	1,287,813	802,617	-	-	-	-
Personal-business	4,211,398	2,366,180	-	-	-	-
Others	<u>1,125,476</u>	<u>707,491</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	21,061,937	12,899,363	209,087	664,665	1,992,313	835,588
Less: Provisions for impairment	<u>(284,843)</u>	<u>(256,794)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(377)</u>
Total carrying amount	<u>20,777,094</u>	<u>12,642,569</u>	<u>209,087</u>	<u>664,665</u>	<u>1,992,313</u>	<u>835,211</u>
Concentration by location						
	Loans and advances		Due from banks		Non-trading investments	
	2007 AED'000	2006 AED'000	2007 AED'000	2006 AED'000	2007 AED'000	2006 AED'000
UAE	20,076,708	12,521,070	76,932	197,314	1,416,308	726,391
GCC	682,021	121,499	45,335	95,647	156,563	11,422
Other Arab Countries	-	-	887	456	211,319	4,962
Europe	-	-	82,801	358,006	88,213	-
USA	-	-	2,391	12,606	37,016	-
Asia	18,365	-	577	173	82,894	92,436
Others	<u>-</u>	<u>-</u>	<u>164</u>	<u>463</u>	<u>-</u>	<u>-</u>
	<u>20,777,094</u>	<u>12,642,569</u>	<u>209,087</u>	<u>664,665</u>	<u>1,992,313</u>	<u>835,211</u>

The concentrations by location for loans and advances and due from banks are measured based on the residential status of the borrower. The concentration by location for non-trading investments is measured based on the location of the issuer of the security.

Commercial Bank of Dubai PSC

Notes to the consolidated financial statements *(continued)*
for the year ended 31 December 2007

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Settlement risk

The Group's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of counterparty to honor its obligations to deliver cash, securities or other assets as contractually due. Any delays in settlement are extremely rare and are monitored and quantified as part of the Group's ICAAP framework and Operational Risk Management.

For certain types of transactions, the Group mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval/ limit monitoring process described above. Acceptance of settlement risk on free settlement trades require transaction specific or counterparty specific approvals from Group Risk Management Department.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations associated with financial liabilities. It includes the risk of the inability to fund assets at appropriate maturities and rates and the inability to liquidate assets at reasonable prices and in an appropriate time frame and inability to meet obligations as they become due. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to diminish.

Management of Liquidity risk

Liquidity Risk is managed by the Treasury and ALM department in line with the regulatory and internal policies and guidelines.

The Group's approach to managing liquidity risk is to ensure that it has adequate funding from diversified sources at all times and that it can withstand any major shocks to its liquidity position. Funds are raised using a broad range of instruments including customer deposits, money market instruments and capital. The treasury and ALM department monitor the liquidity profile of financial assets and liabilities and the projected cash flows arising from existing and future business. Treasury maintains a portfolio of short-term liquid assets and inter-bank placements to ensure that sufficient liquidity is maintained. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and abnormal market conditions. The Group's liquidity policy is set by the Board of Directors and is subject to annual review. Adherence to the policies is monitored by the Group Risk Management Department and ALCO.

Exposure to liquidity risk

The key measure used by the Group for measuring liquidity risk are advances to stable resources which is a regulatory measure and the ratio of net liquid assets, i.e., total assets by maturity against total liabilities by maturity.

Details of the Group's net liquid assets are summarized in the following table by the maturity profile of the Group's assets and liabilities based on the contractual repayment arrangements. These do not take account of the effective maturities as indicated by the Group's deposit retention history. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date.

Commercial Bank of Dubai PSC

Notes to the consolidated financial statements *(continued)*
for the year ended 31 December 2007

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

The maturity profile of the assets and liabilities at 31 December 2007 were as follows:

	Total	Less than 3 months	From 3 to 6 months	From 6 months to 1 year	Over 1 year
AED'000					
Assets					
Cash and balances with Central Bank	5,730,341	5,730,341	-	-	-
Due from banks	209,087	177,977	-	-	31,110
Loans and advances	20,777,094	8,527,644	944,380	1,056,204	10,248,866
Investment securities	2,290,410	123,137	54,120	23,815	2,089,338
Property and equipment	415,642	481	133	4,435	410,593
Other assets	1,013,443	1,013,443	-	-	-
Total assets	30,436,017	15,573,023	998,633	1,084,454	12,779,907
Liabilities and equity					
Due to banks	3,241,929	1,993,204	-	1,248,725	-
Customers' deposits	21,176,937	18,852,614	913,452	1,244,283	166,588
Other liabilities	1,258,253	1,258,253	-	-	-
Equity	4,758,898	344,843	-	-	4,414,055
Total liabilities and Equity	30,436,017	22,448,914	913,452	2,493,008	4,580,643

