

# Commercial Bank of Dubai PSC

Condensed consolidated interim financial statements  
*30 September 2016*

# Commercial Bank of Dubai PSC

Condensed consolidated interim financial statements  
For the nine-month period ended 30 September 2016

<i>Contents</i>	<i>Page</i>
Independent auditors' report on review of consolidated interim financial information	1
Consolidated interim statement of financial position	2
Consolidated interim income statement	3
Consolidated interim statement of comprehensive income	4
Consolidated interim statement of changes in equity	5
Consolidated interim statement of cash flows	6
Notes to the condensed consolidated interim financial statements	7-23



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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 September 2016 and the related consolidated interim statements of income and comprehensive income for the three month and nine month periods then ended and consolidated interim statements of cash flows and changes in equity for the nine 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:  
Anthony O'Sullivan  
Partner  
Registration No. 687

26 October 2016  
Dubai, United Arab Emirates

# Commercial Bank of Dubai PSC

## Consolidated interim statement of financial position

As at 30 September 2016

	Notes	30 September 2016 AED'000 (Unaudited)	31 December 2015 AED'000 (Audited)	30 September 2015 AED'000 (Unaudited)
<b>ASSETS</b>				
Cash and balances with Central Bank	5	5,865,840	6,668,065	4,942,333
Due from banks	6	3,013,424	2,591,717	984,852
Loans and advances and Islamic financing, net	7	41,290,205	39,020,821	38,988,749
Investment securities	8	7,524,534	6,623,029	6,004,289
Investment in associate		78,140	82,029	81,202
Investment properties		328,334	333,761	336,547
Property and equipment		345,742	332,317	333,496
Other assets		3,768,224	2,212,149	1,642,301
<b>Total assets</b>		<b>62,214,443</b>	<b>57,863,888</b>	<b>53,313,769</b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Due to banks		1,568,039	1,111,462	1,697,274
Customers' deposits and Islamic customers' deposits	9	41,958,589	40,474,776	37,409,632
Notes and medium term borrowings	10	6,078,064	5,492,694	4,027,377
Other liabilities		4,163,247	2,556,152	2,064,469
<b>Total liabilities</b>		<b>53,767,939</b>	<b>49,635,084</b>	<b>45,198,752</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		86,477	(6,294)	30,809
Proposed cash dividend		-	560,547	-
Proposed directors' remuneration		-	11,000	-
Retained earnings		2,889,570	2,193,094	2,741,246
<b>Total equity</b>		<b>8,446,504</b>	<b>8,228,804</b>	<b>8,115,017</b>
<b>Total liabilities and equity</b>		<b>62,214,443</b>	<b>57,863,888</b>	<b>53,313,769</b>

The condensed consolidated interim financial statements were approved by the Board of Directors on 26 October 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 nine-month period ended 30 September 2016

	Notes	Nine-month period ended		Three-month period ended	
		30 September 2016 AED'000 (Unaudited)	30 September 2015 AED'000 (Unaudited)	30 September 2016 AED'000 (Unaudited)	30 September 2015 AED'000 (Unaudited)
Interest income and income from Islamic financing		1,658,903	1,432,876	565,222	501,215
Interest expense and distributions to Islamic depositors		(410,734)	(211,389)	(143,587)	(82,146)
<b>Net interest income and net income from Islamic financing</b>		<b>1,248,169</b>	<b>1,221,487</b>	<b>421,635</b>	<b>419,069</b>
Net fees and commission income		361,565	381,539	121,373	137,541
Net gains from foreign exchange and derivatives		96,487	85,112	29,089	18,952
Net gains from investments at fair value through profit or loss - held for trading		874	1,242	327	621
Net gains from sale of available-for-sale investments		47,372	44,849	14,662	19
Dividend income		7,449	6,067	1,122	637
Share of profit of an associate		3,781	3,914	1,828	693
Other income		26,977	24,792	8,024	8,811
<b>Total operating income before provisions</b>		<b>1,792,674</b>	<b>1,769,002</b>	<b>598,060</b>	<b>586,343</b>
Impairment allowances on loans and advances and Islamic financing	7	(494,727)	(289,741)	(169,211)	(81,213)
Recoveries		53,040	63,985	9,102	9,905
Impairment allowances on AFS investment		(7,595)	-	(455)	-
<b>Net operating income</b>		<b>1,343,392</b>	<b>1,543,246</b>	<b>437,496</b>	<b>515,035</b>
Staff and other expenses		(602,356)	(590,316)	(208,432)	(196,595)
Depreciation and amortization		(39,553)	(37,591)	(13,401)	(12,915)
<b>Total operating expenses</b>		<b>(641,909)</b>	<b>(627,907)</b>	<b>(221,833)</b>	<b>(209,510)</b>
<b>Net profit for the period</b>		<b>701,483</b>	<b>915,339</b>	<b>215,663</b>	<b>305,525</b>
<b>Basic and diluted earnings per share</b>	12	<b>AED 0.25</b>	<b>AED 0.33</b>	<b>AED 0.08</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 nine-month period ended 30 September 2016

