

# Commercial Bank of Dubai PSC

Condensed consolidated interim financial statements  
*31 March 2016*

# Commercial Bank of Dubai PSC

Condensed consolidated interim financial statements  
*For the three-month period ended 31 March 2016*

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## REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF COMMERCIAL BANK OF DUBAI PSC

### *Introduction*

We have reviewed the accompanying condensed consolidated interim financial statements of Commercial Bank of Dubai PSC (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated interim statement of financial position as at 31 March 2016 and the related consolidated interim statements of income and comprehensive income, cash flows and changes in equity for the three month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

### *Scope of review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young

Signed by:  
Joseph Murphy  
Partner  
Registration No. 492

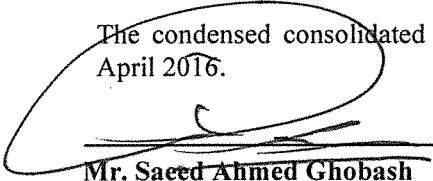
20 April 2016  
Dubai, United Arab Emirates

# Commercial Bank of Dubai PSC

## Consolidated interim statement of financial position As at 31 March 2016

	Notes	31 March 2016 AED'000 (Unaudited)	31 December 2015 AED'000 (Audited)	31 March 2015 AED'000 (Unaudited)
<b>ASSETS</b>				
Cash and balances with Central Bank	5	6,097,119	6,668,065	5,228,971
Due from banks	6	3,861,025	2,591,717	2,202,722
Loans and advances and Islamic financing, net	7	38,752,867	39,020,821	33,438,213
Investment securities	8	6,827,802	6,623,029	5,532,038
Investment in an associate		75,104	82,029	81,158
Investment properties		330,567	333,761	248,232
Property and equipment		336,921	332,317	328,447
Other assets		2,945,472	2,212,149	1,645,420
<b>Total assets</b>		<b>59,226,877</b>	<b>57,863,888</b>	<b>48,705,201</b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Due to banks		1,521,980	1,111,462	586,726
Customers' deposits and Islamic customers' deposits	9	41,116,157	40,474,776	34,707,521
Notes and medium term borrowings	10	5,493,949	5,492,694	4,023,732
Other liabilities		3,181,217	2,556,152	1,841,571
<b>Total liabilities</b>		<b>51,313,303</b>	<b>49,635,084</b>	<b>41,159,550</b>
<b>EQUITY</b>				
Share capital	11	2,802,734	2,802,734	2,802,734
Legal reserve		1,401,367	1,401,367	1,380,495
Capital reserve		38,638	38,638	38,638
General reserve		1,227,718	1,227,718	1,121,095
Cumulative changes in fair values of AFS investments and cash flow hedge instruments		14,027	(6,294)	81,054
Proposed cash dividend		-	560,547	-
Proposed directors' remuneration		-	11,000	-
Retained earnings		2,429,090	2,193,094	2,121,635
<b>Total equity</b>		<b>7,913,574</b>	<b>8,228,804</b>	<b>7,545,651</b>
<b>Total liabilities and equity</b>		<b>59,226,877</b>	<b>57,863,888</b>	<b>48,705,201</b>

The condensed consolidated interim financial statements were approved by the Board of Directors on 20<sup>th</sup> April 2016.

  
Mr. Saeed Ahmed Ghobash  
Chairman

  
Mr. Peter Baltussen  
Chief Executive Officer

The attached notes on pages 7 to 21 form part of these condensed consolidated interim financial statements.

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

# Commercial Bank of Dubai PSC

## Consolidated interim income statement

For the three-month period ended 31 March 2016

	<i>Notes</i>	<b>31 March 2016 AED'000 (Unaudited)</b>	31 March 2015 AED'000 (Unaudited)
Interest income and income from Islamic financing		538,940	468,095
Interest expense and distributions to Islamic depositors		<u>(131,894)</u>	<u>(60,499)</u>
<b>Net interest income and net income from Islamic financing</b>		<b>407,046</b>	<b>407,596</b>
Net fees and commission income		112,782	114,473
Net gains from foreign exchange and derivatives		32,709	34,008
Net gains from investments at fair value through profit or loss - held for trading		298	579
Net gains from sale of available-for-sale investments		9,487	8,991
Dividend income		5,177	4,607
Share of profit of an associate		545	3,221
Other income		8,298	7,669
<b>Total operating income before provisions</b>		<b>576,342</b>	<b>581,144</b>
Impairment allowances on loans and advances and Islamic financing	7	(143,840)	(130,566)
Recoveries		20,260	36,406
Impairment allowances on AFS investment		(3,666)	-
<b>Net operating income</b>		<b>449,096</b>	<b>486,984</b>
Staff and other expenses		(195,247)	(179,919)
Depreciation and amortization		(13,046)	(11,986)
<b>Total operating expenses</b>		<b>(208,293)</b>	<b>(191,905)</b>
<b>Net profit for the period</b>		<b>240,803</b>	<b>295,079</b>
<b>Basic and diluted earnings per share</b>	12	<b>AED 0.09</b>	<b>AED 0.11</b>

The attached notes on pages 7 to 21 form part of these condensed consolidated interim financial statements.