The maturity profile of the assets and liabilities at 31 December 2006 were as follows:

	Total	Less than 3 months	From 3 to 6 months	From 6 months to 1 year	Over 1 year
AED'000					
Assets					
Cash and balances with Central Bank	3,227,018	3,227,018	-	-	-
Due from banks	664,665	633,555	-	-	31,110
Loans and advances	12,642,569	6,878,490	472,174	685,332	4,606,573
Investment securities	1,055,189	-	-	43,813	1,011,376
Property and equipment	381,796	216	1,005	1,311	379,264
Other assets	733,541	733,541	-	-	-
Total assets	18,704,778	11,472,820	473,179	730,456	6,028,323
Liabilities and equity					
Due to banks	336,423	336,423	-	-	-
Customers' deposits	13,755,671	12,510,462	527,474	669,908	47,827
Other liabilities	802,592	802,592	-	-	-
Equity	3,810,092	477,442	-	-	3,332,650
Total liabilities and equity	18,704,778	14,126,919	527,474	669,908	3,380,477

Commercial Bank of Dubai PSC

Notes to the consolidated financial statements *(continued)*
for the year ended 31 December 2007

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

The table shows undiscounted cash flows on the Group's financial assets and liabilities on the basis of their earliest possible contractual maturity. The Group's expected cash flows may vary from this analysis.

(d) Market risks

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads will affect the Group's income and / or value of a financial instrument. The Group manages its market risk in order to achieve optimum returns while maintaining market risk exposures within prudent limits.

Management of market risks

The Board of Directors has set risk limits based on sensitivity analyses and notional limits which are closely monitored by the Middle Office (Group Risk Management), reported daily to Senior Management and discussed monthly by the ALCO.

The Group separates its exposure to market risk between trading and non-trading portfolios with overall responsibility vested in the ALCO. The Group Risk Management Department is responsible for the development of detailed risk management policies and for the day-to-day review of their implementation subject to review and approval by the ALCO.

Exposure to market risks – trading portfolios

The principal tools used to measure and control market risk exposure within the Group's trading portfolios are factor sensitivity limits and Value at Risk (VaR). The VaR of a trading portfolio is the estimated loss that will arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). The VaR model used by the Group is based upon a 99 percent confidence level and assumes a 10-day holding period. The VaR model used is based on historical and Monte Carlo simulation taking into account market data for the last five years.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

- A 10-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market ill-liquidity for a prolonged period.
- A 99 percent confidence level does not reflect losses that may occur beyond this level. Even with the model used there is a one per cent probability that losses could exceed the VaR.
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day, although real time limit monitoring mitigates this risk somewhat.
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.
- The VaR measure is dependent upon the Group's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

Commercial Bank of Dubai PSC

Notes to the consolidated financial statements *(continued)*
for the year ended 31 December 2007

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

The Group uses VaR limits for specific foreign exchange, interest rate, and equity price risks. The overall structure of VaR limits is subject to review and approval by the ALCO. VaR limits are allocated only to the trading portfolio. VaR is measured at least daily for more actively traded portfolios. Daily reports of utilization of VaR limits are produced by the Group Risk Management department and periodic summaries are submitted to the ALCO.

The limitations of the VaR methodology are recognized by supplementing VaR limits with other position and sensitivity limit structures, including limits to address potential concentration risks within each trading portfolio. In addition, the Group uses stress tests to model the financial impact of exceptional market scenarios on individual trading portfolios and the Group's overall position.

Exposure to Interest rate risk – non trading portfolio

Interest rate risk arises from interest bearing financial instruments and reflects the possibility that changes in interest rates will adversely affect the value of the financial instruments and the related income. The Group manages the risk principally through monitoring interest rate gaps, matching the re-pricing profile of assets and liabilities and by having pre-approved limits for repricing bands. The ALCO is monitoring compliance with these limits and is assisted by the Group Risk Management Department for the day-to-day monitoring of activities.

