

# Commercial Bank of Dubai PSC

Condensed consolidated interim financial statements  
*30 June 2016*

# Commercial Bank of Dubai PSC

Condensed consolidated interim financial statements  
*For the six-month period ended 30 June 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 30 June 2016 and the related consolidated interim statements of income and comprehensive income for the three month and six month periods then ended and consolidated interim statements of cash flows and changes in equity for the six 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

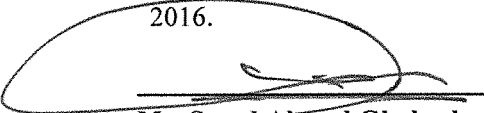
14 July 2016  
Dubai, United Arab Emirates


# Commercial Bank of Dubai PSC

## Consolidated interim statement of financial position As at 30 June 2016

	Notes	30 June 2016 AED'000 (Unaudited)	31 December 2015 AED'000 (Audited)	30 June 2015 AED'000 (Unaudited)
<b>ASSETS</b>				
Cash and balances with Central Bank	5	5,008,363	6,668,065	4,828,169
Due from banks	6	4,433,457	2,591,717	1,178,903
Loans and advances and Islamic financing, net	7	40,604,299	39,020,821	37,990,414
Investment securities	8	7,506,534	6,623,029	5,378,934
Investment in associate		76,313	82,029	80,509
Investment properties		328,164	333,761	337,682
Property and equipment		341,510	332,317	332,716
Other assets		3,064,532	2,212,149	1,455,471
<b>Total assets</b>		<b>61,363,172</b>	<b>57,863,888</b>	<b>51,582,798</b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Due to banks		2,344,915	1,111,462	2,202,322
Customers' deposits and Islamic customers' deposits	9	41,328,955	40,474,776	35,640,188
Notes and medium term borrowings	10	6,075,766	5,492,694	4,025,567
Other liabilities		3,419,940	2,556,152	1,866,693
<b>Total liabilities</b>		<b>53,169,576</b>	<b>49,635,084</b>	<b>43,734,770</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		49,232	(6,294)	69,345
Proposed cash dividend		-	560,547	-
Proposed directors' remuneration		-	11,000	-
Retained earnings		2,673,907	2,193,094	2,435,721
<b>Total equity</b>		<b>8,193,596</b>	<b>8,228,804</b>	<b>7,848,028</b>
<b>Total liabilities and equity</b>		<b>61,363,172</b>	<b>57,863,888</b>	<b>51,582,798</b>

The condensed consolidated interim financial statements were approved by the Board of Directors on 14<sup>th</sup> July 2016.

  
Mr. Saeed Ahmed Ghobash  
Chairman

  
Mr. Peter Baltussen  
Chief Executive Officer

The attached notes on pages 7 to 23 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 six-month period ended 30 June 2016

	Notes	Six-month period ended		Three-month period ended	
		30 June 2016 AED'000 (Unaudited)	30 June 2015 AED'000 (Unaudited)	30 June 2016 AED'000 (Unaudited)	30 June 2015 AED'000 (Unaudited)
Interest income and income from Islamic financing		1,093,681	931,661	554,741	463,566
Interest expense and distributions to Islamic depositors		(267,147)	(129,243)	(135,253)	(68,744)
<b>Net interest income and net income from Islamic financing</b>		<b>826,534</b>	<b>802,418</b>	<b>419,488</b>	<b>394,822</b>
Net fees and commission income		240,192	243,998	127,410	129,525
Net gains from foreign exchange and derivatives		67,398	66,160	34,689	32,152
Net gains from investments at fair value through profit or loss - held for trading		547	621	249	42
Net gains from sale of available-for-sale investments		32,710	44,830	23,223	35,839
Dividend income		6,327	5,430	1,150	823
Share of profit of associate		1,953	3,221	1,408	-
Other income		18,953	15,981	10,655	8,312
<b>Total operating income before provisions</b>		<b>1,194,614</b>	<b>1,182,659</b>	<b>618,272</b>	<b>601,515</b>
Impairment allowances on loans and advances and Islamic financing	7	(325,516)	(208,528)	(181,676)	(77,962)
Recoveries		43,938	54,080	23,678	17,674
Impairment allowances on AFS investment		(7,140)	-	(3,474)	-
<b>Net operating income</b>		<b>905,896</b>	<b>1,028,211</b>	<b>456,800</b>	<b>541,227</b>
Staff and other expenses		(393,924)	(393,721)	(198,677)	(213,802)
Depreciation and amortization		(26,152)	(24,676)	(13,106)	(12,690)
<b>Total operating expenses</b>		<b>(420,076)</b>	<b>(418,397)</b>	<b>(211,783)</b>	<b>(226,492)</b>
<b>Net profit for the period</b>		<b>485,820</b>	<b>609,814</b>	<b>245,017</b>	<b>314,735</b>
<b>Basic and diluted earnings per share</b>	12	<b>AED 0.17</b>	<b>AED 0.22</b>	<b>AED 0.09</b>	<b>AED 0.11</b>

