

# Commercial Bank of Dubai PSC

Condensed consolidated interim financial statements

31 March 2020

# Commercial Bank of Dubai PSC

## Condensed consolidated interim financial statements

*For the three-month period ended 31 March 2020*

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**Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Information**

The Shareholders  
Commercial Bank of Dubai PSC

*Introduction*

We have reviewed the accompanying condensed consolidated interim financial information of Commercial Bank of Dubai PSC. (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprises:

- the condensed consolidated interim statement of financial position as at 31 March 2020;
- the condensed consolidated interim statement of profit or loss for the three-month period ended 31 March 2020;
- the condensed consolidated interim statement of profit or loss and other comprehensive income for the three-month period ended 31 March 2020;
- the condensed consolidated interim statement of changes in equity for the three-month period ended 31 March 2020;
- the condensed consolidated interim statement of cash flows for the three-month period ended 31 March 2020; and
- notes to the condensed consolidated interim financial information.

Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.



*Scope of Review*

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed consolidated 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 31 March 2020 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Lower Gulf Limited

**Emilio Pera**  
Registration Number: 1146  
Dubai, United Arab Emirates  
Date: 22 April 2020

# Commercial Bank of Dubai PSC

## Condensed consolidated interim statement of financial position

As at 31 March 2020

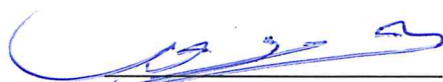
		31 March 2020 AED'000 (Unaudited)	31 December 2019 AED'000 (Audited)
<b>ASSETS</b>			
Cash and balances with Central Bank	7	10,829,834	12,592,641
Due from banks, net	8	3,008,036	2,427,735
Loans and advances and Islamic financing, net	9	62,334,724	60,180,810
Investment securities	10	5,533,685	5,613,287
Investment in an associate		80,675	85,127
Investment properties, net		195,795	198,896
Property and equipment		256,522	273,583
Bankers acceptances		5,752,840	5,346,819
Other assets, net		1,888,692	1,349,993
<b>TOTAL ASSETS</b>		<b>89,880,803</b>	<b>88,068,891</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Due to banks		4,662,466	4,166,589
Customer deposits and Islamic customer deposits	11	63,900,000	63,334,333
Notes and medium term borrowings	12	3,231,715	3,231,072
Due for trade acceptances		5,752,840	5,346,819
Other liabilities		2,639,167	1,773,508
<b>TOTAL LIABILITIES</b>		<b>80,186,188</b>	<b>77,852,321</b>
<b>EQUITY</b>			
Share capital	13	2,802,734	2,802,734
Legal and statutory reserve		1,401,367	1,401,367
General reserve		1,328,025	1,328,025
Capital reserve		38,638	38,638
Fair value reserve		(193,258)	48,454
Retained earnings		4,317,109	4,597,352
<b>TOTAL EQUITY</b>		<b>9,694,615</b>	<b>10,216,570</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>89,880,803</b>	<b>88,068,891</b>

To the best of our knowledge, the condensed consolidated interim financial information present fairly in all material respects the financial condition, results of operation and cash flows of the Group as of, and for, the periods presented therein.

These condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 22 April 2020.

The attached notes from 1 to 21 form part of these condensed consolidated interim financial statements.

The review report of the Auditors is set out on pages 1 to 2.



H.E. Humaid Al Qutami  
Chairman



Dr. Bernd van Linder  
Chief Executive Officer

# Commercial Bank of Dubai PSC

## Condensed consolidated interim statement of profit or loss

For the three-month period ended 31 March 2020

	31 March 2020 AED'000 (Unaudited)	31 March 2019 AED'000 (Unaudited)
Interest income and income from Islamic financing	776,213	783,001
Interest expense and distributions to Islamic depositors	<u>(291,525)</u>	<u>(290,043)</u>
<b>Net interest income and net income from Islamic financing</b>	<b>484,688</b>	<b>492,958</b>
Net fees and commission income	201,393	191,826
Net gains from foreign exchange and derivatives	57,815	52,141
Net gains from investments at fair value through profit or loss	972	444
Net gains from sale of debt investments at fair value through other comprehensive income	2,903	5,084
Share of loss of an associate	(4,275)	(613)
Dividend income	2,786	3,059
Other income	<u>10,235</u>	<u>29,166</u>
<b>Total operating income</b>	<b>756,517</b>	<b>774,065</b>
Reversal /(impairment) allowance on due from banks	1,680	(4,647)
Impairment allowance on loans and advances and Islamic financing	(254,451)	(222,404)
Recoveries of loans and advances and Islamic financing	19,661	8,366
Impairment allowance on other assets	(6,615)	(5,176)
Impairment allowance on investment properties	-	(3,322)
Impairment allowance on investment securities	<u>(166)</u>	<u>(1,085)</u>
<b>Total net income</b>	<b>516,626</b>	<b>545,797</b>
Staff and other expenses	(183,301)	(188,798)
Depreciation and amortisation	<u>(18,002)</u>	<u>(16,945)</u>
<b>Total operating expenses</b>	<b>(201,303)</b>	<b>(205,743)</b>
<b>Net profit for the period</b>	<b>315,323</b>	<b>340,054</b>
<b>Basic and diluted earnings per share</b>	<b>14 AED 0.11</b>	<b>AED 0.12</b>

The attached notes from 1 to 21 form part of these condensed consolidated interim financial statements.

The review report of the Auditors is set out on pages 1 to 2.

# Commercial Bank of Dubai PSC

## Condensed consolidated interim statement of other comprehensive income

For the three-month period ended 31 March 2020

	<b>31 March 2020 AED'000 (Unaudited)</b>	31 March 2019 AED'000 (Unaudited)
<b>Net profit for the period</b>	<b>315,323</b>	340,054
<b>Items that will not be reclassified to profit or loss:</b>		
Realised gains on sale of equity investments held at FVOCI	-	1,654
Revaluation loss of equity investments held at FVOCI	<b>(6,536)</b>	(11,696)
<b>Items that may be subsequently reclassified to profit or loss:</b>		
Changes in fair value of effective portion of cash flow hedge	<b>2,311</b>	1,800
Changes in fair value reserve of an associate	<b>(177)</b>	175
	<b>2,134</b>	1,975
<b>Changes in investments held at FVOCI:</b>		
Realised gain on sale of debt investments	<b>(2,903)</b>	(5,084)
Revaluation (loss) / gain on debt investments	<b>(234,407)</b>	103,416
<b>Net change in investments held at FVOCI</b>	<b>(237,310)</b>	98,332
<b>Other comprehensive (loss) / income for the period</b>	<b>(241,712)</b>	90,265
<b>Total comprehensive income for the period</b>	<b>73,611</b>	430,319

The attached notes from 1 to 21 form part of these condensed consolidated interim financial statements.