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# Commercial Bank of Dubai PSC

## Consolidated interim statement of comprehensive income

For the three-month period ended 31 March 2016

	31 March 2016 AED'000 (Unaudited)	31 March 2015 AED'000 (Unaudited)
Net profit for the period	240,803	295,079
<b>Other comprehensive income*:</b>		
Changes in fair value of effective portion of cash flow hedge	(4,201)	(143)
<b>Changes in available-for-sale investments:</b>		
Realised gains on sale of available-for-sale investments	(9,487)	(8,991)
Revaluation of available-for-sale investments	34,009	20,380
Net change in available-for-sale investments	24,522	11,389
Other comprehensive income for the period	20,321	11,246
<b>Total comprehensive income for the period</b>	<b>261,124</b>	<b>306,325</b>

\*Items included in other comprehensive income (as above) could be reclassified to consolidated interim income statement in subsequent periods.

The attached notes on pages 7 to 21 form part of these condensed consolidated interim financial statements.

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

**Commercial Bank of Dubai PSC**  
**Consolidated interim statement of changes in equity**  
*For the three-month period ended 31 March 2016*

	Share capital	Legal reserve	Capital reserve	General reserve	Cumulative changes in fair values of AFS investments and cash flow hedge instruments	Retained earnings	Proposed distributions	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
<i>At 1 January 2015</i>	2,242,187	1,380,495	38,638	1,121,095	69,808	1,826,556	1,131,634	7,810,413
<i>Transactions with owners, recorded directly in equity</i>								
Cash dividend paid for 2014 (25%)	-	-	-	-	-	-	(560,547)	(560,547)
Bonus shares issued for 2014 (25%)	560,547	-	-	-	-	-	(560,547)	-
Directors' remuneration paid for 2014	-	-	-	-	-	-	(10,540)	(10,540)
<i>Comprehensive income</i>								
Net profit for the period	-	-	-	-	-	295,079	-	295,079
Other comprehensive income for the period	-	-	-	-	11,246	-	-	11,246
<b>Total comprehensive income</b>	-	-	-	-	11,246	295,079	-	306,325
<b>At 31 March 2015 (Unaudited)</b>	<b>2,802,734</b>	<b>1,380,495</b>	<b>38,638</b>	<b>1,121,095</b>	<b>81,054</b>	<b>2,121,635</b>	<b>-</b>	<b>7,545,651</b>
<i>At 1 January 2016</i>	<b>2,802,734</b>	<b>1,401,367</b>	<b>38,638</b>	<b>1,227,718</b>	<b>(6,294)</b>	<b>2,193,094</b>	<b>571,547</b>	<b>8,228,804</b>
<i>Transactions with owners, recorded directly in equity</i>								
Cash dividend paid for 2015 (20%)	-	-	-	-	-	-	(560,547)	(560,547)
Directors' remuneration paid for 2015	-	-	-	-	-	-	(11,000)	(11,000)
Other changes in equity*	-	-	-	-	-	(4,807)	-	(4,807)
<i>Comprehensive income</i>								
Net profit for the period	-	-	-	-	-	240,803	-	240,803
Other comprehensive income for the period	-	-	-	-	20,321	-	-	20,321
<b>Total comprehensive income</b>	-	-	-	-	20,321	240,803	-	261,124
<b>At 31 March 2016 (Unaudited)</b>	<b>2,802,734</b>	<b>1,401,367</b>	<b>38,638</b>	<b>1,227,718</b>	<b>14,027</b>	<b>2,429,090</b>	<b>-</b>	<b>7,913,574</b>

\* This represents Bank's share of the adjustments which were recognized by associate due to early adoption of new financial regulations for insurance companies in 2015.

The attached notes on pages 7 to 21 form part of these condensed consolidated interim financial statements.