Commercial Bank of Dubai PSC

Notes to the consolidated financial statements *(continued)*
for the year ended 31 December 2007

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

A summary of the Group's interest rate gap position on the non-trading portfolio is as follows:

31 December 2007	Less than 3 months	From 3 to 6 months	From 6 months to 1 year	Over 1 year	Total
	← AED'000 →				
Cash and balances with Central Bank	5,730,341	-	-	-	5,730,341
Due from banks	177,977	-	-	31,110	209,087
Loans and advances	18,484,626	1,001,767	1,259,429	31,272	20,777,094
Investment securities	-	-	123,137	1,869,176	1,992,313
	<u>24,392,944</u>	<u>1,001,767</u>	<u>1,382,566</u>	<u>1,931,558</u>	<u>28,708,835</u>
Due to banks	2,176,854	-	716,140	348,935	3,241,929
Customers' deposits	16,720,700	1,090,976	1,098,822	2,266,439	21,176,937
	<u>18,897,554</u>	<u>1,090,976</u>	<u>1,814,962</u>	<u>2,615,374</u>	<u>24,418,866</u>
	<u>5,495,390</u>	<u>(89,209)</u>	<u>(432,396)</u>	<u>(683,816)</u>	<u>4,289,969</u>
31 December 2006	Less than 3 months	From 3 to 6 months	From 6 months to 1 year	Over 1 year	Total
	← AED'000 →				
Cash and balances with Central Bank	3,227,018	-	-	-	3,227,018
Due from banks	633,555	-	-	31,110	664,665
Loans and advances	10,629,447	1,001,558	921,937	89,627	12,642,569
Investment securities	-	-	-	835,211	835,211
	<u>14,490,020</u>	<u>1,001,558</u>	<u>921,937</u>	<u>955,948</u>	<u>17,369,463</u>
Due to banks	336,423	-	-	-	336,423
Customers' deposits	10,627,848	1,394,928	380,806	1,352,089	13,755,671
	<u>10,964,271</u>	<u>1,394,928</u>	<u>380,806</u>	<u>1,352,089</u>	<u>14,092,094</u>
	<u>3,525,749</u>	<u>(393,370)</u>	<u>541,131</u>	<u>(396,141)</u>	<u>3,277,369</u>

Commercial Bank of Dubai PSC

Notes to the consolidated financial statements *(continued)*
for the year ended 31 December 2007

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

Overall non-trading interest rate risk positions are managed by the Treasury and ALM Department, which uses investment securities, advances to banks, deposits from banks and derivative instruments to manage the overall position arising from the Group's non-trading activities.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in a foreign currency. The Group's functional currency is the UAE Dirham. The Board of Directors has set limits on positions by currency. Positions are closely monitored and hedging strategies are used to ensure positions are maintained within established limits. At 31 December, the Group had the following significant net exposures denominated in foreign currencies:

Currency	Net spot Position	Forward Position	Net exposure	
	AED'000		2007	2006
US Dollar	(238,017)	(403,962)	(641,979)	13,999
Great Britain Pound	(106,973)	110,326	3,353	636
Japanese Yen	5,278	(3,593)	1,685	4,744
Euro	15,710	(11,415)	4,295	(12,721)
Others	(187,997)	306,253	118,256	6,283

Commercial Bank of Dubai PSC

Notes to the consolidated financial statements *(continued)*
for the year ended 31 December 2007

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors (other than credit, market and liquidity risks) such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group's operations and are faced by all business entities.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is of the Senior Management of the Group, which is further assigned to the Heads of individual units, departments or branches. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards (through the Group's approved and functional Code of Ethics);
- Risk mitigation, including insurance where this is effective; and
- Whistle Blowing and Incident Reporting Policies which have been finalized and will become fully operational in 2008.

The Group has established a framework of policies and procedures to identify, assess, control, manage and report risks and has set up an Operational Risk Management Unit for the purpose of identifying and managing risk. As part of the Operational Risk Management Plan (ORM Plan), implemented during the year, the Operational Risk Management Unit (ORMU) prepares various reports on a quarterly basis including:

- Departmental and Bank-wide OpRisk dashboards covering all key risks faced by the cluster;
- OpRisk Heat Maps covering the clusters;
- Operational Risk Register;
- Analysis of Operational Risk Loss data; and
- Analysis/update of Operational Risk Loss database.