	Nine-month period ended		Three-month period ended	
	30 September 2016 AED'000 (Unaudited)	30 September 2015 AED'000 (Unaudited)	30 September 2016 AED'000 (Unaudited)	30 September 2015 AED'000 (Unaudited)
<b>Net profit for the period</b>	<b>701,483</b>	<b>915,339</b>	<b>215,663</b>	<b>305,525</b>
<b>Other comprehensive income*:</b>				
Changes in fair value of effective portion of cash flow hedge	(9,907)	(87)	(736)	1,398
<b>Changes in available-for-sale investments:</b>				
Realised gains on sale of available-for- sale investments	(47,372)	(44,849)	(14,662)	(19)
Revaluation of available-for-sale investments	150,050	5,937	52,643	(39,915)
<b>Net change in available-for-sale investments</b>	<b>102,678</b>	<b>(38,912)</b>	<b>37,981</b>	<b>(39,934)</b>
<b>Other comprehensive income /(loss) for the period</b>	<b>92,771</b>	<b>(38,999)</b>	<b>37,245</b>	<b>(38,536)</b>
<b>Total comprehensive income for the period</b>	<b>794,254</b>	<b>876,340</b>	<b>252,908</b>	<b>266,989</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 nine-month period ended 30 September 2016

	Share capital AED'000	Legal reserve AED'000	Capital reserve AED'000	General reserve AED'000	Cumulative changes in fair values of AFS investments and cash flow hedge instruments AED'000	Retained earnings AED'000	Proposed distributions AED'000	Total 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 Directors' remuneration of an associate	-	-	-	-	-	(649)	-	(649)
<i>Comprehensive income</i>								
Net profit for the period	-	-	-	-	-	915,339	-	915,339
Other comprehensive loss for the period	-	-	-	-	(38,999)	-	-	(38,999)
<b>Total comprehensive income</b>	-	-	-	-	(38,999)	915,339	-	876,340
<b>At 30 September 2015 (Unaudited)</b>	<b>2,802,734</b>	<b>1,380,495</b>	<b>38,638</b>	<b>1,121,095</b>	<b>30,809</b>	<b>2,741,246</b>	<b>-</b>	<b>8,115,017</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 an associate	-	-	-	-	-	(200)	-	(200)
<i>Comprehensive income</i>								
Net profit for the period	-	-	-	-	-	701,483	-	701,483
Other comprehensive income for the period	-	-	-	-	92,771	-	-	92,771
<b>Total comprehensive income</b>	-	-	-	-	92,771	701,483	-	794,254
<b>At 30 September 2016 (Unaudited)</b>	<b>2,802,734</b>	<b>1,401,367</b>	<b>38,638</b>	<b>1,227,718</b>	<b>86,477</b>	<b>2,889,570</b>	<b>-</b>	<b>8,446,504</b>

\* This represents Bank's share of the adjustments which were recognized by an 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 nine-month period ended 30 September 2016