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

# Commercial Bank of Dubai PSC

## Consolidated interim statement of cash flows

For the three-month period ended 31 March 2016

	31 March 2016 AED'000 (Unaudited)	31 March 2015 AED'000 (Unaudited)
<b>OPERATING ACTIVITIES</b>		
Profit for the period	240,803	295,079
Adjustments for:		
Depreciation and amortization	13,046	11,986
Loss on disposal of property and equipment	35	3
Dividend income	(5,177)	(4,607)
Amortization of premium / discount on investments	17,577	14,412
Decrease in investment in associate	2,118	3,432
Net unrealized (income) / loss on investments at fair value through profit or loss - held for trading net of forex translation	(5,348)	3,390
Realized gains on sale of investments	(8,991)	(9,523)
Net unrealized loss / (income) on derivatives	5,711	(5,300)
Impairment of AFS investments	3,666	-
Amortization of medium term borrowings	1,255	1,734
	<hr/>	<hr/>
	264,695	310,606
Increase in statutory reserve with the Central Bank	(53,089)	(94,238)
Increase in due from banks with original maturity of more than three months	(400,891)	-
Decrease / (increase) in loans and advances and Islamic financing	267,954	(1,675,938)
Increase in other assets	(192,716)	(54,023)
Increase in customers' deposits and Islamic customers' deposits	641,381	2,546,182
Increase / (decrease) in other liabilities	74,546	(43,398)
Directors' remuneration paid	(11,000)	(10,540)
	<hr/>	<hr/>
<b>Net cash flows from operating activities</b>	590,880	978,651
<b>INVESTING ACTIVITIES</b>		
Purchase of investments	(1,249,703)	(610,672)
Purchase of property and equipment	(14,625)	(14,902)
Increase in investment properties	-	(314)
Dividend income	5,177	4,607
Proceeds from sale of investments	1,062,548	669,745
Proceeds from sale of property and equipment	134	388
	<hr/>	<hr/>
<b>Net cash flows (used in) / from investing activities</b>	(196,469)	48,852
	<hr/>	<hr/>
<b>FINANCING ACTIVITY</b>		
Dividends paid	(560,547)	(560,547)
	<hr/>	<hr/>
<b>Cash flows used in financing activity</b>	(560,547)	(560,547)
	<hr/>	<hr/>
<b>Net (decrease) / increase in cash and cash equivalents</b>	(166,136)	466,956
Cash and cash equivalents at 1 January	4,962,375	3,462,213
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the period</b>	4,796,239	3,929,169

The attached notes on pages 7 to 21 form part of these condensed consolidated interim financial statements  
The review report of the Auditors is set out on page 1.



# Commercial Bank of Dubai PSC

## Notes to the condensed consolidated interim financial statements

*For the three-month period ended 31 March 2016*

### 1. LEGAL STATUS AND ACTIVITIES

Commercial Bank of Dubai PSC (“the Bank”) was incorporated in Dubai, United Arab Emirates (U.A.E.) in 1969 and is registered as a Public Shareholding Company (PSC) in accordance with Federal Law No. 8 of 1984 (as amended). The Federal Law No. 2 of 2015, concerning Commercial Companies has come into effect from 1 July 2015, replacing the existing Federal Law No. 8 of 1984. The Bank is currently assessing the impact of the new law and expects to be fully compliant on or before the end of grace period on 30 June 2016. The Bank is listed on the Dubai Financial Market. The Bank’s principal activity is commercial banking.

The consolidated financial statements of the Group for the three-month period ended 31 March 2016 comprise the results of the Bank, its subsidiaries (together referred to as “the Group”) and the Group’s interest’s in its associate.

#### **Details about subsidiaries and associates**

CBD Financial Services LLC, is registered as a limited liability company in accordance with Federal Law No. 8 of 1984 (as amended) in Dubai, United Arab Emirates. The Federal Law No. 2 of 2015, concerning Commercial Companies has come into effect from 1 July 2015, replacing the existing Federal Law No. 8 of 1984. The Bank holds a 100% interest. Its principal activity is broking for local shares and bonds.

Attijari Properties LLC, is registered as a limited liability company in accordance with Federal Law No. 8 of 1984 (as amended) in Dubai, United Arab Emirates. The Federal Law No. 2 of 2015, concerning Commercial Companies has come into effect from 1 July 2015, replacing the existing Federal Law No. 8 of 1984. The Bank holds a 100% interest. Its principal activity is self-owned property management services and buying & selling of real estate.

CBD (Cayman) Limited, which is a special purpose entity (SPE) registered in British Virgin Island. The SPE has been established for any future issuance of debts securities.

National General Insurance Co. (PSC) is an associate of the Bank and is listed in Dubai Financial Market. It underwrites all classes of life and general insurance business as well as certain reinsurance business. The Bank holds 17.8% interest in “National General Insurance Co. (PSC)”. The management believes that it has significant influence on the associate by virtue of it having representation on the board of directors of the associate.

The registered address of the Bank is Al Ittihad Street, P.O. Box 2668, Dubai, United Arab Emirates.

### 2. BASIS OF PREPARATION

#### **(a) Statement of Compliance**

The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) IAS 34 Interim Financial Reporting. These condensed consolidated interim financial statements do not include all the information required for full annual audited consolidated financial statements and should be read in conjunction with the audited consolidated financial statements of the Group as at and for the year ended 31 December 2015. In addition, results for the three months ended 31 March 2016 are not necessarily indication of the results that may be expected for the financial year ending 31 December 2016.