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# Commercial Bank of Dubai PSC

## Condensed consolidated interim statement of changes in equity

For the three-month period ended 31 March 2020

	Share capital AED'000	Legal and statutory reserve AED'000	General reserve AED'000	Capital reserve AED'000	Fair value reserve AED'000	Retained earnings AED'000	Total AED'000
<b>At 1 January 2019</b>	2,802,734	1,401,367	1,328,025	38,638	(137,060)	3,785,022	9,218,726
<b>Transactions with shareholders, recorded directly in equity</b>							
Cash dividend for 2018 (20.7%)	-	-	-	-	-	(580,166)	(580,166)
Directors' remuneration for 2018	-	-	-	-	-	(11,000)	(11,000)
<b>Other comprehensive income</b>							
Net profit for the period	-	-	-	-	-	340,054	340,054
Gain on sale of equity investments at fair value through other comprehensive income	-	-	-	-	(1,654)	1,654	-
Other comprehensive income for the period	-	-	-	-	90,265	-	90,265
<b>Total other comprehensive income for the period</b>	-	-	-	-	88,611	341,708	430,319
<b>At 31 March 2019 (unaudited)</b>	<b>2,802,734</b>	<b>1,401,367</b>	<b>1,328,025</b>	<b>38,638</b>	<b>(48,449)</b>	<b>3,535,564</b>	<b>9,057,879</b>
<b>At 1 January 2020</b>	<b>2,802,734</b>	<b>1,401,367</b>	<b>1,328,025</b>	<b>38,638</b>	<b>48,454</b>	<b>4,597,352</b>	<b>10,216,570</b>
<b>Transactions with shareholders, recorded directly in equity</b>							
Cash dividend for 2019 (20.7%)	-	-	-	-	-	(580,166)	(580,166)
Directors' remuneration for 2019	-	-	-	-	-	(15,400)	(15,400)
<b>Other comprehensive income</b>							
Net profit for the period	-	-	-	-	-	315,323	315,323
Other comprehensive loss for the period	-	-	-	-	(241,712)	-	(241,712)
<b>Total other comprehensive income for the period</b>	-	-	-	-	(241,712)	315,323	73,611
<b>At 31 March 2020 (unaudited)</b>	<b>2,802,734</b>	<b>1,401,367</b>	<b>1,328,025</b>	<b>38,638</b>	<b>(193,258)</b>	<b>4,317,109</b>	<b>9,694,615</b>

The attached notes from 1 to 21 form part of these condensed consolidated interim financial statements.

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# Commercial Bank of Dubai PSC

## Condensed consolidated interim statement of cash flows

For the three-month period ended 31 March 2020

	31 March 2020 AED'000 (Unaudited)	31 March 2019 AED'000 (Unaudited)
<b>OPERATING ACTIVITIES</b>		
Net profit for the period	315,323	340,054
Adjustments for:		
Depreciation and amortisation	18,002	16,945
Profit on disposal of property and equipment	(1,233)	(21,268)
Amortisation of premium / discount on investments	7,997	10,184
Dividend income	(2,786)	(3,059)
Unrealized gains on investments at fair value through profit or loss	-	(148)
Loss on foreign exchange translation	7,334	3,771
Realised gains on sale of investments	(3,338)	(5,358)
Net unrealised loss / (gain) on derivatives	13,945	(24,809)
Share of loss of an associate	4,275	613
Impairment allowance on loans and advances and Islamic financing	254,451	222,404
Impairment allowance on other assets	6,615	5,176
Impairment allowance on investment properties	-	3,322
Impairment allowance on investment securities	166	1,085
(Reversal) / impairment allowance on due from banks	(1,680)	4,647
Amortisation of transaction cost on notes and medium term borrowings	643	337
	<b>619,714</b>	<b>553,896</b>
Increase in statutory reserve with the Central Bank	(279,007)	(79,733)
Decrease / (increase) in negotiable Central Bank certificate of deposits with original maturity of more than three months	700,000	(2,000,000)
Decrease in due from banks with original maturity of more than three months	-	2,110
Increase in loans and advances and Islamic financing	(2,408,365)	(1,078,048)
(Increase) / decrease in other assets	(87,895)	86,843
Increase in customer deposits and Islamic customer deposits	565,667	1,448,970
(Decrease) / increase in other liabilities	(201,047)	403,652
Increase in due to banks with original maturity of more than three months	15,148	394,522
Directors' remuneration paid	-	(11,000)
<b>Net cash flow used in operating activities</b>	<b>(1,075,785)</b>	<b>(278,788)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of investments	(1,451,461)	(1,652,681)
Purchase of property and equipment	(3,948)	(6,458)
Dividend income	2,786	3,059
Proceeds from sale of investments	1,277,144	1,379,900
Proceeds from sale of property and equipment	7,341	48,728
<b>Net cash flow used in investing activities</b>	<b>(168,138)</b>	<b>(227,452)</b>
<b>FINANCING ACTIVITIES</b>		
Dividend paid	-	(580,166)
<b>Net cash flow used in financing activities</b>	<b>-</b>	<b>(580,166)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,243,923)</b>	<b>(1,086,406)</b>
Cash and cash equivalents at 1 January	7,340,365	3,315,334
<b>Cash and cash equivalents at end of the period</b>	<b>6,096,442</b>	<b>2,228,928</b>

The attached notes from 1 to 21 form part of these condensed consolidated interim financial statements.

The review report of the Auditors is set out on pages 1 to 2.

# Commercial Bank of Dubai PSC

## Notes to the condensed consolidated interim financial statements

For the three-month period ended 31 March 2020

### 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. 2 of 2015. The Bank is listed on the Dubai Financial Market. The Bank’s principal activity is commercial banking. The registered address of the Bank is Al Ittihad Street, P.O. Box 2668, Dubai, United Arab Emirates.

The condensed consolidated interim financial statements of the Group for the three month period ended 31 March 2020 comprise the results of the Bank, its wholly owned subsidiaries (together referred to as “the Group”) and the Group’s interest in an associate.

Details about subsidiaries and an associate:

- a) CBD Financial Services LLC, is registered as a limited liability company in accordance with Federal Law No. 2 of 2015 in Dubai, United Arab Emirates. The Bank holds a 100% interest. Its principal activity is providing brokerage facilities for local shares and bonds.
- b) CBD Employment Services One Person Company LLC, is registered as a limited liability company in accordance with Federal Law No. 2 of 2015 in Dubai, United Arab Emirates. The Bank holds 100% interest. Its principal activity is the supply of manpower services.
- c) Attijari Properties LLC, is registered as a limited liability company in accordance with Federal Law No. 2 of 2015 in Dubai, United Arab Emirates. The Bank holds a 100% interest. Its principal activity is self-owned property management services as well as buying and selling of real estate.
- d) CBD (Cayman) Limited is a special purpose entity (SPE) registered in the Cayman Islands. The SPE has been established for the issuance of debt securities.
- e) CBD (Cayman II) Limited, which is a special purpose entity (SPE) registered in the Cayman Islands. The SPE has been established to transact and negotiate derivative agreements.
- g) VS 1897 (Cayman) Limited which is a special purpose entity (SPE) registered in the Cayman Islands. The SPE has been established to manage investment acquired in the settlement of debt.
- f) National General Insurance Co. (PSC) is an associate of the Bank and is listed on the Dubai Financial Market. It underwrites all classes of life and general insurance business as well as certain reinsurance business. The Bank holds a 17.8% interest in the associate. The management believes that it has significant influence on the associate by virtue of having representation on the Board of Directors of the associate.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with 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 2019.

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s audited consolidated financial statements for the year ended 31 December 2019.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

#### 2.2 Functional and presentation currency

The condensed consolidated interim financial statements are presented in United Arab Emirates Dirhams (“AED”), which is the Bank’s functional and presentation currency, rounded to the nearest thousand unless otherwise stated.

#### 2.3 Basis of consolidation

The condensed consolidated interim financial statements comprise the financial statements of the Bank, its wholly owned subsidiaries (together referred to as “the Group”), which it controls and the Group’s interest in an associate, as at 31 March 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

# Commercial Bank of Dubai PSC

## Notes to the condensed consolidated interim financial statements

For the three-month period ended 31 March 2020

### 3 SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Financial Assets

##### 3.1.1 Classification

The Group classifies financial assets on initial recognition in the following categories:

- (i) Amortised cost;
- (ii) Fair value through other comprehensive income (FVOCI); and
- (iii) Fair value through profit or loss (FVPL).