Moreover, the ORMU conducts an assessment of the Group's disaster recovery and business continuity, as well as detailed System Risk assessments of all new/upgraded IT systems. Currently, plans are underway to include comprehensive disaster recovery and business continuity as part of Operational Risk Management Unit together with an IT security and security policy.

Commercial Bank of Dubai PSC

Notes to the consolidated financial statements (*continued*)
for the year ended 31 December 2007

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Operational risks (continued)

Compliance with policies and procedures is supported by periodic reviews undertaken by Internal Audit. The results of these reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Board and Senior Management of the Group.

(f) Capital management

Regulatory capital

The Group's lead regulator, the Central Bank of the UAE sets and monitors regulatory capital requirements.

The Group's objectives when managing capital are to :

- Safeguard the Group's ability to continue as a going concern and increase the returns for the shareholders; and
- Comply with regulatory capital requirements set by the Central Bank of the UAE.

In implementing current capital requirements, the Group calculates the Capital Adequacy ratio in accordance with the guidelines issued by the Central Bank of the UAE prescribing the ratio of total capital to total risk-weighted assets.

The Group's regulatory Capital Adequacy ratio, set by the Central Bank of the UAE at a minimum level of 10%, is analyzed into two tiers as follows:

	31 Dec, 2007 AED'000	31 Dec, 2006 AED'000
Tier 1 capital		
Share capital	1,411,845	1,052,093
Statutory reserve	1,257,375	1,022,823
General reserve	1,070,000	870,000
Retained earning	178,676	70,948
Total	3,917,896	3,015,864
Tier 2 capital		
Fair value reserve for available for sale investments	205,884	124,526
Deductions from Tier 1 & Tier 2		
Investments in subsidiaries	(10,000)	(10,000)
Total capital base (a)	4,113,780	3,130,390
Risk Weighted Assets:		
On balance sheet	21,304,701	13,925,564
Off balance sheet	4,378,046	1,605,305
Risk weighted assets (b)	25,682,747	15,530,869
Capital adequacy ratio (%) [(a)/(b)*100]	16.0%	20.2%

Commercial Bank of Dubai PSC

Notes to the consolidated financial statements *(continued)*
for the year ended 31 December 2007

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Capital management (continued)

The Group and its subsidiary have complied with all externally imposed capital requirements throughout the period.

There have been no material changes in the Group's management of capital during the year.

Capital allocation

The Group also internally assesses its capital requirements taking into consideration growth requirements and business plans, and quantifies its Regulatory as well as Risk/Economic Capital requirements within its integrated Internal Capital Adequacy Assessment Policy (ICAAP) Framework. Risks such as Interest Rate Risk on the Banking Book, Concentration Risk, Strategic Risk, Legal and Compliance Risk, and Reputational Risk are all part of the ICAAP.

The Group also calculates the Risk Adjusted Return on Capital (RAROC) for credit applications that are priced on a risk-adjusted basis. RAROC calculations are also built into the newly implemented Credit Appraisal System, which has become functional in 2007.

Commercial Bank of Dubai PSC

Notes to the consolidated financial statements *(continued)* For the year ended 31 December 2007

4. FINANCIAL ASSETS AND LIABILITIES

The table below sets out the Group's classification of each class of financial assets and liabilities and their fair values:

	Designated at fair value	Held-to- Maturity	Loans and advances	Available for sale	Other amortized cost	Total Carrying Amount	Fair value
	← AED'000 →						
31 December 2007							
Cash and balances with Central Bank	-	-	-	-	5,730,341	5,730,341	5,730,341
Due from banks	-	-	209,087	-	-	209,087	209,087
Loans and advances	-	-	20,777,094	-	-	20,777,094	20,218,540
Investment securities	298,097	252,580	-	1,739,733	-	2,290,410	2,290,410
	<u>298,097</u>	<u>252,580</u>	<u>20,986,181</u>	<u>1,739,733</u>	<u>5,730,341</u>	<u>29,006,932</u>	<u>28,448,378</u>
Due to banks	-	-	-	-	3,241,929	3,241,929	3,241,929
Customers' deposits	-	-	-	-	21,176,937	21,176,937	21,020,510
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,418,866</u>	<u>24,418,866</u>	<u>24,262,439</u>