# Commercial Bank of Dubai PSC

## Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 31 March 2016

### 2. BASIS OF PREPARATION (continued)

#### (b) Use of estimates and judgment

The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty, are consistent with the annual audited consolidated financial statements of the Group as at and for the year ended 31 December 2015.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The Group has consistently applied the accounting policies and methods of computation used for the preparation of last published annual audited consolidated financial statements as at and for the year ended 31 December 2015.

The adoption of the new and amended IFRS and IFRIC interpretations with effect from 1 January 2016 has had no effect on the condensed consolidated interim financial statements of the Group.

### 4. RISK GOVERNANCE AND FINANCIAL RISK MANAGEMENT

The Group's Risk Governance and Financial Risk Management objectives, policies and procedures are consistent with those disclosed in the annual audited consolidated financial statements as at and for the year ended 31 December 2015.

### 5. CASH AND BALANCES WITH CENTRAL BANK

	31 March 2016 AED'000 (Unaudited)	31 December 2015 AED'000 (Audited)
Cash on hand	461,789	530,397
Balances with Central Bank		
-Clearing account balances	42,082	497,509
-Statutory reserves	2,693,248	2,640,159
-Negotiable certificates of deposit	2,900,000	3,000,000
	<u>6,097,119</u>	<u>6,668,065</u>

All the above balances are held in accounts within UAE.

# Commercial Bank of Dubai PSC

## Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 31 March 2016

### 6. DUE FROM BANKS

	31 March 2016 AED'000 (Unaudited)	31 December 2015 AED'000 (Audited)
Current and demand deposits	396,637	105,858
Placements	3,225,643	2,138,058
Loans to banks	238,745	347,801
	<u>3,861,025</u>	<u>2,591,717</u>

The geographical concentration is as follows:

Within the U.A.E.	1,043,684	1,217,948
Outside the U.A.E	2,817,341	1,373,769
	<u>3,861,025</u>	<u>2,591,717</u>

### 7. LOANS AND ADVANCES AND ISLAMIC FINANCING, NET

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

	31 March 2016 AED'000 (Unaudited)	31 December 2015 AED'000 (Audited)
<b>Loans and advances</b>		
Overdrafts	4,922,267	4,899,530
Loans	30,868,887	31,191,374
Advances against letters of credit and trust receipts	1,211,753	1,247,576
Bills discounted	622,521	706,835
	<u>37,625,428</u>	<u>38,045,315</u>
<b>Islamic financing</b>		
Murabaha	1,789,495	1,503,615
Ijara	1,874,173	1,846,785
Musharaka	-	10,947
Others	302,945	290,784
	<u>3,966,613</u>	<u>3,652,131</u>
<b>Loans and advances and Islamic financing, gross</b>	<u>41,592,041</u>	<u>41,697,446</u>
Less: provision for impairment losses	(2,839,174)	(2,676,625)
<b>Loans and advances and Islamic financing, net</b>	<u>38,752,867</u>	<u>39,020,821</u>

# Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)  
For the three-month period ended 31 March 2016

## 7. LOANS AND ADVANCES AND ISLAMIC FINANCING, NET (CONTINUED)

Analysis by sector	31 March 2016 AED'000 (Unaudited)	31 December 2015 AED'000 (Audited)
Commercial and business:-		
Manufacturing	1,407,954	1,508,709
Construction	1,178,951	1,148,045
Real estate	3,832,127	3,863,885
Trade	7,272,162	7,345,095
Services	5,632,785	5,796,587
Business and investment	10,604,187	10,405,974
	-----	-----
Total commercial and business	29,928,166	30,068,295
Financial institutions	876,597	771,527
Government and public sector	5,373,690	5,460,304
Personal – mortgage	2,321,122	2,296,432
Personal – schematic	2,710,491	2,697,381
Others	381,975	403,507
	-----	-----
Loans and advances and Islamic financing, gross	41,592,041	41,697,446
	-----	-----
Less: Provisions for impairment losses	(2,839,174)	(2,676,625)
	-----	-----
Loans and advances and Islamic financing, net	38,752,867	39,020,821
	=====	=====

The movement in provisions for impairment losses is as follows:

	Interest suspended AED'000	Specific provisions AED'000	Collective provisions AED'000	Total AED'000
Opening balance 1 January 2016	381,943	1,615,893	678,789	2,676,625
Interest not recognized / new provisions raised	58,078	133,482	10,358	201,918
Less:				
Written-off	(50)	(4,883)	-	(4,933)
Recoveries /reversal to income	(14,176)	(20,260)	-	(34,436)
Closing Balance 31 March 2016 (Unaudited)	425,795	1,724,232	689,147	2,839,174
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# Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)  
For the three-month period ended 31 March 2016