##### o **Business model assessment**

The Group makes an assessment of the objective of a business model in which a financial asset is held at portfolio level, because this reflects the way the business is managed and information is provided to the management. The assessment is not determined by a single factor or activity. Instead, the entity considers all relevant information available at the date of the assessment. The information considered includes:

- The stated policies and objectives for the business and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets.
- How the performance of the portfolio and the financial asset held within the portfolio is evaluated and reported to the management.
- The risks that affect the performance of the portfolio and, in particular, the way in which those risks are managed.
- How the managers of the business are compensated.
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

##### o **Assessment whether contractual cash flows is solely payments of principal and interest**

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument.

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

# Commercial Bank of Dubai PSC

## Notes to the condensed consolidated interim financial statements

For the three-month period ended 31 March 2020

### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.1 Financial Assets (continued)

##### 3.1.1 Classification (continued)

o **Assessment whether contractual cash flows is solely payments of principal and interest (continued)**

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash from specified assets;
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

##### 3.1.2 Impairment of financial assets

IFRS 9 requires the Group to record an allowance for ECLs that are not measured at FVPL on the following financial instruments:

- loans and advances, Islamic financing and other financial assets;
- loan commitments; and
- financial guarantee contracts.

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

**Stage 1:** When loans are first recognised, the Group recognises an allowance based on 12 months ECLs.

**Stage 2:** When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the life time expected credit losses (LTECLs).

**Stage 3:** Loans considered are credit-impaired. The group records an allowance for the LTECLs.

The key inputs into the measurement of ECL are the term structures of the following variables:

- probability of default (PD);
- exposure at default (EAD); and
- loss given default (LGD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information.

Details of these statistical parameters/inputs are as follows:

- PD – The probability of default is an estimate of the likelihood of default over a given time horizon.
- EAD – The exposure at default is an estimate of the expected exposure in the event of a default and the potential changes to the current amount allowed under the contract including amortisation.
- LGD – The loss given default is an estimate of the loss arising in case a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

##### **(i) Assessment of significant increase in credit risk**

Assessment of significant increase in credit risk is performed on a monthly basis for each individual exposure. Quantitative thresholds are established for the significant increase in the credit based on the movement in credit rating. In addition to quantitative criteria the Group has a proactive Early Warning Indicator (EWI) framework, based on which the Credit Risk team performs a portfolio quality review on a monthly basis. The objective of the same is to identify potentially higher risk customers within the performing customers.

For retail lending the Group considers credit scores and events such as unemployment, bankruptcy or death. As a back-stop when an asset becomes 30 days past due, the Group considers that a significant increase in credit risk has occurred and the asset is in Stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL.

# Commercial Bank of Dubai PSC

## Notes to the condensed consolidated interim financial statements

For the three-month period ended 31 March 2020

### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.1 Financial Assets (continued)

##### 3.1.2 Impairment of financial assets (continued)

###### **(ii) Improvement in credit risk profile**

The Group has defined below criteria to assess any improvement in the credit risk profile which will result into upgrading of customers moving from Stage 3 to Stage 2 and from Stage 2 to Stage 1.

- Significant decrease in credit risk will be upgraded stage-wise (one stage at a time) from stage 3 to stage 2 and from stage 2 to stage 1 after meeting the curing period of at least 12 months.
- Restructured cases will be upgraded if repayments of 3 installments have been made or 12 months curing period is met, if the repayments frequency are longer than monthly or quarterly installments.

###### **(iii) Default definition**

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full without recourse by the Group to actions such as realising security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Group.

In assessing whether a borrower is in default, the Group considers indicators that are:

- qualitative - e.g. breaches of covenant;
- quantitative - e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

The Group has performed a historical default rate analysis to identify homogeneous segments and further estimated ECL parameters (i.e. PD, LGD and EAD) at similar granularities. To perform a historical default rate analysis, the Group has adopted two separate definitions of default for the non-retail and the retail portfolio.

###### **o Non-retail portfolio**

The non-retail portfolio comprises of loans which are managed individually by the Relationship Managers (RMs) with oversight from the Credit Risk team of the Group. These loans are appraised at least annually based on the financial information, other qualitative information and account conduct of the customer.

A non-retail customer is identified as at default if the customer is materially delinquent for more than 90 days on any of its credit obligation.

###### **o Retail portfolio**

The retail portfolio comprises of loans that are managed at a product level, and based on approved product programs. A retail account is identified as default if the customer is delinquent for more than 90 days.

The default rate analysis as well as the improvement in credit risk profile for the retail portfolio is performed at the account level based on the days past due criteria.

###### **(iv) Incorporation of forward-looking information**

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group relies on a broad range of forward looking information as economic inputs such as:

- GDP growth rates;
- UAE Central Bank base rate;
- Oil price;
- Consumer price index;
- House prices;
- Unemployment rates; etc.

# Commercial Bank of Dubai PSC

## Notes to the condensed consolidated interim financial statements

For the three-month period ended 31 March 2020

### 4 USE OF ESTIMATES AND JUDGMENTS

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, significant judgement is exercised by management in applying the Group's accounting policies. The key sources of estimation uncertainty are consistent with the annual audited consolidated financial statements of the Group as at and for the year ended 31 December 2019, with the exception of the impact of the COVID - 19 outbreak on the Group which is detailed below:

#### Impact of COVID-19

On 11 March 2020, the World Health Organisation ("WHO") officially declared COVID-19 a global pandemic. In light of the rapid spread of COVID-19 across the globe, various economies and sectors have faced significant disruptions and uncertainty as a result of measures taken by governments to contain or delay the spread of the virus. This note describes the impact of the outbreak on the Bank's operations and the significant estimates and judgements applied by management in assessing the values of assets and liabilities as at 31 March 2020.

#### (i) Credit risk management

In addition to the management of credit risk described in Note 35 b. (i) to the annual audited consolidated financial statements of the Group as at and for the year ended 31 December 2019, the Bank has taken the following measures in response to the COVID-19 outbreak:

The Bank's Corporate Credit Risk department has identified the most vulnerable sectors to this stressed situation, and reviews are being conducted on a more frequent basis:

- Tourism and Hospitality; Aviation and Airlines; Retail and automotive;
- Oil and gas; Trading; Logistics;
- Manufacturing; Real Estate; Contracting.

The Group continues to apply robust underwriting standards to companies in the above sectors, especially for any New-to-Bank customers. Extra measures, such as requiring additional approvals for disbursements of facilities have been implemented to ensure a high level of scrutiny over the credit management process. The Bank will continue to demonstrate sound prudence and vigor in underwriting across the retail sector whilst supporting customers and businesses across the UAE.

Post reporting date, on a case by case basis in the Corporate and Commercial Segment, the Group has approved payment holidays to certain customers, ranging from 3 to 6 months deferrals. The Bank has extensively reviewed the past account conduct and payment history of the borrowers requesting for deferral, prior to approvals. Significant judgment is applied when assessing whether the cash flow and liquidity issues faced by the customer are temporary or long term in nature.

The Bank is conducting frequent reviews of the Loan to Value ("LTV") ratios on the securities held against facilities, specifically securities which are illiquid in nature.

#### (ii) Liquidity risk management

The effects of COVID-19 on the liquidity and funding risk profile of the banking system are evolving and currently being evaluated, as Governments around the world reel in to provide relief and mitigate the adverse effects of the crisis. The key risk factors include:

- Sustained periods of low oil prices combined with drastically lower economic output will lead to constraints on the Banking sector's funding capabilities and liquidity management;
- Potential rise in the cost of funds due to reduced deposit inflows from the general public and government entities; and
- Weakened credit outlook will have a negative impact on lending, which will further contribute to a slowdown in economic growth.