	Designated at fair value	Held-to- Maturity	Loans and advances	Available- for sale	Other amortized cost	Total Carrying Amount	Fair value
	← AED'000 →						
31 December 2006							
Cash and balances with Central Bank	-	-	-	-	3,227,018	3,227,018	3,227,018
Due from banks	-	-	664,665	-	-	664,665	664,665
Loans and advances	-	-	12,642,569	-	-	12,642,569	12,281,715
Investment securities	219,978	217,436	-	617,775	-	1,055,189	1,055,189
	<u>219,978</u>	<u>217,436</u>	<u>13,307,234</u>	<u>617,775</u>	<u>3,227,018</u>	<u>17,589,441</u>	<u>17,228,587</u>
Due to banks	-	-	-	-	336,423	336,423	336,423
Customers' deposits	-	-	-	-	13,755,671	13,755,671	13,657,839
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,092,094</u>	<u>14,092,094</u>	<u>13,994,262</u>

Commercial Bank of Dubai PSC

Notes to the consolidated financial statements *(continued)*
For the year ended 31 December 2007

5. CASH AND BALANCES WITH CENTRAL BANK

	2007 AED'000	2006 AED'000
Cash on hand	488,013	345,401
Balances with the Central Bank	647,642	41,908
Statutory reserves with the Central Bank	1,194,686	864,709
Negotiable certificates of deposit with the Central Bank	3,400,000	1,975,000
	<u>5,730,341</u>	<u>3,227,018</u>

6. LOANS AND ADVANCES

The composition of the loans and advances portfolio is as follows:

	2007 AED'000	2006 AED'000
Overdrafts	6,632,092	5,425,606
Loans	12,727,528	6,328,414
Advances against letters of credit and trust receipts	772,156	540,992
Bills discounted	930,161	604,351
Gross loans and advances	<u>21,061,937</u>	<u>12,899,363</u>
Less: Provisions for impairment losses	(284,843)	(256,794)
Net loans and advances	<u>20,777,094</u>	<u>12,642,569</u>

The movements on provisions for impairment losses are as follows:

	2007 AED'000	2006 AED'000
Balance at 1 January	256,794	234,962
Amounts written off during the year	(22,921)	(20,537)
Charge for the year	48,931	38,900
Interest not recognized	26,156	24,628
Recoveries	(24,117)	(21,159)
	<u>284,843</u>	<u>256,794</u>

Commercial Bank of Dubai PSC

Notes to the consolidated financial statements *(continued)*
for the year ended 31 December 2007

7. INVESTMENT SECURITIES

	2007 AED'000	2006 AED'000
Investments at fair value through income statement	298,097	219,978
Held-to-maturity	252,580	217,436
Available-for-sale		
Quoted securities	1,337,664	617,775
Fund of funds investments	401,561	-
Investment in joint venture	508	-
	<u>2,290,410</u>	<u>1,055,189</u>

7.1 Fund of funds investments

This represents the investments in Fund of funds in global and regional asset management funds as a part of the Group's strategy of diversifying its holdings.

7.2 Investment in joint venture

During the year the Group has entered into a joint venture with Rasmala Investments Holdings Ltd ('Rasmala') and formed a company named "Rasmala CBD Asset Management Ltd". The share capital of the Company is US Dollars 1,000,000 of which 30% is owned by the Group and remaining 70% is owned by Rasmala. The principle activity of the company is asset management.

7.3 Impairment loss on available for sale investments

In March 2007, the management identified certain investments classified as available for sale investments, as being impaired. The impairment loss totaled AED 11.9 million including amounts taken directly to equity at the previous reporting date. In accordance with the Group's accounting policy, this impairment loss has accordingly been removed from the equity and recognized in the income statement during the three months period ended 31 March 2007.

Subsequently the fair value of these impaired securities as at 31 December 2007 increased; however, as required by IAS-39 the increase in value has been taken directly to equity.