## 7. LOANS AND ADVANCES AND ISLAMIC FINANCING, NET (CONTINUED)

	<b>Interest suspended AED'000</b>	<b>Specific provisions AED'000</b>	<b>Collective provisions AED'000</b>	<b>Total AED'000</b>
<b>Opening balance 1 January 2015</b>	497,642	2,014,080	525,219	3,036,941
Interest not recognized / new provisions raised	45,432	100,566	30,000	175,998
<b>Less:</b>				
Written-off	(112,404)	(301,767)	-	(414,171)
Recoveries /reversal to income	(41,284)	(36,110)	-	(77,394)
<b>Closing Balance 31 March 2015 (Unaudited)</b>	<b>389,386</b>	<b>1,776,769</b>	<b>555,219</b>	<b>2,721,374</b>

# Commercial Bank of Dubai PSC

## Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 31 March 2016

### 8. INVESTMENT SECURITIES

	UAE AED'000	GCC AED'000	International AED'000	Total AED'000
<b>31 March 2016 (Unaudited)</b>				
<b>Held for trading</b>				
Fixed rate securities				
- Government	-	-	-	-
- Others	-	8,971	-	8,971
<b>Available-for-sale</b>				
Equities	135,381	-	-	135,381
Fund of funds	-	20,254	98,934	119,188
Fixed rate securities				
- Government	2,509,821	450,404	134,788	3,095,013
- Others	1,573,554	971,494	573,297	3,118,345
Floating rate non-government securities	224,067	62,091	64,746	350,904
<b>Total investment securities</b>	<b>4,442,823</b>	<b>1,513,214</b>	<b>871,765</b>	<b>6,827,802</b>

	UAE AED'000	GCC AED'000	International AED'000	Total AED'000
<b>31 December 2015 (Audited)</b>				
<b>Held for trading</b>				
Fixed rate securities				
- Government	16,284	-	-	16,284
- Others	3,614	-	-	3,614
<b>Available-for-sale</b>				
Equities	149,413	-	-	149,413
Fund of funds	458	21,127	242,580	264,165
Fixed rate securities				
- Government	2,208,097	396,761	126,556	2,731,414
- Others	1,693,656	771,333	532,876	2,997,865
Floating rate non-government securities	333,720	61,795	64,759	460,274
<b>Total investment securities</b>	<b>4,405,242</b>	<b>1,251,016</b>	<b>966,771</b>	<b>6,623,029</b>

# Commercial Bank of Dubai PSC

## Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 31 March 2016

### 9. CUSTOMERS' DEPOSITS AND ISLAMIC CUSTOMERS' DEPOSITS

Customers' deposits	31 March 2016 AED'000 (Unaudited)	31 December 2015 AED'000 (Audited)
Current and demand accounts	15,720,707	14,125,599
Savings accounts	1,492,313	1,495,090
Time deposits	15,372,906	16,954,852
	<u>32,585,926</u>	<u>32,575,541</u>
<b>Islamic customers' deposits</b>		
Current and demand accounts	1,330,653	1,082,054
Mudaraba saving	528,293	548,916
Investment deposits and Wakala	6,671,285	6,268,265
	<u>8,530,231</u>	<u>7,899,235</u>
<b>Total customers' deposits and Islamic customers' deposits</b>	<u><u>41,116,157</u></u>	<u><u>40,474,776</u></u>

### 10. NOTES AND MEDIUM TERM BORROWINGS

#### *Syndicated loan*

In December 2013, the Group entered into a club deal of USD 450 million (AED 1,653 million) for a term of 3 years with an option to roll over on a quarterly or semi-annual basis. This replaced the syndicated loan arrangement of USD 450 million maturing in August 2014, which was prepaid in October 2013 and carried interest at the rate of 3 month LIBOR plus 175 basis points payable on a quarterly basis. The current arrangement carries interest at the rate of 3 month LIBOR plus 125 basis points payable on a quarterly basis.

#### *Repurchase agreements*

In July 2012, the Group entered into Repo transactions to obtain financing against the sale of certain debt securities, amounting to USD 150.1 million (AED 551 million) with arrangements to repurchase them at a fixed future date in July 2017.

These securities are carried at fair value amounting to USD 184.7 million (AED 678.4 million) (31 December 2015: USD 181.1 million (AED 665.2 million)).

#### *Euro medium term notes*

In 2013 CBD activated its Euro Medium Term Note (EMTN) program, which was launched in 2008. The maximum issuance under the program was USD 2 billion (AED 7.3 billion). Shareholders in their Annual General Meeting (AGM) held on 28<sup>th</sup> February 2016 approved the increase of the program limit up to a total of USD 3 Billion (AED 11 billion). These notes can be distributed by way of private or public placements and in each case on a syndicated or non-syndicated basis. These notes can be priced at fixed rate, floating rate or can be index linked.

In May 2013, CBD issued USD 500 million (AED 1,836.5 million) of conventional bonds. These notes were priced at 3.375 per cent fixed rate and mature on 21 May 2018.

In November 2015, CBD issued USD 400 million (AED 1,469.2 million) of conventional bonds. These notes were priced at 4 per cent fixed rate and mature on 17 November 2020.