The attached notes on pages 7 to 23 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 comprehensive income

For the six-month period ended 30 June 2016

	Six-month period ended		Three-month period ended	
	30 June 2016 AED'000 (Unaudited)	30 June 2015 AED'000 (Unaudited)	30 June 2016 AED'000 (Unaudited)	30 June 2015 AED'000 (Unaudited)
<b>Net profit for the period</b>	<b>485,820</b>	<b>609,814</b>	<b>245,017</b>	<b>314,735</b>
<b>Other comprehensive income*:</b>				
Changes in fair value of effective portion of cash flow hedge	(9,171)	(1,485)	(4,970)	(1,342)
<b>Changes in available-for-sale investments:</b>				
Realised gains on sale of available-for- sale investments	(32,710)	(44,830)	(23,223)	(35,839)
Revaluation of available-for-sale investments	97,407	45,852	63,398	25,472
<b>Net change in available-for-sale investments</b>	<b>64,697</b>	<b>1,022</b>	<b>40,175</b>	<b>(10,367)</b>
<b>Other comprehensive income /(loss) for the period</b>	<b>55,526</b>	<b>(463)</b>	<b>35,205</b>	<b>(11,709)</b>
<b>Total comprehensive income for the period</b>	<b>541,346</b>	<b>609,351</b>	<b>280,222</b>	<b>303,026</b>

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

The attached notes on pages 7 to 23 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 six-month period ended 30 June 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)
Share of Director remuneration of associate	-	-	-	-	-	(649)	-	(649)
<b>Comprehensive income</b>								
Net profit for the period	-	-	-	-	-	609,814	-	609,814
Other comprehensive income for the period	-	-	-	-	(463)	-	-	(463)
<b>Total comprehensive income</b>								
<b>At 30 June 2015 (Unaudited)</b>	<b>2,802,734</b>	<b>1,380,495</b>	<b>38,638</b>	<b>1,121,095</b>	<b>69,345</b>	<b>2,435,721</b>	<b>-</b>	<b>7,848,028</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)
Share of Director remuneration of associate	-	-	-	-	-	(200)	-	(200)
<b>Comprehensive income</b>								
Net profit for the period	-	-	-	-	-	485,820	-	485,820
Other comprehensive income for the period	-	-	-	-	55,526	-	-	55,526
<b>Total comprehensive income</b>								
<b>At 30 June 2016 (Unaudited)</b>	<b>2,802,734</b>	<b>1,401,367</b>	<b>38,638</b>	<b>1,227,718</b>	<b>49,232</b>	<b>2,673,907</b>	<b>-</b>	<b>8,193,596</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 23 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 six-month period ended 30 June 2016