Commercial Bank of Dubai PSC

Notes to the consolidated financial statements *(continued)*
for the year ended 31 December 2007

8. PROPERTY AND EQUIPMENT

	Freehold land and buildings	Leasehold improve- ments	Furniture, equipment & vehicles	Capital work in progress	Total
	AED'000				
Cost					
At 1 January 2007	373,127	18,897	107,938	53,778	553,740
Additions during the year	4,437	3,548	37,379	24,239	69,603
Transfer from capital work in progress	51,011	-	577	(51,588)	-
Disposals	-	-	(1,920)	(139)	(2,059)
At 31 December 2007	<u>428,575</u>	<u>22,445</u>	<u>143,974</u>	<u>26,290</u>	<u>621,284</u>
Depreciation					
At 1 January 2007	85,072	14,651	72,221	-	171,944
Charge for the year	13,830	1,905	19,882	-	35,617
On disposals	-	-	(1,919)	-	(1,919)
At 31 December 2007	<u>98,902</u>	<u>16,556</u>	<u>90,184</u>	<u>-</u>	<u>205,642</u>
Net book values					
At 31 December 2007	<u>329,673</u>	<u>5,889</u>	<u>53,790</u>	<u>26,290</u>	<u>415,642</u>

	Freehold land and buildings	Leasehold improve- ments	Furniture, equipment & vehicles	Capital work in progress	Total
	AED'000				
Cost					
At 1 January 2006	356,841	16,647	94,053	25,217	492,758
Additions during the year	12,255	2,261	16,683	32,679	63,878
Transfer from capital work in progress	4,031	-	54	(4,085)	-
Disposals	-	(11)	(2,852)	(33)	(2,896)
At 31 December 2006	<u>373,127</u>	<u>18,897</u>	<u>107,938</u>	<u>53,778</u>	<u>553,740</u>
Depreciation					
At 1 January 2006	73,677	12,943	60,538	-	147,158
Charge for the year	11,395	1,712	14,512	-	27,619
On disposals	-	(4)	(2,829)	-	(2,833)
At 31 December 2006	<u>85,072</u>	<u>14,651</u>	<u>72,221</u>	<u>-</u>	<u>171,944</u>
Net book values					
At 31 December 2006	<u>288,055</u>	<u>4,246</u>	<u>35,717</u>	<u>53,778</u>	<u>381,796</u>

Freehold land and buildings include the market value of a plot of land donated to the Group by the Government of Dubai in 1998. The market value amounted to AED 38,638,000 was determined by independent appraisers at that time and has been credited to capital reserve.

Commercial Bank of Dubai PSC

Notes to the consolidated financial statements *(continued)*
for the year ended 31 December 2007

9. OTHER ASSETS

	2007 AED'000	2006 AED'000
Interest receivable	163,974	119,153
Accounts receivable and prepayments	57,015	54,863
Customer's indebtedness for acceptances	714,314	532,986
Positive fair value of derivatives	22,259	10,211
Accounts receivable from brokerage customers	55,881	16,328
	<u>1,013,443</u>	<u>733,541</u>

10. OTHER LIABILITIES

	2007 AED'000	2006 AED'000
Interest payable	110,341	66,187
Employees' terminal benefits	42,660	34,744
Staff long term incentive	6,000	-
Accounts payable and unearned income	283,635	108,927
Negative fair value of derivatives	34,430	12,540
Liabilities under acceptances	714,314	543,197
Accounts payable to brokerage customers	66,873	36,997
	<u>1,258,253</u>	<u>802,592</u>

11. EQUITY

Share capital

The issued and fully paid up ordinary share capital as at 31 December 2007 comprised 1,129,476,420 ordinary shares of AED 1 each (2006: 1,052,092,966 shares of AED 1 each).

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 313,228,282 numbers of shares of AED 1,252,913,128 including share premium till 20 March 2007. The unsubscribed shares of 515,168 amounting to AED 2,060,672 including the share premium were allocated on a pro-rata basis in accordance with the Article (29) of the Articles of Association of the Group to those shareholders who have additionally subscribed by 20 June 2006. The share capital of the Group is increased after the completion of all legal formalities.

Retained earnings

These include an amount of 10 million representing bonus shares issued by the subsidiary Company, approved in its Executive Committee meeting held on 17 January 2007.

Commercial Bank of Dubai PSC

Notes to the consolidated financial statements *(continued)*
for the year ended 31 December 2007

11. EQUITY (CONTINUED)

Legal reserve

Federal Law No. 8 of 1984 (as amended), Union Law No. 10 of 1980 and the Bank's Articles of Association requires that a minimum of 10% of the annual net profit be transferred to a legal reserve, until such time as this reserve equals 50% of share capital. As a result of increase in the share capital due to rights issue, the Group has transferred AED 232,150,362 ("the share premium collected") during the year to the legal reserve. The legal reserve is not available for distribution except under the circumstances stipulated by the law.