# Commercial Bank of Dubai PSC

## Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 31 March 2016

### 11. EQUITY

#### Share capital

The issued and fully paid up ordinary share capital as at 31 March 2016 comprised 2,802,733,968 ordinary shares of AED 1 each (31 December 2015: 2,802,733,968 shares of AED 1 each). The movement in the number of shares during the period / year is as follows:

	For the three month period ended 31 March 2016 (Unaudited)	For the year ended 31 December 2015 (Audited)
As at the beginning of the period / year	2,802,733,968	2,242,187,174
Bonus shares issued during the period / year	-	560,546,794
<b>At the end of the period / year</b>	<b><u>2,802,733,968</u></b>	<b><u>2,802,733,968</u></b>

### 12. BASIC AND DILUTED EARNINGS PER SHARE

The earnings per share is based on the Group's profit for the three month period ended 31 March 2016 attributable to the shareholders of the parent amounting to AED 240.8 million (three month period ended 31 March 2015: AED 295.1 million), and on the weighted average number of shares in issue totaling 2,802,733,968 for all periods presented.

### 13. CASH AND CASH EQUIVALENTS

	31 March 2016 AED'000 (Unaudited)	31 March 2015 AED'000 (Unaudited)
Cash in hand	461,789	409,901
Balances with the Central Bank	42,082	119,514
Negotiable certificates of deposit with the Central Bank	2,500,000	2,100,000
Due from banks with original maturities less than three months	3,112,333	1,836,480
	<u>6,116,204</u>	<u>4,465,895</u>
Due to banks with original maturities less than three months	(1,319,965)	(536,726)
	<u>4,796,239</u>	<u>3,929,169</u>



# Commercial Bank of Dubai PSC

## Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 31 March 2016

### 14. CONTINGENT LIABILITIES AND COMMITMENTS

The Group in the ordinary course of business enters into various types of transactions that involve undertaking certain commitments such as letters of credit, guarantees and undrawn loan commitments.

	31 March 2016 AED'000 (Unaudited)	31 December 2015 AED'000 (Audited)
<b>Contingent liabilities:</b>		
Letters of credit	1,065,453	1,071,325
Guarantees	7,776,485	7,868,227
	<u>8,841,938</u>	<u>8,939,552</u>
<b>Credit commitments:</b>		
Undrawn commitments to extend credit	17,275,049	17,222,605
	<u>17,275,049</u>	<u>17,222,605</u>
<b>Total contingent liabilities and credit commitments</b>	<u><u>26,116,987</u></u>	<u><u>26,162,157</u></u>

### 15. SEGMENTAL REPORTING

The primary format, business segments, is based on the Group's management and internal reporting structure that are regularly reviewed by the Executive Committee in order to allocate resources to the segment and to assess its performance.

Business segments pay to and receive interest from the Treasury on a mutually agreed basis to reflect the allocation of capital and funding costs.

#### **Business segments**

Corporate banking	Includes loan and other credit facilities, deposits, trade finance products and e-commerce solutions to large corporate clients (including Government related entities).
Commercial banking	Includes loans, working capital financing, trade finance and deposits products to commercial (mid-sized) clients.
Personal banking	Includes current accounts, easy access saving accounts, fixed rate deposit accounts, personal loans, overdraft facilities, vehicle finance, mortgage products, loans and other credit facilities to business (small) clients, high net-worth (Al Dana), mid-tier clients (personal) and modest income group (direct).
Treasury and investments	Undertakes balance sheet management deals in derivatives for trading and for risk management purposes and manages the Group's proprietary investment portfolio.

Interest is charged or credited to business segments and branches to match funding transfer pricing rates which approximate the replacement cost of funds.

#### **Geographical**

The Group operates in one geographic area, the United Arab Emirates.

# Commercial Bank of Dubai PSC

## Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 31 March 2016

### 15. SEGMENTAL REPORTING (CONTINUED)

Segmental analysis for the three-month period was as follows:

31 March 2016 (Unaudited)	Corporate banking	Commercial banking	Personal banking	Treasury & investments	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
<b>Assets</b>	<b>24,841,717</b>	<b>10,306,410</b>	<b>6,977,849</b>	<b>17,100,901</b>	<b>59,226,877</b>
<b>Liabilities</b>	<b>12,812,930</b>	<b>8,741,271</b>	<b>14,146,492</b>	<b>15,612,610</b>	<b>51,313,303</b>
31 December 2015 (Audited)					
Assets	24,246,649	10,689,252	6,852,642	16,075,345	57,863,888
Liabilities	13,531,371	8,089,448	13,203,981	14,810,284	49,635,084
31 March 2016 (Unaudited)					
Net interest income and net income from Islamic financing	137,294	104,024	131,039	34,689	407,046
Non-interest & other income	46,084	36,424	59,128	27,660	169,296
Total operating income	183,378	140,448	190,167	62,349	576,342
Direct and allocated cost					195,247
Depreciation and amortization					13,046
Provisions for impairment losses net of recoveries					127,246
Total expenses					335,539
Net profit for the period					240,803
31 March 2015 (Unaudited)					
Net interest income and net income from Islamic financing	142,025	97,837	89,886	77,848	407,596
Non-interest & other income	53,441	43,808	55,579	20,720	173,548
Total operating income	195,466	141,645	145,465	98,568	581,144
Direct and allocated cost					179,919
Depreciation and amortization					11,986
Provisions for impairment losses net of recoveries					94,160
Total expenses					286,065
Net profit for the period					295,079