# Commercial Bank of Dubai PSC

## Notes to the condensed consolidated interim financial statements

For the three-month period ended 31 March 2020

### 4 USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

#### Impact of COVID-19 (continued)

#### (ii) Liquidity risk management (continued)

The UAE Central Bank has announced AED 256 billion stimulus package in an attempt to combat the above effects of COVID-19 and ease the liquidity constraints in the UAE Banking Sector, by providing relief to the local economy. The stimulus package includes the following:

- Launch of the Targeted Economic Support Scheme ('TESS'), which allows banks to grant temporary relief to certain customers in the way of deferring payments for up to 6 months, and allowing banks to apply for zero-cost funding from the Central Bank;
- Granted an extension of the capital buffer relief to 31 December 2021 for banks participating in the TESS Programme;
- Reduction of the reserve requirements by half for demand deposits for all banks, from 14% to 7%; and
- Planned implementation of certain Basel III capital requirements will be postponed to 31 March 2021.

The Group's management of liquidity risk is disclosed in note 35 d) to the annual audited consolidated financial statements of the Group as at and for the year ended 31 December 2019. In response to the COVID 19 outbreak, the Bank is evaluating its liquidity and funding position and has taken into consideration all the reliefs provided by the Central Bank. As of 31 March 2020, the Bank has not joined the Central Bank's TESS Programme described above, however it will continue to monitor its liquidity position and will consider the need for applying for reliefs in the future if required. Currently, the Bank is closely monitoring its liquidity position and risks arising due to the COVID-19 crisis.

#### (iii) Use of estimates and judgements:

The spread of COVID-19 rapidly increased in March 2020 as the number of cases spiked, and governments around the world are deploying a multitude of measures to combat the virus and protect their economies. The Group is constantly monitoring the current situation as it unfolds, noting that it is in early stages and there is limited economic data available to accurately evaluate the impact of the outbreak on the UAE economy, and on the Bank's financial position as at 31 March 2020.

The Bank exercises significant judgement in assessing and estimating areas such as Expected Credit Losses. Given the uncertainty and limited forward looking information, the Bank has taken the approach of implementing a judgmental overlay to the ECL model by changing its macroeconomic weightages. Going forward, the Bank will continue to monitor and evaluate the impact of the outbreak, and will consider adjusting its ECL model in subsequent quarters if required.

#### **Governance around IFRS 9 ECL models and calculations**

Given the significant impact that the macro economic scenarios and weightages will have on the Bank's Expected Credit losses, the Bank has further strengthened its processes, controls and governance frameworks around macro economic forecasting and the computation of Expected Credit losses. The Bank's IFRS 9 Committee, which reports to the Executive Management, has primary responsibility for overseeing the Bank's ECL models. To ensure the ongoing integrity of ECL calculations during times of extreme uncertainty and volatility, the Bank's IFRS 9 Committee will be exercising oversight by conducting regular reviews of the portfolio. The committee will closely monitor the macro economic inputs applied to the IFRS 9 model at the bank and recommend changes required over the next quarter(s) in the light of relevant information received. The committee will continually assess the performance of the bank's portfolio, ensuring that credit risk behaviors align with the significant increase in credit risk policy and that the staging criteria remain relevant.

The IFRS 9 Committee has reviewed the inputs and assumptions for IFRS 9 ECL measurement in light of available information. While it is challenging to estimate the impact of COVID-19 on our ECL estimates as the situation is still evolving, it is expected to have a deep impact on the macro-economic environment. The bank has assessed the impact of the crisis and changed the weightages assigned to the scenario probabilities of its ECL models. The probability of the adverse scenario was increased from 10% to 25% and the probability of the favourable scenario was reduced from 10% to 0%. The probability assigned to the base case scenario accordingly decreased from 80% to 75%. The impact of changing these scenario probabilities was an increase to the impairment loss allowance by AED 114 million. If the adverse scenario probability was further increased by 10%, impairment loss allowance would increase by AED 80 million.

# Commercial Bank of Dubai PSC

## Notes to the condensed consolidated interim financial statements

For the three-month period ended 31 March 2020

### 4 USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

#### Impact of COVID-19 (continued)

#### (iv) Fair value measurement of financial instruments

The Bank's existing policy on fair value measurement of financial instruments is disclosed in note 3.1 (b) to the annual audited consolidated financial statements of the Group as at and for the year ended 31 December 2019. Given the significant impact of the COVID-19 pandemic on the global financial markets, the bank is closely monitoring whether the fair values of the financial assets and liabilities represent the price that would be achieved for transactions between market participants in the current scenario.

#### (v) Investment properties

The Bank's existing policy on the recognition and measurement of investment properties is disclosed in note 3.7 to the annual audited consolidated financial statements of the Group as at and for the year ended 31 December 2019.

As the real estate market becomes sluggish, significant unobservable adjustments may be required to adjust the fair values of the properties held, in order to reflect the current circumstances. A few landlords in the commercial sector have been working with tenants to provide rent reliefs in the form of delayed payments or extended leases. However, this is in early stages and there is limited information available on the 2020 outlook for the real estate market and how the situation will progress in light of COVID-19.

Based on management's assessment, the Bank has not identified any significant impact to the fair values of investment properties for the first quarter of 2020. As the situation continues to unfold, the Bank will consistently monitor the market and ensure that the prices used by the Bank are an accurate representation of fair value in accordance with the requirements of IFRS 13.

#### (vi) Recent regulatory updates:

The CBUAE is taking several measures to address and mitigate the adverse systematic economic impact of COVID 19 on the UAE banking sector. In this respect, CBUAE has issued further guidance via an official paper published on the 5th April 2020. Key measures include:

##### **Liquidity initiatives:**

- Extended the duration of the TESS program for affected retail and corporate customers by allowing principal and interest installment deferrals until 31 December 2020;
- Allowed Banks to reduce the reserve requirements for demand deposits from 14% to 7%;
- For Banks and finance companies participating in the TESS program, the CBUAE has extended the duration of the zero cost facility (against collateral) until 31 December 2020;
- Allowed banks participating in the TESS program to maintain a minimum LCR ratio of 70% and a minimum ELAR ratio of 7%; and
- Postponed the implementation of certain Basel III capital standards to March 2021.

As disclosed in note 4 ii) above, the Bank has not joined the CBUAE's TESS program at the reporting date. The bank is in the process of evaluating whether it will avail CBUAE's TESS program at a later date.

##### **Capital adequacy initiatives:**

The outreaching impact of COVID 19 is expected to impact the Bank's Risk Weightage Assets via higher charges arising from increased volatility and higher counter party risks. The implementation of the requirements of IFRS 9 Expected Credit Losses in a less favorable economic outlook is expected to increase the credit risk weights of loans and also increase provision allowances and hence impacts the Bank's capital adequacy.

In order to relieve the pressure on financial institutions, the CBUAE, via its official paper issued on 5 April 2020, has allowed banks to apply a prudential filter to IFRS 9 expected loss provisions. The prudential filter aims to minimize the effect of IFRS 9 provisions on regulatory capital, in view of the expected volatility due to the COVID 19 crisis. The filter will allow Banks to partially add incremental ECL provisions back to their Tier 2 capital for the purpose of calculating capital adequacy ratios. Banks are however required to reverse this capital benefit in a gradual and phased manner over a period of 5 years (ending on 31 December 2024). The CBUAE has also granted extension of the capital buffer relief to 31 December 2021 for banks enrolled in the TESS program.

The Bank's Board Risk Committee, in liaison with the Risk Management department is constantly monitoring the developments in relation to the outbreak and is continually monitoring the Bank's ability to maintain adequate capital levels at all times, in both existing and stressed scenarios.

#### (vii) Concentration analysis:

Please refer to note 9 to the condensed consolidated interim financial information, which discloses the sector wise categorization of loans and advances as at 31 March 2020.