	30 June 2016 AED'000	30 June 2015 AED'000
<b>OPERATING ACTIVITIES</b>	(Unaudited)	(Unaudited)
Profit for the period	485,820	609,814
Adjustments for:		
Depreciation and amortization	26,152	24,676
Loss on disposal of property and equipment	6	3
Dividend income	(6,327)	(5,430)
Amortization of premium / discount on investments	34,858	26,506
Decrease in investment in associate	909	4,081
Net unrealized loss on investments at fair value through profit or loss - held for trading net of forex translation	231	2,771
Realized gains on sale of investments	(32,370)	(45,776)
Net unrealized loss / (income) on derivatives	1,400	(8,461)
Impairment of AFS investments	7,140	-
Amortization of fees on notes medium term borrowings	5,416	3,569
	<b>523,235</b>	<b>611,753</b>
Increase in statutory reserve with the Central Bank	(251,520)	(175,797)
(Increase) / decrease in negotiable Central Bank certificate of deposits with original maturity of more than three months	(100,000)	100,000
Decrease in due from banks with original maturity of more than three months	53,961	-
Increase in loans and advances and Islamic financing	(1,583,478)	(5,861,897)
Increase in other assets	(118,389)	(57,000)
Increase in customers' deposits and Islamic customers' deposits	854,179	3,478,849
Increase in other liabilities	119,224	85,548
Increase in due to banks with original maturity of more than three months	18,365	324,313
Directors' remuneration paid	(11,000)	(10,540)
Share of Directors' remuneration of associate	(200)	(649)
<b>Net cash flows used in operating activities</b>	<b>(495,623)</b>	<b>(1,505,420)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of investments	(2,903,754)	(1,405,326)
Purchase of property and equipment	(30,150)	(30,073)
Increase in investment properties	(5)	(1,214)
Dividend income	6,327	5,430
Proceeds from sale of investments	2,075,086	1,631,911
Proceeds from sale of property and equipment	401	974
<b>Net cash flows (used in) / from investing activities</b>	<b>(852,095)</b>	<b>201,702</b>
<b>FINANCING ACTIVITY</b>		
Notes and medium term borrowings	577,656	-
Dividends paid	(560,547)	(560,547)
<b>Cash flows from / (used in) financing activity</b>	<b>17,109</b>	<b>(560,547)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,330,609)</b>	<b>(1,864,265)</b>
Cash and cash equivalents at 1 January	4,962,375	3,462,213
<b>Cash and cash equivalents at the end of the period</b>	<b>3,631,766</b>	<b>1,597,948</b>

The attached notes on pages 7 to 23 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 six-month period ended 30 June 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. In order to comply with the new Commercial Companies Law, the Bank held its General Assembly meeting on 26 June 2016 to amend its articles of association. The amendment will be applied after obtaining necessary regulatory approvals. 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 six-month period ended 30 June 2016 comprise the results of the Bank, its subsidiaries (together referred to as “the Group”) and the Group’s interests in its associate.

#### **Details about subsidiaries and an associate**

- 1) 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.
- 2) 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.
- 3) 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.
- 4) During the period ended 30 June 2016, the Bank has incorporated a wholly owned subsidiary, CBD (Cayman II) Limited, which is a special purpose entity (SPE) registered in British Virgin Island. The SPE has been established to transact and negotiate derivatives agreements.
- 5) 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 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 IAS 34 Interim Financial Reporting. These condensed consolidated

# Commercial Bank of Dubai PSC

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

*For the six-month period ended 30 June 2016*

### 2. BASIS OF PREPARATION (continued)

#### (a) Statement of Compliance (continued)

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 six months ended 30 June 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

#### (b) Basis of measurement

These condensed consolidated interim financial statements are prepared under the historical cost convention except for the measurement at fair value of derivatives, financial assets held for trading and available for sale investments. In addition, financial assets or liabilities that are carried at cost but are hedged in a fair value hedging relationship are carried at fair value to the extent of the risk being hedged.

#### (c) 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, significant judgment is exercised by management in applying the Group's accounting policies. 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 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 annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of new standards and interpretations effective as of 1 January 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2016, they do not have a material impact on the annual consolidated financial statements of the Group or the condensed consolidated interim financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

#### **Amendments to IAS 27: Equity Method in Separate Financial Statements**

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements will have to apply that change retrospectively. First-time adopters of IFRS electing to use the equity method in their separate financial statements will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group's consolidated financial statements.

# Commercial Bank of Dubai PSC

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

*For the six-month period ended 30 June 2016*

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Annual Improvements 2012-2014 Cycle**

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

#### **IFRS 7 Financial Instruments: Disclosures**

##### **(i) Servicing contracts**

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

##### **(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements**

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

#### **IAS 19 Employee Benefits**

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

#### **IAS 34 Interim Financial Reporting**

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively. These amendments do not have any impact on the Group.

#### **Amendments to IAS 1 Disclosure Initiative**

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group.