# Commercial Bank of Dubai PSC

## Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 31 March 2016

### 16. FINANCIAL ASSETS AND LIABILITIES

#### 16.1 Financial assets and liabilities classification

The table below sets out the Group's assets and liabilities classification in accordance with the categories of financial instruments as per IAS 39:

	Fair value through Profit or loss AED'000	Amortized Cost		Available-for-sale at fair value AED'000	Other amortized cost AED'000	Total carrying amount AED'000
		Held-to-maturity AED'000	Loans and receivables AED'000			
<b>31 March 2016 (Unaudited)</b>						
Cash and balances with Central Bank	-	-	-	-	6,097,119	6,097,119
Due from banks	-	-	-	-	3,861,025	3,861,025
Loans and advances and Islamic financing	-	-	38,752,867	-	-	38,752,867
Investment securities	8,971	-	-	6,818,831	-	6,827,802
Other assets	84,942	-	-	-	2,810,952	2,895,894
<b>Total financial assets</b>	<b>93,913</b>	<b>-</b>	<b>38,752,867</b>	<b>6,818,831</b>	<b>12,769,096</b>	<b>58,434,707</b>
Due to banks	-	-	-	-	1,521,980	1,521,980
Customers' deposits and Islamic customers' deposits	-	-	-	-	41,116,157	41,116,157
Notes and medium term borrowing	-	-	-	-	5,493,949	5,493,949
Other liabilities	88,590	-	-	-	2,979,814	3,068,404
<b>Total financial liabilities</b>	<b>88,590</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>51,111,900</b>	<b>51,200,490</b>
<b>31 December 2015 (Audited)</b>						
Cash and balances with Central Bank	-	-	-	-	6,668,065	6,668,065
Due from banks	-	-	-	-	2,591,717	2,591,717
Loans and advances and Islamic financing	-	-	39,020,821	-	-	39,020,821
Investment securities	19,898	-	-	6,603,131	-	6,623,029
Other assets	46,253	-	-	-	2,120,692	2,166,945
<b>Total financial assets</b>	<b>66,151</b>	<b>-</b>	<b>39,020,821</b>	<b>6,603,131</b>	<b>11,380,474</b>	<b>57,070,577</b>
Due to banks	-	-	-	-	1,111,462	1,111,462
Customers' deposits and Islamic customers' deposits	-	-	-	-	40,474,776	40,474,776
Notes and medium term borrowing	-	-	-	-	5,492,694	5,492,694
Other liabilities	39,988	-	-	-	2,405,074	2,445,062
<b>Total financial liabilities</b>	<b>39,988</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>49,484,006</b>	<b>49,523,994</b>

The carrying values of the financial assets and liabilities (that are not stated at fair value) are not significantly different from their fair values.

# Commercial Bank of Dubai PSC

## Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 31 March 2016

### 16. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

#### 16.2 Fair value measurement – Fair value hierarchy:

The below table, shows the hierarchy used by the Group to determine the fair value of the financial assets and financial liabilities carried at fair value:

31 March 2016 (Unaudited)	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
Investments			
Equity	135,381	-	-
Fund of funds	-	119,188	-
Fixed and floating rate securities	6,573,233	-	-
Positive market value of forward foreign exchange contracts and other derivatives	-	84,942	-
Negative market value of forward foreign exchange contracts and other derivatives	-	(88,590)	-
	6,708,614	115,540	-
31 December 2015 (Audited)	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
Investments			
Equity	149,413	-	-
Fund of funds	-	264,165	-
Fixed and floating rate securities	6,209,451	-	-
Positive market value of forward foreign exchange contracts and other derivatives	-	46,253	-
Negative market value of forward foreign exchange contracts and other derivatives	-	(39,988)	-
	6,358,864	270,430	-

During the period there were no transfers between Level 1 and Level 2 of the fair value hierarchy above and no transfer into and out of level 3 fair value measurements. Further, there has been no change in the valuation techniques in relation to valuation of financial instruments during the period.