	30 September 2016 AED'000 (Unaudited)	30 September 2015 AED'000 (Unaudited)
<b>OPERATING ACTIVITIES</b>		
Profit for the period	701,483	915,339
Adjustments for:		
Depreciation and amortization	39,553	37,591
(Profit) / loss on disposal of property and equipment	(23)	3
Dividend income	(7,449)	(6,067)
Amortization of premium / discount on investments	51,150	39,480
(Increase) / decrease in investment in associate	(918)	3,388
Net unrealized loss on investments at fair value through profit or loss - held for trading net of forex translation	1,262	3,303
Realized gains on sale of investments	(47,250)	(45,953)
Net unrealized income on derivatives	(3,404)	(1,103)
Impairment of AFS investments	7,595	-
Amortization of fees on notes medium term borrowings	7,714	5,379
	<hr/>	<hr/>
	749,713	951,360
Increase in statutory reserve with the Central Bank	(230,637)	(185,313)
Decrease / (increase) in negotiable Central Bank certificate of deposits with original maturity of more than three months	200,000	(500,000)
Decrease / (increase) in due from banks with original maturity of more than three months	53,961	(61,794)
Increase in loans and advances and Islamic financing	(2,269,384)	(7,167,247)
Increase in other assets	(97,595)	(317,706)
Increase in customers' deposits and Islamic customers' deposits	1,483,813	5,248,293
Increase in other liabilities	142,112	351,240
Increase in due to banks with original maturity of more than three months	118,365	509,313
Directors' remuneration paid	(11,000)	(10,540)
Share of Directors' remuneration of associate	(200)	(649)
	<hr/>	<hr/>
<b>Net cash flows from/ ( used in) operating activities</b>	139,148	(1,183,043)
<b>INVESTING ACTIVITIES</b>		
Purchase of investments	(3,830,862)	(2,191,789)
Purchase of property and equipment	(46,144)	(40,931)
Increase in investment properties	(1,833)	(2,505)
Dividend income	7,449	6,067
Proceeds from sale of investments	3,019,278	1,739,756
Proceeds from sale of property and equipment	449	563
	<hr/>	<hr/>
<b>Net cash flows used in investing activities</b>	(851,663)	(488,839)
<b>FINANCING ACTIVITY</b>		
Notes and medium term borrowings	577,656	-
Dividends paid	(560,547)	(560,547)
	<hr/>	<hr/>
<b>Cash flows from / (used in) financing activity</b>	17,109	(560,547)
	<hr/>	<hr/>
<b>Net decrease in cash and cash equivalents</b>	(695,406)	(2,232,429)
Cash and cash equivalents at 1 January	4,962,375	3,462,213
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the period</b>	4,266,969	1,229,784

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 nine-month period ended 30 September 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 nine-month period ended 30 September 2016 comprise the results of the Bank, its wholly owned 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 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 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 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.

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

# Commercial Bank of Dubai PSC

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

*For the nine-month period ended 30 September 2016*

### 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 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 nine-month period ended 30 September 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 nine-month period ended 30 September 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 nine-month period ended 30 September 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

	30 September 2016 AED'000 (Unaudited)	31 December 2015 AED'000 (Audited)
Cash on hand	489,375	530,397
Balances with Central Bank		
-Clearing account balances	5,669	497,509
-Statutory reserves	2,870,796	2,640,159
-Negotiable certificates of deposit	2,500,000	3,000,000
	<u>5,865,840</u>	<u>6,668,065</u>

All the above balances are held in accounts within UAE.

### 6. DUE FROM BANKS

	30 September 2016 AED'000 (Unaudited)	31 December 2015 AED'000 (Audited)
Current and demand deposits	810,359	105,858
Placements	1,909,225	2,138,058
Loans to banks	293,840	347,801
	<u>3,013,424</u>	<u>2,591,717</u>

The geographical concentration is as follows:

Within the U.A.E.	550,313	1,217,948
Outside the U.A.E	2,463,111	1,373,769
	<u>3,013,424</u>	<u>2,591,717</u>

# Commercial Bank of Dubai PSC

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

For the nine-month period ended 30 September 2016

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

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

	30 September 2016 AED'000 (Unaudited)	31 December 2015 AED'000 (Audited)
<b>Loans and advances</b>		
Overdrafts	4,660,760	4,899,530
Loans	32,771,312	31,191,374
Advances against letters of credit and trust receipts	1,598,676	1,247,576
Bills discounted	714,002	706,835
	-----	-----
<b>Loans and advances, gross</b>	<b>39,744,750</b>	<b>38,045,315</b>
	-----	-----
<b>Islamic financing</b>		
Murabaha	1,961,720	1,503,615
Ijara	2,270,849	1,846,785
Musharaka	-	10,947
Others	500,735	290,784
	-----	-----
<b>Islamic financing, gross</b>	<b>4,733,304</b>	<b>3,652,131</b>
	-----	-----
<b>Loans and advances and Islamic financing, gross</b>	<b>44,478,054</b>	<b>41,697,446</b>
	-----	-----
Less: Provision for impairment losses	(3,187,849)	(2,676,625)
	-----	-----
<b>Loans and advances and Islamic financing, net</b>	<b>41,290,205</b>	<b>39,020,821</b>
	=====	=====