# Commercial Bank of Dubai PSC

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

For the six-month period ended 30 June 2016

### 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

	<b>30 June 2016 AED'000 (Unaudited)</b>	<b>31 December 2015 AED'000 (Audited)</b>
Cash on hand	534,201	530,397
Balances with Central Bank		
-Clearing account balances	82,483	497,509
-Statutory reserves	2,891,679	2,640,159
-Negotiable certificates of deposit	1,500,000	3,000,000
	<u>5,008,363</u>	<u>6,668,065</u>

All the above balances are held in accounts within UAE.

### 6. DUE FROM BANKS

	<b>30 June 2016 AED'000 (Unaudited)</b>	<b>31 December 2015 AED'000 (Audited)</b>
Current and demand deposits	331,341	105,858
Placements	3,808,276	2,138,058
Loans to banks	293,840	347,801
	<u>4,433,457</u>	<u>2,591,717</u>

The geographical concentration is as follows:

Within the U.A.E.	2,169,880	1,217,948
Outside the U.A.E.	2,263,577	1,373,769
	<u>4,433,457</u>	<u>2,591,717</u>

# Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)  
For the six-month period ended 30 June 2016

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

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

	<b>30 June 2016 AED'000 (Unaudited)</b>	31 December 2015 AED'000 (Audited)
<b>Loans and advances</b>		
Overdrafts	5,208,164	4,899,530
Loans	32,052,100	31,191,374
Advances against letters of credit and trust receipts	1,419,106	1,247,576
Bills discounted	708,191	706,835
	<hr/>	<hr/>
<b>Loans and advances, gross</b>	<b>39,387,561</b>	<b>38,045,315</b>
	<hr/>	<hr/>
<b>Islamic financing</b>		
Murabaha	1,765,375	1,503,615
Ijara	1,931,570	1,846,785
Musharaka	-	10,947
Others	513,547	290,784
	<hr/>	<hr/>
<b>Islamic financing, gross</b>	<b>4,210,492</b>	<b>3,652,131</b>
	<hr/>	<hr/>
<b>Loans and advances and Islamic financing, gross</b>	<b>43,598,053</b>	<b>41,697,446</b>
	<hr/>	<hr/>
Less: Provision for impairment losses	(2,993,754)	(2,676,625)
	<hr/>	<hr/>
<b>Loans and advances and Islamic financing, net</b>	<b>40,604,299</b>	<b>39,020,821</b>
	<hr/> <hr/>	<hr/> <hr/>

# Commercial Bank of Dubai PSC

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

For the six-month period ended 30 June 2016

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

Analysis by sector	30 June 2016 AED'000 (Unaudited)	31 December 2015 AED'000 (Audited)
Commercial and business:		
Manufacturing	1,291,934	1,508,709
Construction	1,282,298	1,148,045
Real estate	3,802,831	3,863,885
Trade	7,211,357	7,345,095
Services	6,090,270	5,796,587
Business and investment	12,094,351	10,405,974
	-----	-----
Total commercial and business	31,773,041	30,068,295
Financial institutions	1,140,767	771,527
Government and public sector	5,238,943	5,460,304
Personal – mortgage	2,226,052	2,296,432
Personal – schematic	2,812,343	2,697,381
Others	406,907	403,507
	-----	-----
<b>Loans and advances and Islamic financing, gross</b>	<b>43,598,053</b>	<b>41,697,446</b>
	-----	-----
Less: Provisions for impairment losses	(2,993,754)	(2,676,625)
	-----	-----
<b>Loans and advances and Islamic financing, net</b>	<b>40,604,299</b>	<b>39,020,821</b>
	=====	=====

During the period ended 30<sup>th</sup> June 2016, the Group has hedged the fair value of interest component of certain fixed rate loans and advances and Islamic financing. The carrying value of these loans and advances and Islamic financing was AED 113 million (31 December 2015: nil), the fair value of the hedged component was AED 1 million (31 December 2015: nil).