# Commercial Bank of Dubai PSC

## Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 31 March 2016

### 17. RELATED PARTY TRANSACTIONS

The Group enters into transactions with major shareholders, directors, key management personnel and their related entities. The terms of these transactions are approved by the Bank's Board of Directors:

	Directors and key management personnel		Other related parties	
	31 March 2016 AED'000 (Unaudited)	31 December 2015 AED'000 (Audited)	31 March 2016 AED'000 (Unaudited)	31 December 2015 AED'000 (Audited)
Loans and advances	164,871	169,368	3,017,029	2,682,502
Due from Banks	-	-	572,585	600,000
Investment securities	-	-	828,864	820,465
Acceptances	-	-	7,857	12,071
Letters of credit	-	-	28,493	16,764
Letters of Guarantees	-	-	689,996	690,668
Undrawn commitments to extend credit	17,983	15,732	2,460,141	1,920,127
	<u>164,871</u>	<u>169,368</u>	<u>3,017,029</u>	<u>2,682,502</u>
Due to Banks	-	-	50,937	-
Deposits	25,044	15,772	7,400,733	7,665,418
	<u>25,044</u>	<u>15,772</u>	<u>7,400,733</u>	<u>7,665,418</u>
	31 March 2016 AED'000 (Unaudited)	31 March 2015 AED'000 (Unaudited)	31 March 2016 AED'000 (Unaudited)	31 March 2015 AED'000 (Unaudited)
Interest income and commission income	1,469	637	16,530	11,187
Interest expense	7	1	19,690	5,763
	<u>1,469</u>	<u>637</u>	<u>16,530</u>	<u>11,187</u>

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.

Other related parties represent major shareholders and parties related to Directors, key management personnel.

No provisions for impairment have been recognised in respect of loans given to related parties (31 March 2015: NIL).

The loans issued to directors are unsecured and repayable monthly over a maximum period of 5 years (31 December 2015: maximum period of 5 years) and carry interest at the rates comparable to the third party loans.

Sitting fees paid to certain directors for attending sub-committee meetings during the three-month period ended 31 March 2016 was AED 1,002 thousand (31 March 2015: AED 915 thousand).

# Commercial Bank of Dubai PSC

## Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 31 March 2016

### 17. RELATED PARTY TRANSACTIONS (CONTINUED)

#### Key management compensation

	31 March 2016 AED'000 (Unaudited)	31 March 2015 AED'000 (Unaudited)
Salaries	3,395	2,815
Post-employment benefits	156	134
Other benefits	4,943	3,563

### 18. CAPITAL ADEQUACY

The Group's regulatory capital adequacy ratio is set by the Central Bank of UAE ('the Central Bank'). The Group has 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 period. The capital adequacy ratio should be a minimum of 12% analysed into two Tiers, of which Tier 1 capital adequacy must not be less than 8% as mandated by the Central Bank.

The Group's objectives when managing capital are as follows:

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

The Group's regulatory capital is analyzed into two tiers:

- Tier 1 capital, which includes ordinary share capital, legal reserve, general reserve and retained earnings; and
- Tier 2 capital, which includes fair value reserves relating to unrealized gains / losses on investments classified as available-for-sale and derivatives held as cash flow hedges and general collective provision.

The following limits have been applied for Tier 2 capital:

- Total tier 2 capital shall not exceed 67% of tier 1 capital;
- Subordinated liabilities shall not exceed 50% of total tier 1 capital; and
- General / Collective provision shall not exceed 1.25% of credit risk weighted assets (2015: 1.25% of total risk weighted assets).

# Commercial Bank of Dubai PSC

## Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 31 March 2016

### 18. CAPITAL ADEQUACY (CONTINUED)

The table below summarizes the composition of regulatory capital and capital adequacy ratio calculation as per Basel II, of the Group:

	<b>31 March 2016 AED'000 (Unaudited)</b>	31 December 2015 AED'000 (Audited)
<b>Core tier 1 capital</b>		
Share capital	2,802,734	2,802,734
Legal reserve	1,401,367	1,401,367
General reserve	1,227,718	1,227,718
Retained earnings	2,429,090	2,193,094
<b>Tier 1 capital</b>	<u>7,860,909</u>	<u>7,624,913</u>
<b>Upper tier 2 capital</b>		
Fair value reserve	6,313	(6,294)
Collective provisions (up to allowable limit)	573,270	564,797
<b>Tier 2 capital</b>	<u>579,583</u>	<u>558,503</u>
<b>Total capital base</b>	<u>8,440,492</u>	<u>8,183,416</u>
<b>Risk weighted assets (RWA) Pillar 1</b>		
Credit risk	45,861,601	45,183,729
Market risk	17,891	16,780
Operational risk	4,140,976	4,140,976
<b>Risk weighted assets</b>	<u>50,020,468</u>	<u>49,341,485</u>
<b>Tier 1 ratio</b>	15.72%	15.45%
<b>Capital adequacy ratio (Pillar) 1</b>	16.87%	16.59%

### 19. COMPARATIVE FIGURES

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