# Commercial Bank of Dubai PSC

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

For the nine-month period ended 30 September 2016

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

<b>Analysis by sector</b>	<b>30 September 2016 AED'000 (Unaudited)</b>	<b>31 December 2015 AED'000 (Audited)</b>
<b>Commercial and business:</b>		
Manufacturing	1,308,011	1,508,709
Construction	1,211,039	1,148,045
Real estate	4,235,466	3,863,885
Trade	6,957,685	7,345,095
Services	6,833,527	5,796,587
Business and investment	11,855,687	10,405,974
	<hr/>	<hr/>
<b>Total commercial and business</b>	<b>32,401,415</b>	<b>30,068,295</b>
Financial institutions	1,129,352	771,527
Government and public sector	5,218,393	5,460,304
Personal – mortgage	2,302,432	2,296,432
Personal – schematic	2,901,550	2,697,381
Others	524,912	403,507
	<hr/>	<hr/>
<b>Loans and advances and Islamic financing, gross</b>	<b>44,478,054</b>	<b>41,697,446</b>
	<hr/>	<hr/>
Less: Provisions for impairment losses	(3,187,849)	(2,676,625)
	<hr/>	<hr/>
<b>Loans and advances and Islamic financing, net</b>	<b>41,290,205</b>	<b>39,020,821</b>
	<hr/> <hr/>	<hr/> <hr/>

During the nine-month period ended 30 September 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 112 million (31 December 2015: nil), the fair value of the hedged component was AED 120 thousand (31 December 2015: nil).

# Commercial Bank of Dubai PSC

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

For the nine-month period ended 30 September 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>	381,943	1,615,893	678,789	2,676,625
Interest not recognized / new provisions raised	192,769	417,791	76,936	687,496
<b>Less:</b>				
Written-off	(681)	(71,047)	-	(71,728)
Recoveries / reversal to income	(51,504)	(53,040)	-	(104,544)
<b>Closing Balance 30 September 2016 (Unaudited)</b>	<b>522,527</b>	<b>1,909,597</b>	<b>755,725</b>	<b>3,187,849</b>

	Interest suspended AED'000	Specific provisions AED'000	Collective provisions AED'000	Total AED'000
<b>Balance at 1 January 2015</b>	497,642	2,014,080	525,219	3,036,941
Interest not recognized / new provisions raised	133,902	200,371	89,370	423,643
<b>Less:</b>				
Written-off	(172,237)	(476,067)	-	(648,304)
Recoveries / reversal to income	(54,577)	(58,610)	-	(113,187)
<b>Balance at 30 September 2015 (Unaudited)</b>	<b>404,730</b>	<b>1,679,774</b>	<b>614,589</b>	<b>2,699,093</b>

# Commercial Bank of Dubai PSC

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

For the nine-month period ended 30 September 2016

### 8. INVESTMENT SECURITIES

	UAE AED'000	GCC AED'000	International AED'000	Total AED'000
<b>30 September 2016 (Unaudited)</b>				
<b>Held for trading</b>				
Fixed rate securities				
- Government	-	-	38,101	38,101
- Others	-	-	-	-
<b>Available-for-sale</b>				
Equities	137,154	-	-	137,154
Fund of funds	-	11,664	78,933	90,597
Fixed rate securities				
- Government	2,420,416	769,466	189,270	3,379,152
- Others	1,726,937	1,053,626	428,253	3,208,816
Floating rate non-government securities	225,083	62,273	58,768	346,124
<b>Held to Maturity</b>				
Fixed rate non-government securities	268,044	56,546	-	324,590
<b>Total investment securities</b>	<u>4,777,634</u>	<u>1,953,575</u>	<u>793,325</u>	<u>7,524,534</u>
<b>31 December 2015 (Audited)</b>				
<b>Held for trading</b>				
Fixed rate securities				
- Government	16,284	-	-	16,284
- Others	3,614	-	-	3,614
<b>Available-for-sale</b>				
Equities	149,413	-	-	149,413
Fund of funds	458	21,127	242,580	264,165
Fixed rate securities				
- Government	2,208,097	396,761	126,556	2,731,414
- Others	1,693,656	771,333	532,876	2,997,865
Floating rate non-government securities	333,720	61,795	64,759	460,274
<b>Total investment securities</b>	<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 nine-month period ended 30 September 2016

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

Customers' deposits	30 September 2016 AED'000 (Unaudited)	31 December 2015 AED'000 (Audited)
Current and demand accounts	15,683,097	14,125,599
Savings accounts	1,706,825	1,495,090
Time deposits	15,776,060	16,954,852
	<u>33,165,982</u>	<u>32,575,541</u>
<b>Islamic customers' deposits</b>		
Current and demand accounts	1,386,760	1,082,054
Mudaraba saving	493,288	548,916
Investment deposits and Wakala	6,912,559	6,268,265
	<u>8,792,607</u>	<u>7,899,235</u>
<b>Total customers' deposits and Islamic customers' deposits</b>	<u><u>41,958,589</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 2016, 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 388.3 million (AED 1,426.2 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 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 nine-month period ended 30 September 2016