Capital reserve

This reserve represents the market value of the donated land at the date of donation as more fully explained in note 8 and is not available for distribution to the shareholders.

General reserve

The general reserve is a reserve available for distribution.

Cumulative changes in fair values

This represents net change in the fair values of available-for-sale investments held by the Group and is not available for distribution to the shareholders. When the available-for-sale investments are derecognized or impaired, the cumulative gain or loss is recognized in the income statement.

Proposed distributions

The Board of Directors proposes the following distributions for approval by the Annual General Meetings of the shareholders to be held on 27 February 2008.

i) *Proposed bonus issue*

A bonus issue of 25 per cent in the ratio of 2.5 shares for every 10 shares held (2006: Nil) is proposed. This amount would be transferred to share capital on completion of all legal formalities.

ii) *Proposed cash dividend*

A cash dividend of 30 per cent of the share capital amounting to AED 338,843,000 (2006: AED 473,442,000) is proposed representing a dividend of AED 0.30 per share (2006: AED 0.45 per share).

iii) *Proposed directors' remuneration*

In accordance with Article 118 of Federal Law No.8 of 1984, Directors' remuneration amounting to AED 6,000,000 (2006: AED 4,000,000) has been treated as an appropriation from equity.

12. INTEREST INCOME

	2007 AED'000	2006 AED'000
Loans and advances	1,213,336	859,988
Negotiable certificates of deposit with the Central Bank	110,575	72,372
Due from banks	22,350	59,991
Held-to-maturity investments	15,262	12,380
Available-for-sale investments	16,428	5,280
	<u>1,377,951</u>	<u>1,010,011</u>

Commercial Bank of Dubai PSC

Notes to the consolidated financial statements *(continued)*
For the year ended 31 December 2007

13. INTEREST EXPENSE

	2007 AED'000	2006 AED'000
Due to banks	36,536	19,138
Customers' deposits	469,679	364,969
	<u>506,215</u>	<u>384,107</u>

14. NET FEES AND COMMISSION INCOME

	2007 AED'000	2006 AED'000
Lending activities	81,819	57,479
Trade finance activities	121,606	97,858
Others	62,737	59,165
	<u>266,162</u>	<u>214,502</u>

15. NET GAINS/ (LOSSES) FROM INVESTMENTS AT FAIR VALUE THROUGH INCOME STATEMENT

	2007 AED'000	2006 AED'000
Net realized gains on sale of investments at fair value through income statement	34,474	2,145
Net unrealized gains/ (losses) on investments at fair value through income statement	82,391	(37,422)
	<u>116,865</u>	<u>(35,277)</u>

16. DIVIDEND INCOME

	2007 AED'000	2006 AED'000
Investments at fair value through income statement	6,623	2,985
Available-for-sale investments	9,117	6,944
	<u>15,740</u>	<u>9,929</u>

Commercial Bank of Dubai PSC

Notes to the consolidated financial statements *(continued)*
for the year ended 31 December 2007

17. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses include staff related expenses of AED 270.5 million (2006: AED 187.2 million).

18. EARNINGS PER SHARE

The earnings per share is based on the Group's profit attributable to shareholders for the year amounting to AED 935.917 million (2006: AED 601.372 million, and on the weighted average number of shares in issue totaling 1,117,928,914 (2006: 955,961,353).

19. CASH AND CASH EQUIVALENTS

	2007 AED'000	2006 AED'000
Cash on hand	488,013	345,401
Balances with the Central Bank	647,642	41,908
Negotiable certificate of deposit with the Central Bank	3,400,000	1,975,000
Due from banks maturing within three months	177,977	633,555
	<u>4,713,632</u>	<u>2,995,864</u>
Due to banks maturing within three months	(1,993,204)	(336,423)
	<u>2,720,428</u>	<u>2,659,441</u>

20. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities represent credit-related commitments to extend letters of credit, guarantees and forward foreign exchange contracts which are designed to meet the requirements of the Group's customers toward third parties. Commitments represent the Group's commitments towards approved un-drawn credit facilities. The amounts reflected below represent the maximum accounting loss that would be recognized at the balance sheet date if counter-parties failed completely to perform as contracted.