# Commercial Bank of Dubai PSC

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

For the six-month period ended 30 June 2016

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

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
<b>Opening balance 1 January 2016</b>	<b>381,943</b>	<b>1,615,893</b>	<b>678,789</b>	<b>2,676,625</b>
Interest not recognized / new provisions raised	119,042	275,299	50,217	444,558
<b>Less:</b>				
Written-off	(681)	(48,458)	-	(49,139)
Recoveries / reversal to income	(34,352)	(43,938)	-	(78,290)
<b>Closing Balance 30 June 2016 (Unaudited)</b>	<b>465,952</b>	<b>1,798,796</b>	<b>729,006</b>	<b>2,993,754</b>

	Interest suspended AED'000	Specific provisions AED'000	Collective provisions AED'000	Total AED'000
<b>Balance at 1 January 2015</b>	<b>497,642</b>	<b>2,014,080</b>	<b>525,219</b>	<b>3,036,941</b>
Interest not recognized / new provisions raised	91,231	137,158	71,370	299,759
<b>Less:</b>				
Written-off	(166,888)	(436,870)	-	(603,758)
Recoveries / reversal to income	(49,056)	(48,465)	-	(97,521)
<b>Balance at 30 June 2015 (Unaudited)</b>	<b>372,929</b>	<b>1,665,903</b>	<b>596,589</b>	<b>2,635,421</b>

# Commercial Bank of Dubai PSC

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

For the six-month period ended 30 June 2016

### 8. INVESTMENT SECURITIES

30 June 2016 (Unaudited)	UAE AED'000	GCC AED'000	International AED'000	Total AED'000
<b>Held for trading</b>				
Fixed rate securities				
- Government	10,723	-	-	10,723
- Others	-	-	-	-
<b>Available-for-sale</b>				
Equities	140,930	-	-	140,930
Fund of funds	-	22,059	71,188	93,247
Fixed rate securities				
- Government	2,703,764	772,546	186,767	3,663,077
- Others	1,623,859	1,056,660	531,792	3,212,311
Floating rate non-government securities	224,443	62,096	58,768	345,307
<b>Held to Maturity</b>				
Fixed rate non-government securities	40,939	-	-	40,939
<b>Total investment securities</b>	<u>4,744,658</u>	<u>1,913,361</u>	<u>848,515</u>	<u>7,506,534</u>

31 December 2015 (Audited)	UAE AED'000	GCC AED'000	International AED'000	Total AED'000
<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>	<u>4,405,242</u>	<u>1,251,016</u>	<u>966,771</u>	<u>6,623,029</u>



# Commercial Bank of Dubai PSC

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

For the six-month period ended 30 June 2016

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

Customers' deposits	30 June 2016 AED'000 (Unaudited)	31 December 2015 AED'000 (Audited)
Current and demand accounts	15,580,505	14,125,599
Savings accounts	1,664,772	1,495,090
Time deposits	15,969,430	16,954,852
	<u>33,214,707</u>	<u>32,575,541</u>
<b>Islamic customers' deposits</b>		
Current and demand accounts	1,074,856	1,082,054
Mudaraba saving	560,795	548,916
Investment deposits and Wakala	6,478,597	6,268,265
	<u>8,114,248</u>	<u>7,899,235</u>
<b>Total customers' deposits and Islamic customers' deposits</b>	<u><u>41,328,955</u></u>	<u><u>40,474,776</u></u>

### 10. NOTES AND MEDIUM TERM BORROWINGS

#### *Syndicated loan*

In June 2016, 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 December 16, which was prepaid in June 2016 and carried interest at the rate of 3 month LIBOR plus 125 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 551.3 million) with arrangements to repurchase them at a fixed future date in July 2017. During the period ended 30 June 2016 the arrangement of repurchase has been extended for additional five years till 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 591.7 million) with arrangements to repurchase them at a fixed future date in June 2021.

These securities are carried at fair value amounting to USD 386,2 million (AED 1,418.4 million).

#### *Euro medium term notes*

In 2013, CBD activated its Euro Medium Term Note (EMTN) program. These notes can be issued 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. The maximum issuance under the program was USD 2 billion (AED 7.3 billion). At the Annual General Meeting (AGM) held on 28<sup>th</sup> February 2016 shareholders approved the increase of the program limit up to a total of USD 3 Billion (AED 11 billion).