# Commercial Bank of Dubai PSC

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

For the three-month period ended 31 March 2020

### 5 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS "IFRS"

#### Relevant new and revised IFRS applied with no material effect on the condensed consolidated interim financial statements

The following new and revised IFRS have been adopted in these condensed consolidated interim financial statements. The application of these new and revised IFRS has not had any material impact on the amounts reported for the current and prior periods.

	Effective for annual periods beginning on or after
(a) Definition of a Business – Amendments to IFRS 3	1 January 2020
(b) Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7	1 January 2020
(c) Definition of Material – Amendments to IAS 1 and IAS 8	1 January 2020
(d) The Conceptual Framework for Financial Reporting	1 January 2020

### 6 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 Group's audited consolidated financial statements as at and for the year ended 31 December 2019.

### 7 CASH AND BALANCES WITH CENTRAL BANK

	31 March 2020 AED'000 (Unaudited)	31 December 2019 AED'000 (Audited)
Cash on hand	682,830	430,163
Balances with Central Bank U.A.E		
- Clearing account balances	4,454,034	3,248,515
- Statutory reserves	3,992,970	3,713,963
- Negotiable certificates of deposit	1,700,000	5,200,000
	<u>10,829,834</u>	<u>12,592,641</u>

Statutory reserves are not available for use in the Group's day to day operations and cannot be withdrawn without the approval of the Central Bank. The level of reserves required changes periodically in accordance with the directives of the Central Bank.

Cash and balances with Central Bank is classified under stage 1 as per IFRS 9. However, there are no expected credit losses and hence no provision has been recognised.

### 8 DUE FROM BANKS, NET

	31 March 2020 AED'000 (Unaudited)	31 December 2019 AED'000 (Audited)
Current and demand deposits	1,703,979	1,459,479
Overnight, call and short notice	945,488	611,368
Loans to banks	360,021	360,021
<b>Gross due from banks</b>	<b>3,009,488</b>	<b>2,430,868</b>
Allowances for impairment losses	(1,452)	(3,133)
<b>Net due from banks</b>	<b>3,008,036</b>	<b>2,427,735</b>
Within the U.A.E.	458,922	178,499
Outside the U.A.E.	2,549,114	2,249,236
	<u>3,008,036</u>	<u>2,427,735</u>

Due from banks is classified under stage 1 as per IFRS 9. The expected credit loss as at 31 March 2020 is AED 1,452 thousand (31 December 2019: AED 3,133 thousand).

# Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 31 March 2020

## 9 LOANS AND ADVANCES AND ISLAMIC FINANCING, NET

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

	31 March 2020 AED'000 (Unaudited)	31 December 2019 AED'000 (Audited)
<b>Loans and advances</b>		
Overdrafts	7,049,898	7,018,523
Loans	42,350,512	40,327,233
Advances against letters of credit and trust receipts	2,573,617	3,219,631
Bills discounted	2,280,760	2,089,718
<b>Gross loans and advances</b>	<b>54,254,787</b>	<b>52,655,105</b>
<b>Islamic financing</b>		
Murabaha and Tawaruq	4,564,395	4,503,190
Ijara	6,938,054	6,792,880
Others	90,555	88,086
<b>Gross Islamic financing</b>	<b>11,593,004</b>	<b>11,384,156</b>
<b>Gross loans and advances and Islamic financing</b>	<b>65,847,791</b>	<b>64,039,261</b>
Allowances for impairment losses	(3,513,067)	(3,858,451)
<b>Net loans and advances and Islamic financing</b>	<b>62,334,724</b>	<b>60,180,810</b>

An analysis of IFRS 9 stage distribution of the gross carrying amount and the corresponding ECL allowances is as follows:

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
<b>At 31 March 2020 (Unaudited)</b>				
Gross loans and advances and Islamic financing	53,723,979	7,175,919	4,947,893	65,847,791
Allowances for impairment losses	(557,768)	(674,222)	(2,281,077)	(3,513,067)
<b>Net loans and advances and Islamic financing</b>	<b>53,166,211</b>	<b>6,501,697</b>	<b>2,666,816</b>	<b>62,334,724</b>
<b>At 31 December 2019 (Audited)</b>				
Gross loans and advances and Islamic financing	52,348,762	7,198,430	4,492,069	64,039,261
Allowances for impairment losses	(517,614)	(609,152)	(2,731,685)	(3,858,451)
<b>Net loans and advances and Islamic financing</b>	<b>51,831,148</b>	<b>6,589,278</b>	<b>1,760,384</b>	<b>60,180,810</b>

	31 March 2020 AED'000 (Unaudited)	31 December 2019 AED'000 (Audited)
<b>Concentration by sector:</b>		
Manufacturing	2,974,611	2,432,279
Construction	4,529,291	4,383,388
Real estate	23,273,936	22,694,778
Trade	6,386,907	5,740,869
Transportation and storage	1,204,434	951,085
Services	5,572,004	5,714,626
Hospitality	2,795,684	2,574,068
Financial and insurance activities	7,827,279	8,184,858
Government entities	324,953	273,616
Personal - mortgage	3,299,970	3,307,884
Personal - schematic	4,309,129	4,690,832
Individual loans for business	1,541,675	1,759,653
Others	1,807,918	1,331,325
<b>Gross loans and advances and Islamic financing</b>	<b>65,847,791</b>	<b>64,039,261</b>
Allowances for impairment losses	(3,513,067)	(3,858,451)
<b>Net loans and advances and Islamic financing</b>	<b>62,334,724</b>	<b>60,180,810</b>

# Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 31 March 2020

## 9 LOANS AND ADVANCES AND ISLAMIC FINANCING, NET (CONTINUED)

An analysis of changes in the ECL is as follows:

	<b>31 March 2020 AED'000 (Unaudited)</b>	31 March 2019 AED'000 (Unaudited)
<b>ECL allowance at the beginning of the period</b>	<b>3,858,451</b>	3,112,993
Net impairment charge	<b>222,705</b>	222,404
Interest not recognised	<b>152,308</b>	56,180
Recoveries	<b>(26,858)</b>	(14,773)
Amounts written off	<b>(693,539)</b>	(127,869)
<b>ECL allowance at the end of the period</b>	<b>3,513,067</b>	<u>3,248,935</u>

### Impairment reserve under the Central Bank of UAE (CBUAE) guidance

The CBUAE has issued its IFRS 9 guidance addressing various implementation challenges and practical implications for Banks adopting IFRS 9 in the UAE ("the guidance"). Pursuant to clause 6.4 of the guidance, the reconciliation between general and specific provision under Circular 28/2010 of CBUAE and IFRS 9 is as follows:

	<b>31 March 2020 AED'000 (Unaudited)</b>	31 December 2019 AED'000 (Audited)
<b>Allowances for impairment losses: General</b>		
General provisions under Circular 28/2010 of CBUAE	<b>1,059,143</b>	1,006,311
Less: Stage 1 and Stage 2 provisions under IFRS 9	<b>1,231,990</b>	1,126,766
General provision transferred to the impairment reserve*	<u>-</u>	<u>-</u>
<b>Allowances for impairment losses: Specific</b>		
Specific provisions under Circular 28/2010 of CBUAE	<b>2,051,515</b>	2,515,321
Less: Stage 3 provisions under IFRS 9	<b>2,281,077</b>	2,731,685
Specific provision transferred to the impairment reserve*	<u>-</u>	<u>-</u>
Total provision transferred to the impairment reserve	<u>-</u>	<u>-</u>

\* In case provisions under IFRS 9 exceed provisions under CBUAE, no amount shall be transferred to the impairment reserve.

The Group has hedged the fair value of certain fixed rate loans and advances and Islamic financing. The carrying value of these loans and advances and Islamic financing is AED 106.3 million (31 December 2019: AED 148.6 million). Net positive fair value of the hedged component is AED 4.4 million (31 December 2019: AED 2.9 million).

# Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 31 March 2020

## 10 INVESTMENT SECURITIES

	UAE AED'000	GCC AED'000	International AED'000	Total AED'000
<b>31 March 2020 (Unaudited)</b>				
<b>Held at fair value through profit or loss</b>				
Unquoted equity instruments	-	-	259,786	259,786
<b>Held at fair value through other comprehensive income</b>				
Quoted equity instruments	42,250	-	-	42,250
Unquoted equity instruments and fund	-	-	18	18
Fixed rate securities				
- Government	1,692,215	605,381	220,528	2,518,124
- Others	1,234,359	368,187	706,937	2,309,483
Floating rate non-government securities	132,243	-	271,781	404,024
	<b>3,101,067</b>	<b>973,568</b>	<b>1,459,050</b>	<b>5,533,685</b>

	UAE AED'000	GCC AED'000	International AED'000	Total AED'000
<b>31 December 2019 (Audited)</b>				
<b>Held at fair value through profit &amp; loss</b>				
Unquoted equity instruments	-	-	253,861	253,861
<b>Held at fair value through other comprehensive income</b>				
Quoted equity instruments	48,786	-	-	48,786
Unquoted equity instruments and fund	-	-	169	169
Fixed rate securities				
- Government	1,702,870	650,064	243,674	2,596,608
- Others	1,157,994	377,553	568,723	2,104,270
Floating rate non-government securities	330,560	-	279,033	609,593
	<b>3,240,210</b>	<b>1,027,617</b>	<b>1,345,460</b>	<b>5,613,287</b>

Included in fixed and floating rate securities held at fair value through other comprehensive income securities is an amount of AED 1.4 billion (31 December 2019: AED 1.4 billion), pledged under repurchase agreements with banks (note 12.2).

# Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 31 March 2020

## 11 CUSTOMER DEPOSITS AND ISLAMIC CUSTOMER DEPOSITS

	<b>31 March 2020 AED'000 (Unaudited)</b>	31 December 2019 AED'000 (Audited)
<b>Customer deposits</b>		
Current and demand accounts	<b>18,603,791</b>	18,139,152
Savings accounts	<b>3,358,986</b>	2,749,921
Time deposits	<b>29,118,378</b>	27,967,596
	<b>51,081,155</b>	48,856,669
<b>Islamic customer deposits</b>		
Current and demand accounts	<b>3,370,632</b>	3,495,503
Mudaraba savings accounts	<b>619,840</b>	583,368
Investment and Wakala deposits	<b>8,828,373</b>	10,398,793
	<b>12,818,845</b>	14,477,664
<b>Total customer deposits and Islamic customer deposits</b>	<b>63,900,000</b>	63,334,333

## 12 NOTES AND MEDIUM TERM BORROWINGS

		<b>31 December 2019 AED'000 (Audited)</b>	<b>Cash flow changes AED'000</b>	<b>Non cash flow changes AED'000</b>	<b>31 March 2020 AED'000 (Unaudited)</b>
Syndicated loan	12.1	619,912	-	<b>200</b>	<b>620,112</b>
Repurchase agreements - I	12.2	551,442	-	-	<b>551,442</b>
Repurchase agreements - II	12.2	591,799	-	-	<b>591,799</b>
Euro medium term notes	12.3	1,467,919	-	<b>443</b>	<b>1,468,362</b>
<b>Total</b>		<b>3,231,072</b>	<b>-</b>	<b>643</b>	<b>3,231,715</b>
		<b>31 December 2018 AED'000 (Audited)</b>	<b>Cash flow changes AED'000</b>	<b>Non cash flow changes AED'000</b>	<b>31 December 2019 AED'000 (Audited)</b>
Syndicated loan	12.1	-	619,591	321	619,912
Repurchase agreements - I	12.2	551,442	-	-	551,442
Repurchase agreements - II	12.2	591,799	-	-	591,799
Euro medium term notes	12.3	1,466,703	-	1,216	1,467,919
<b>Total</b>		<b>2,609,944</b>	<b>619,591</b>	<b>1,537</b>	<b>3,231,072</b>

### 12.1 Syndicated loan

In August 2019, the Group entered into a club deal of USD 170 million (AED 624.4 million) for a term of 5 years with an option to roll over on a semi-annual basis maturing in August 2024.

# Commercial Bank of Dubai PSC

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

*For the three-month period ended 31 March 2020*

### **12 NOTES AND MEDIUM TERM BORROWINGS (CONTINUED)**

#### **12.2 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 551.4 million) with arrangements to repurchase them at a fixed future date in July 2017. In June 2016, the arrangement of repurchase has been extended for additional five years until July 2022.

In June 2016, the Group entered into additional Repo transactions to obtain financing against the sale of certain debt securities, amounting to USD 161.1 million (AED 591.8 million) with arrangements to repurchase them at a fixed future date in June 2021.

As at 31 March 2020 the fair value of the debt securities, which have been pledged under these repurchase agreements with banks, amounts to AED 1,381.8 million (USD 376.2 million) (31 December 2019: AED 1,428.4 million (USD 388.8 million) (note 10).

#### **12.3 Euro medium term notes**

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 will mature on 17 November 2020.

### **13 SHARE CAPITAL**

The fully paid up and authorised ordinary share capital as at 31 March 2020 comprised 2,802,733,968 ordinary shares of AED 1 each (31 December 2019: 2,802,733,968 shares of AED 1 each). There was no movement in authorised ordinary share capital during the period.

### **14 BASIC AND DILUTED EARNINGS PER SHARE**

Basic earnings per share have been computed using the net profit AED 315,323 thousand (31 March 2019 AED 340,054 thousand) divided by the weighted average number of ordinary shares outstanding 2,802,733,968 (31 March 2019: 2,802,733,968).

Diluted earnings per share as of 31 March 2020 and 31 March 2019 are equivalent to basic earnings per share as no new shares have been issued that would impact earnings per share when executed.

# Commercial Bank of Dubai PSC

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

For the three-month period ended 31 March 2020

### 15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the condensed consolidated interim statement of cash flows comprise the following condensed consolidated interim statement of financial position amounts:

	<b>31 March 2020 AED'000 (Unaudited)</b>	31 March 2019 AED'000 (Unaudited)
Cash on hand	<b>682,830</b>	372,198
Balances with the Central Bank U.A.E.	<b>4,454,034</b>	78,047
Negotiable certificates of deposit with the Central Bank U.A.E. with original maturity less than three months	-	300,000
Due from banks with original maturity of less than three months	<b>2,649,467</b>	2,341,120
	<b>7,786,331</b>	3,091,365
Due to banks with original maturity of less than three months	<b>(1,689,889)</b>	(862,437)
	<b>6,096,442</b>	2,228,928

### 16 CONTINGENT LIABILITIES AND UNDRAWN COMMITMENTS

Contingent liabilities represent credit-related commitments to extend letters of credit and guarantees which are designed to meet the requirements of the Group's customers toward third parties. Undrawn commitments represent the Group's commitments towards approved un-drawn credit facilities. The amount of contingent liabilities reflected below represent the maximum accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted.

	<b>31 March 2020 AED'000 (Unaudited)</b>	31 December 2019 AED'000 (Audited)
<b>Contingent liabilities:</b>		
Letters of credit	<b>2,388,298</b>	2,226,939
Letters of guarantee	<b>12,111,049</b>	12,255,363
<b>Total contingent liabilities</b>	<b>14,499,347</b>	14,482,302
<b>Undrawn commitments to extend credit</b>	<b>14,197,217</b>	14,092,002
<b>Total contingent liabilities and undrawn commitments</b>	<b>28,696,564</b>	28,574,304

# Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 31 March 2020

## 17 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. During the current quarter, there has been a significant change to the organization structure and the portfolio allocation to the new business segments defined. The segment that was earlier called "Corporate banking" is now called "Institutional banking"; the erstwhile "Commercial" segment is now called "Corporate banking". The prior comparative period figures have been accordingly reclassified to conform to the current period presentation.