	2007 AED'000	2006 AED'000
Contingent liabilities:		
Letters of credit	3,134,343	1,524,537
Guarantees	6,509,393	5,159,773
	<u>9,643,736</u>	<u>6,684,310</u>
Commitments:		
Undrawn commitments to extend credit	1,132,590	780,540
Total contingent liabilities and commitments	<u>10,776,326</u>	<u>7,464,850</u>

21. DERIVATIVES

The following table shows the fair values of derivative financial instruments at the balance sheet date, together with the notional amounts, analyzed by terms to maturity. The notional amount is the value of the derivative's underlying asset and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and therefore, are neither indicative of the Group's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor market risk.

Commercial Bank of Dubai PSC

Notes to the consolidated financial statements (continued)
for the year ended 31 December 2007

21. DERIVATIVES (CONTINUED)

31 December 2007

	Positive market value	Negative market value	Notional amount	Less than three months	From three months to one year	From one year to five years	Over five years
	← AED'000 →						
<i>Held for trading:</i>							
Interest rate swaps	1,719	1,897	36,730	-	-	36,730	-
Foreign exchange Forwards	20,540	32,533	2,207,284	1,764,076	388,113	55,095	-
Total	22,259	34,430	2,244,014	1,764,076	388,113	91,825	-

22. CONCENTRATION OF ASSETS, LIABILITIES AND CONTINGENT LIABILITIES

	2007			2006		
	Assets	Liabilities	Contingent Liabilities	Assets	Liabilities	Contingent Liabilities
	← AED'000 →			← AED'000 →		
Geographic region						
Domestic	28,907,323	22,249,103	9,293,378	17,998,025	14,232,071	6,531,828
International	1,528,694	3,428,016	350,358	706,753	662,615	152,482
Total	30,436,017	25,677,119	9,643,736	18,704,778	14,894,686	6,684,310
Customer groups						
Commercial and business	14,220,498	11,090,947	7,602,105	9,569,228	5,931,297	5,626,905
Banks and financial institutions	2,003,021	3,446,358	619,320	1,262,362	471,868	692,586
Government and public sector entities	6,669,870	1,344,794	66,565	3,298,260	1,844,518	18,099
Individuals	5,499,211	9,067,915	1,352,171	3,168,797	6,241,811	343,334
Others	2,043,417	727,105	3,575	1,406,131	405,192	3,386
Total	30,436,017	25,677,119	9,643,736	18,704,778	14,894,686	6,684,310

Domestic represents all balances with United Arab Emirates residents regardless of the currency and international represents balances with overseas residents.

Commercial Bank of Dubai PSC

Notes to the consolidated financial statements *(continued)*

For the year ended 31 December 2007

23. SEGMENTAL ANALYSIS

The Group operates in one geographic area, the United Arab Emirates, and its results arise largely from commercial and retail banking activities.

24. RELATED PARTY TRANSACTIONS

These represent transactions with certain related parties (major non-Government shareholders of the Group's Directors and key management personnel of the Group and companies of which they are principal owners) who were customers of the Group during the year. The terms of these transactions are approved by the Group's board:

	Directors and key management personnel	
	2007	2006
	AED'000	AED'000
<i>Loans</i>		
Outstanding at 1 January	199,982	130,109
Loan issued	121,210	404,108
Repayments	(14,587)	(334,235)
Outstanding at 31 December	306,605	199,982
Interest income	18,292	15,559
<i>Deposits</i>		
Deposits at 1 January	266,169	282,715
Received	71,203	311,493
Repaid	(205,055)	(328,039)
Deposits at 31 December	132,317	266,169
Interest expense	3,316	4,559

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

No provisions for impairment have been recognized in respect of loans given to related parties (2006: AED NIL)

The loans issued to directors during the year amounted to AED 121.2 million (2006: AED 404.1 million) are repayable monthly over a maximum period of 5 years (2006: 5 years) and carry interest at the rates comparable to third party loans. These loans are unsecured (2006: unsecured).

	2007	2006
	AED'000	AED'000
Key management compensation		
Salaries and other short-term benefits	11,696	8,613
Post retirement benefits	723	545
Long term incentive	1,282	-

25. COMPARATIVE FIGURES

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