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 six-month period ended 30 June 2016

### 11. EQUITY

#### Share capital

The issued and fully paid up ordinary share capital as at 30 June 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 six month period ended 30 June 2016 (Unaudited)	For the year ended 31 December 2015 (Audited)	For the six month period ended 30 June 2015 (Unaudited)
As at the beginning of the period / year	2,802,733,968	2,242,187,174	2,242,187,174
Bonus shares issued during the period / year	-	560,546,794	560,546,794
<b>At the end of the period / year</b>	<b>2,802,733,968</b>	<b>2,802,733,968</b>	<b>2,802,733,968</b>

### 12. BASIC AND DILUTED EARNINGS PER SHARE

The earnings per share is based on the Group's net profit for the six and three month period ended 30 June 2016 attributable to the shareholders of the parent amounting to AED 485.8 million (unaudited) and AED 245 million (unaudited) respectively (six and three month period ended 30 June 2015: AED 609.8 million (unaudited) and AED 314.7 million (unaudited) respectively), and on the weighted average number of shares in issue totaling 2,802,733,968 for all periods presented.

### 13. CASH AND CASH EQUIVALENTS

	30 June 2016 AED'000 (Unaudited)	30 June 2015 AED'000 (Unaudited)
Cash in hand	534,201	445,598
Balances with the Central Bank	82,483	301,456
Negotiable certificates of deposit with the Central Bank with original maturity less than three months	1,000,000	1,500,000
Due from banks with original maturities less than three months	4,139,617	1,178,903
	<u>5,756,301</u>	<u>3,425,957</u>
Due to banks with original maturities less than three months	(2,124,535)	(1,828,009)
	<u>3,631,766</u>	<u>1,597,948</u>

# Commercial Bank of Dubai PSC

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

For the six-month period ended 30 June 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.

	30 June 2016 AED'000 (Unaudited)	31 December 2015 AED'000 (Audited)
<b>Contingent liabilities:</b>		
Letters of credit	1,300,531	1,071,325
Guarantees	7,837,825	7,868,227
	<u>9,138,356</u>	<u>8,939,552</u>
<b>Credit commitments:</b>		
Undrawn commitments to extend credit	14,015,225	17,222,605
	<u>23,153,581</u>	<u>26,162,157</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 to reflect the allocation of capital and funding costs.

#### *Business segments*

Corporate banking	Includes loans 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 other income group (direct).
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 transfer pricing rates which approximate the 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 six-month period ended 30 June 2016

### 15. SEGMENTAL REPORTING (CONTINUED)

Segmental analysis for the six-month period are as follows:

30 June 2016 (Unaudited)	Corporate banking	Commercial banking	Personal banking	Treasury & investments	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Assets	26,332,898	10,779,175	7,135,234	17,115,865	61,363,172
Liabilities	12,789,475	9,075,664	14,352,572	16,951,865	53,169,576
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
30 June 2016 (Unaudited)					
Net interest income and net income from Islamic financing	209,548	208,324	262,625	146,037	826,534
Non-interest & other income	101,439	78,636	137,425	50,580	368,080
Total operating income	310,987	286,960	400,050	196,617	1,194,614
Direct and allocated cost					393,924
Depreciation and amortization					26,152
Provisions for impairment losses net of recoveries					288,718
Total expenses					708,794
Net profit for the period					485,820
30 June 2015 (Unaudited)					
Net interest income and net income from Islamic financing	254,250	200,339	193,988	153,841	802,418
Non-interest & other income	113,214	86,667	114,174	66,186	380,241
Total operating income	367,464	287,006	308,162	220,027	1,182,659
Direct and allocated cost					393,721
Depreciation and amortization					24,676
Provisions for impairment losses net of recoveries					154,448
Total expenses					572,845
Net profit for the period					609,814

# Commercial Bank of Dubai PSC

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

For the six-month period ended 30 June 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>30 June 2016 (Unaudited)</b>						
Cash and balances with Central Bank	-	-	-	-	5,008,363	5,008,363
Due from banks	-	-	-	-	4,433,457	4,433,457
Loans and advances and Islamic financing	-	-	40,604,299	-	-	40,604,299
Investment securities	10,723	40,939	-	7,454,872	-	7,506,534
Other assets	105,039	-	-	-	2,905,590	3,010,629
<b>Total financial assets</b>	<b>115,762</b>	<b>40,939</b>	<b>40,604,299</b>	<b>7,454,872</b>	<b>12,347,410</b>	<b>60,563,282</b>
Due to banks	-	-	-	-	2,344,915	2,344,915
Customers' deposits and Islamic customers' deposits	-	-	-	-	41,328,955	41,328,955
Notes and medium term borrowing	-	-	-	-	6,075,766	6,075,766
Other liabilities	109,345	-	-	-	3,190,570	3,299,915
<b>Total financial liabilities</b>	<b>109,345</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>52,940,206</b>	<b>53,049,551</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 six-month period ended 30 June 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:

<b>30 June 2016 (Unaudited)</b>	<b>Level 1 AED'000</b>	<b>Level 2 AED'000</b>	<b>Level 3 AED'000</b>
Investments			
Equity	140,930	-	-
Fund of funds	-	93,247	-
Fixed and floating rate securities	7,231,418	-	-
Positive market value of forward foreign exchange contracts and other derivatives - held for trading	-	105,039	-
Negative market value of forward foreign exchange contracts and other derivatives			
Held for trading	-	(102,921)	-
Held for fair value hedge	-	(1,403)	-
Held for cash flow hedge	-	(5,021)	-
	<b>7,372,348</b>	<b>88,841</b>	<b>-</b>
<b>31 December 2015 (Audited)</b>	<b>Level 1 AED'000</b>	<b>Level 2 AED'000</b>	<b>Level 3 AED'000</b>
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 - held for trading	-	46,253	-
Negative market value of forward foreign exchange contracts and other derivatives			
	-	(39,988)	-
	<b>6,358,864</b>	<b>270,430</b>	<b>-</b>

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 six-month period ended 30 June 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	
	30 June 2016 AED'000 (Unaudited)	31 December 2015 AED'000 (Audited)	30 June 2016 AED'000 (Unaudited)	31 December 2015 AED'000 (Audited)
Loans and advances	165,519	169,368	3,426,962	2,682,502
Due from Banks	-	-	238,745	600,000
Investment securities	-	-	769,185	820,465
Acceptances	-	-	85,755	12,071
Letters of credit	-	-	31,407	16,764
Letters of Guarantees	-	-	670,480	690,668
Undrawn commitments to extend credit	17,407	15,732	2,248,250	1,920,127
	<u>165,519</u>	<u>169,368</u>	<u>3,426,962</u>	<u>2,682,502</u>
Due to Banks	-	-	19,217	-
Deposits	29,785	15,772	7,111,091	7,665,418
	<u>29,785</u>	<u>15,772</u>	<u>7,111,091</u>	<u>7,665,418</u>
	30 June 2016 AED'000 (Unaudited)	30 June 2015 AED'000 (Unaudited)	30 June 2016 AED'000 (Unaudited)	30 June 2015 AED'000 (Unaudited)
Interest income and commission income	3,480	3,736	50,763	38,904
Interest expense	21	3	49,357	20,876
	<u>3,480</u>	<u>3,736</u>	<u>50,763</u>	<u>38,904</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 (30 June 2015: NIL).

Sitting fees paid to certain directors for attending sub-committee meetings during the six-month period ended 30 June 2016 was AED 1,371 thousand (30 June 2015: AED 1,649 thousand).

# Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)  
For the six-month period ended 30 June 2016

## 17. RELATED PARTY TRANSACTIONS (CONTINUED)

### Key management compensation

	30 June 2016 AED'000 (Unaudited)	30 June 2015 AED'000 (Unaudited)
Salaries	6,871	4,909
Post-employment benefits	316	215
Other benefits	5,327	5,231

## 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 six-month period ended 30 June 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>30 June 2016 AED'000 (Unaudited)</b>	<b>31 December 2015 AED'000 (Audited)</b>
<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	2,673,907	2,193,094
<b>Tier 1 capital</b>	<u>8,105,726</u>	<u>7,624,913</u>
<b>Upper tier 2 capital</b>		
Fair value reserve	22,155	(6,294)
Collective provisions (up to allowable limit)	607,529	564,797
<b>Tier 2 capital</b>	<u>629,684</u>	<u>558,503</u>
<b>Total capital base</b>	<u>8,735,410</u>	<u>8,183,416</u>
<b>Risk weighted assets (RWA) Pillar 1</b>		
Credit risk	48,602,303	45,183,729
Market risk	184,750	16,780
Operational risk	4,140,976	4,140,976
<b>Risk weighted assets</b>	<u>52,928,029</u>	<u>49,341,485</u>
<b>Tier 1 ratio</b>	15.31%	15.45%
<b>Capital adequacy ratio (Pillar) 1</b>	16.50%	16.59%

### 19. COMPARATIVE FIGURES

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