Business segments pay to and receive interest from the Treasury to reflect the allocation of funding costs.

### **Business segments**

Institutional banking	Includes loan and other credit facilities, deposits, trade finance products and e-commerce solutions to institutional clients (including Government related entities).
Corporate banking	Includes loans, working capital financing, trade finance and deposits products to corporate (mid-sized and small) 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 small business and retail clients.
Treasury and investments	Undertakes balance sheet management deals and manages the Group's proprietary investment portfolio. It also has derivatives for trading and risk management purposes.

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

### **Geographical**

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

	<b>Institutional banking AED'000</b>	<b>Corporate banking AED'000</b>	<b>Personal banking AED'000</b>	<b>Treasury &amp; investments AED'000</b>	<b>Total AED'000</b>
<b>31 March 2020 (Unaudited)</b>					
<b>Assets</b>	<b>35,566,640</b>	<b>26,290,035</b>	<b>7,409,876</b>	<b>20,614,252</b>	<b>89,880,803</b>
<b>Liabilities</b>	<b>41,090,207</b>	<b>10,913,190</b>	<b>19,231,553</b>	<b>8,951,238</b>	<b>80,186,188</b>
<b>31 December 2019 (Unaudited)</b>					
<b>Assets</b>	<b>33,545,565</b>	<b>25,288,803</b>	<b>7,767,121</b>	<b>21,467,402</b>	<b>88,068,891</b>
<b>Liabilities</b>	<b>40,262,366</b>	<b>10,906,139</b>	<b>18,740,953</b>	<b>7,942,863</b>	<b>77,852,321</b>



# Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 31 March 2020

## 17 SEGMENTAL REPORTING (CONTINUED)

	Institutional banking AED'000	Corporate banking AED'000	Personal banking AED'000	Treasury & investments AED'000	Total AED'000
<b>31 March 2020 (Unaudited)</b>					
Net interest income and net income from Islamic financing	155,907	160,426	167,047	1,308	484,688
Non-interest and other income	79,993	58,850	130,809	2,177	271,829
Total operating income	<u>235,900</u>	<u>219,276</u>	<u>297,856</u>	<u>3,485</u>	<u>756,517</u>
Expenses (note a)	48,808	34,663	114,091	3,741	201,303
Net provisions (note b)	223,867	29,671	(20,428)	6,781	239,891
	<u>272,675</u>	<u>64,334</u>	<u>93,663</u>	<u>10,522</u>	<u>441,194</u>
Net profit for the period	<u>(36,775)</u>	<u>154,942</u>	<u>204,193</u>	<u>(7,037)</u>	<u>315,323</u>
<b>31 March 2019 (Unaudited)</b>					
Net interest income and net income from Islamic financing	131,602	143,712	143,878	73,766	492,958
Non-interest and other income	95,356	59,341	94,259	32,151	281,107
Total operating income	<u>226,958</u>	<u>203,053</u>	<u>238,137</u>	<u>105,917</u>	<u>774,065</u>
Expenses (note a)	50,972	34,792	113,573	6,406	205,743
Net provisions (note b)	132,101	43,297	43,288	9,582	228,268
	<u>183,073</u>	<u>78,089</u>	<u>156,861</u>	<u>15,988</u>	<u>434,011</u>
Net profit for the period	<u>43,885</u>	<u>124,964</u>	<u>81,276</u>	<u>89,929</u>	<u>340,054</u>

(a) This includes staff and other expenses and depreciation and amortization.

(b) This includes impairment allowances on due from banks, loans and advances and Islamic financing, investment securities, and other assets, net of recoveries.

The following is an analysis of the total operating income of each segment between income from external parties and inter-segment:

	External parties		Inter-segment	
	31 March 2020 AED'000 (Unaudited)	31 March 2019 AED'000 (Unaudited)	31 March 2020 AED'000 (Unaudited)	31 March 2019 AED'000 (Unaudited)
Institutional banking	218,705	222,625	17,194	4,333
Corporate banking	310,101	294,089	(90,825)	(91,035)
Personal banking	217,627	178,461	80,229	59,676
Treasury and investments	10,084	78,890	(6,598)	27,026
Total operating income	<u>756,517</u>	<u>774,065</u>	-	-

# Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 31 March 2020

## 18 FINANCIAL ASSETS AND LIABILITIES

### 18.1 Financial assets and liabilities classification

The table below sets out the Group's financial assets and liabilities classification:

	Fair value through profit or loss AED'000	Fair value through OCI AED'000	Amortised cost AED'000	Total carrying amount AED'000
<b>31 March 2020 (Unaudited)</b>				
Cash and balances with Central Bank	-	-	10,829,834	10,829,834
Due from banks, net	-	-	3,008,036	3,008,036
Loans and advances and Islamic financing, net	-	-	62,334,724	62,334,724
Investment securities	259,786	5,273,899	-	5,533,685
Bankers acceptances	-	-	5,752,840	5,752,840
Other assets, net	942,448	-	579,603	1,522,051
<b>Total financial assets</b>	<b>1,202,234</b>	<b>5,273,899</b>	<b>82,505,037</b>	<b>88,981,170</b>
Due to banks	-	-	4,662,466	4,662,466
Customer deposits and Islamic customer deposits	-	-	63,900,000	63,900,000
Notes and medium term borrowing	-	-	3,231,715	3,231,715
Due for trade acceptances	-	-	5,752,840	5,752,840
Other liabilities	878,368	-	1,696,718	2,575,086
<b>Total financial liabilities</b>	<b>878,368</b>	<b>-</b>	<b>79,243,739</b>	<b>80,122,107</b>
<b>31 December 2019 (Audited)</b>				
Cash and balances with Central Bank	-	-	12,592,641	12,592,641
Due from banks, net	-	-	2,427,735	2,427,735
Loans and advances and Islamic financing, net	-	-	60,180,810	60,180,810
Investment securities	253,861	5,359,426	-	5,613,287
Bankers acceptances	-	-	5,346,819	5,346,819
Other assets, net	485,029	-	486,708	971,737
<b>Total financial assets</b>	<b>738,890</b>	<b>5,359,426</b>	<b>81,034,713</b>	<b>87,133,029</b>
Due to banks	-	-	4,166,589	4,166,589
Customer deposits and Islamic customer deposits	-	-	63,334,333	63,334,333
Notes and medium term borrowing	-	-	3,231,072	3,231,072
Due for trade acceptances	-	-	5,346,819	5,346,819
Other liabilities	407,228	-	1,293,923	1,701,151
<b>Total financial liabilities</b>	<b>407,228</b>	<b>-</b>	<b>77,372,736</b>	<b>77,779,964</b>

### 18.2 Fair value measurement – Fair value hierarchy:

The table below shows categorization of fair value of financial assets and liabilities into different levels of the fair value hierarchy:

Different level of fair value hierarchy have been defined as follows:

Level 1: Quoted market price (unadjusted) in principal market for identified assets / liabilities.

Level 2: Valuation technique based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Valuation technique using significant unobservable inputs.

Except for financial assets and liabilities specified in the below table, the fair value of financial assets and liabilities is not materially different from their carrying value.

# Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 31 March 2020

## 18 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

### 18.2 Fair value measurement – Fair value hierarchy: (continued)

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total fair value AED'000	Carrying value AED'000
<b>31 March 2020 (Unaudited)</b>					
Investments					
Equity instruments and funds	42,250	-	259,804	302,054	302,054
Fixed and floating rate securities	5,231,631	-	-	5,231,631	5,231,631
Positive market value of forward foreign exchange contracts and other derivatives					
Fair value through profit or loss	-	940,775	-	940,775	940,775
Held for fair value hedge	-	382	-	382	382
Held for cash flow hedge	-	1,291	-	1,291	1,291
Negative market value of forward foreign exchange contracts and other derivatives					
Fair value through profit or loss	-	(867,081)	-	(867,081)	(867,081)
Held for fair value hedge	-	(9,615)	-	(9,615)	(9,615)
Held for cash flow hedge	-	(1,672)	-	(1,672)	(1,672)
Liabilities at amortized cost					
Notes and medium term borrowings	(1,472,653)	(1,763,353)	-	(3,236,006)	(3,231,715)
	<b>3,801,228</b>	<b>(1,699,273)</b>	<b>259,804</b>	<b>2,361,759</b>	<b>2,366,050</b>
	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total fair value AED'000	Carrying value AED'000
<b>31 December 2019 (Audited)</b>					
Investments					
Equity instruments and funds	48,786	-	254,030	302,816	302,816
Fixed and floating rate securities	5,310,471	-	-	5,310,471	5,310,471
Positive market value of forward foreign exchange contracts and other derivatives					
Fair value through profit or loss	-	484,145	-	484,145	484,145
Held for fair value hedge	-	-	-	-	-
Negative market value of forward foreign exchange contracts and other derivatives					
Fair value through profit or loss	-	(398,070)	-	(398,070)	(398,070)
Held for fair value hedge	-	(5,582)	-	(5,582)	(5,582)
Held for cash flow hedge	-	(3,576)	-	(3,576)	(3,576)
Liabilities at amortized cost					
Notes and medium term borrowings	(1,488,270)	(1,763,153)	-	(3,251,423)	(3,231,072)
	<b>3,870,987</b>	<b>(1,685,352)</b>	<b>254,030</b>	<b>2,439,665</b>	<b>2,460,016</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.

During the period / year, there were no transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy above. Further, there has been no change in the valuation techniques in relation to valuation of financial instruments during the current or prior period.

# Commercial Bank of Dubai PSC

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

For the three-month period ended 31 March 2020

### 19 RELATED PARTY TRANSACTIONS AND BALANCES

As at 31 March 2020 and 31 December 2019 Investment Corporation of Dubai (“ICD”) owns 20% share capital of the Bank. ICD is wholly owned by the Government of Dubai (the “Government”).

The Group in the ordinary course of business enters into transactions with major shareholders, directors, key management personnel and their related entities. The terms of these transactions are approved by the Group’s Board of Directors.

	Directors and key management personnel		Government related parties		Other related parties	
	31 March 2020 AED'000 (Unaudited)	31 December 2019 AED'000 (Audited)	31 March 2020 AED'000 (Unaudited)	31 December 2019 AED'000 (Audited)	31 March 2020 AED'000 (Unaudited)	31 December 2019 AED'000 (Audited)
Due from banks, net	-	-	145,782	284,690	-	-
Loans and advances and Islamic financing, net	166,970	171,238	992,948	859,201	1,909,419	1,905,663
Investment securities	-	-	809,819	1,013,706	-	-
Bankers acceptances	-	-	-	-	1,413	2,201
Letters of credit	-	-	7,591	-	939	984
Letters of guarantee	-	-	176,125	212,975	111,011	109,428
Undrawn commitments to extend credit	18,496	24,188	315,413	412,047	314,420	298,546
Due to banks	-	-	-	-	-	-
Customer deposits and Islamic customer deposits	63,553	65,568	2,797,705	3,863,571	472,259	482,932
Interest income and commission income	2,575	3,574	9,891	9,696	19,705	13,891
Interest expense	101	242	22,220	13,017	1,584	476

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 represents major shareholders and parties related to directors, key management personnel.

The terms of transactions with related parties are comparable to third party transactions and do not involve more than normal amount of risk.

Sitting fees paid to directors for attending committee meetings during the three month period ended 31 March 2020 amounted to AED 0.7 million (31 March 2019: AED 0.7 million).

#### Key management compensation

	31 March 2020 AED'000 (Unaudited)	31 March 2019 AED'000 (Unaudited)
Salaries	5,501	5,613
Post-employment benefits	204	226
Other benefits	20,220	19,510

# Commercial Bank of Dubai PSC

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

For the three-month period ended 31 March 2020

### 20 CAPITAL ADEQUACY

The Central Bank of UAE ('CBUAE') supervises the Group on a consolidated basis, and therefore receives information on the capital adequacy of, and sets capital requirements for, the Group as a whole. Effective from 2017, the capital is computed at a Group level using the Basel III framework of the Basel Committee on Banking Supervision ('Basel Committee'), after applying the amendments advised by the CBUAE, within national discretion. The Basel III framework, like Basel II, is structured around three 'pillars': minimum capital requirements, supervisory review process and market discipline.

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

- CET1 capital is the highest quality form of capital, comprising share capital, legal, statutory and other reserves, fair value reserve, retained earnings, after deductions for intangibles and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes under 'CBUAE' guidelines.
- Tier 2 capital comprises of collective provision which shall not exceed 1.25% of total credit risk weighted assets.

The table below summarizes the composition of regulatory capital and the ratios of the Group as per BASEL III guidelines and has complied with all of the externally imposed capital requirements to which it is subject. As per the Central Bank regulation for Basel III, the capital requirement as at 31 March 2020 is 13% inclusive of capital conservation buffer of 2.5%. However, effective from 15 March 2020 until 31 December 2021, banks are allowed to tap into the capital conservation buffer up to a maximum of 60% without supervisory consequences, as part of the measures adopted by the CBUAE to help banks deal with the COVID-19 crisis. The bank has also applied the changes approved by the CBUAE to the capital treatment of Small and Medium - sized entities vide it's circular dated 2 April 2020.

	<b>31 March 2020 AED'000 (Unaudited)</b>	31 December 2019 AED'000 (Audited)
<b>Common equity tier 1 (CET1) capital</b>		
Share capital	<b>2,802,734</b>	2,802,734
Legal and statutory reserve	<b>1,401,367</b>	1,401,367
General reserve	<b>1,328,025</b>	1,328,025
Retained earnings	<b>4,317,109</b>	4,006,186
Accumulated other comprehensive income	<b>(205,706)</b>	4,325
Covid-19 reserve	<b>114,214</b>	-
	<b>9,757,743</b>	9,542,637
Regulatory deductions and adjustments	<b>(58,575)</b>	(65,860)
<b>Total CET1 capital</b>	<b>9,699,168</b>	9,476,777
<b>Tier 1 capital</b>	<b>9,699,168</b>	9,476,777
<b>Tier 2 capital</b>		
Eligible general provision	<b>882,619</b>	838,593
<b>Tier 2 capital</b>	<b>882,619</b>	838,593
<b>Total regulatory capital</b>	<b>10,581,787</b>	10,315,370
<b>Risk weighted assets (RWA)</b>		
Credit risk	<b>70,609,541</b>	67,087,410
Market risk	<b>475,113</b>	470,053
Operational risk	<b>5,241,559</b>	5,241,559
<b>Risk weighted assets</b>	<b>76,326,213</b>	72,799,022
<b>Tier 1 ratio</b>	<b>12.71%</b>	13.02%
<b>Tier 2 ratio</b>	<b>1.16%</b>	1.15%
<b>Capital adequacy ratio</b>	<b>13.86%</b>	14.17%

### 21 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation adopted in these condensed consolidated interim financial statements, the effect of which are considered immaterial.