## 11. EQUITY

### Share capital

The issued and fully paid up ordinary share capital as at 30 September 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 nine- month period ended 30 September 2016 (Unaudited)	For the year ended 31 December 2015 (Audited)	For the nine month period ended 30 September 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 nine and three month period ended 30 September 2016 attributable to the shareholders of the parent amounting to AED 701.5 million (unaudited) and AED 215.7 million (unaudited) respectively (nine and three month period ended 30 September 2015: AED 915.3 million (unaudited) and AED 305.5 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 September 2016 AED'000 (Unaudited)	30 September 2015 AED'000 (Unaudited)
Cash in hand	489,375	435,454
Balances with the Central Bank	5,669	816,248
Negotiable certificates of deposit with the Central Bank with original maturity less than three months	2,300,000	500,000
Due from banks with original maturities less than three months	2,719,584	616,043
	5,514,628	2,367,745
Due to banks with original maturities less than three months	(1,247,659)	(1,137,961)
	<b>4,266,969</b>	<b>1,229,784</b>

# Commercial Bank of Dubai PSC

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

For the nine-month period ended 30 September 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 September 2016 AED'000 (Unaudited)	31 December 2015 AED'000 (Audited)
<b>Contingent liabilities:</b>		
Letters of credit	1,136,537	1,071,325
Guarantees	8,420,971	7,868,227
	<u>9,557,508</u>	<u>8,939,552</u>
<b>Credit commitments:</b>		
Undrawn commitments to extend credit	13,339,507	17,222,605
	<u>22,897,015</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 nine-month period ended 30 September 2016

### 15. SEGMENTAL REPORTING (CONTINUED)

Segmental analysis for the nine-month period ended 30 September are as follows:

30 September 2016 (Unaudited)	Corporate banking	Commercial banking	Personal banking	Treasury & investments	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Assets	28,449,535	9,625,284	7,449,379	16,690,245	62,214,443
Liabilities	15,390,804	6,980,706	14,342,249	17,054,180	53,767,939

#### 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 September 2016 (Unaudited)

Net interest income and net income from Islamic financing	333,104	293,301	393,624	228,140	1,248,169
Non-interest & other income	155,035	122,133	196,616	70,721	544,505
Total operating income	488,139	415,434	590,240	298,861	1,792,674

Direct and allocated cost					602,356
Depreciation and amortization					39,553
Provisions for impairment losses net of recoveries					449,282
Total expenses					1,091,191
Net profit for the period					701,483

#### 30 September 2015 (Unaudited)

Net interest income and net income from Islamic financing	367,202	311,934	316,867	225,484	1,221,487
Non-interest & other income	178,831	126,649	177,796	64,239	547,515
Total operating income	546,033	438,583	494,663	289,723	1,769,002

Direct and allocated cost					590,316
Depreciation and amortization					37,591
Provisions for impairment losses net of recoveries					225,756
Total expenses					853,663
Net profit for the period					915,339

# Commercial Bank of Dubai PSC

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

For the nine-month period ended 30 September 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 September 2016 (Unaudited)</b>						
Cash and balances with Central Bank	-	-	-	-	5,865,840	5,865,840
Due from banks	-	-	-	-	3,013,424	3,013,424
Loans and advances and Islamic financing	-	-	41,290,205	-	-	41,290,205
Investment securities	38,101	324,590	-	7,161,843	-	7,524,534
Other assets	97,608	-	-	-	3,619,315	3,716,923
<b>Total financial assets</b>	<b>135,709</b>	<b>324,590</b>	<b>41,290,205</b>	<b>7,161,843</b>	<b>12,498,579</b>	<b>61,410,926</b>
Due to banks	-	-	-	-	1,568,039	1,568,039
Customers' deposits and Islamic customers' deposits	-	-	-	-	41,958,589	41,958,589
Notes and medium term borrowing	-	-	-	-	6,078,064	6,078,064
Other liabilities	97,307	-	-	-	3,945,338	4,042,645
<b>Total financial liabilities</b>	<b>97,307</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>53,550,030</b>	<b>53,647,337</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 nine-month period ended 30 September 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 September 2016 (Unaudited)</b>	<b>Level 1 AED'000</b>	<b>Level 2 AED'000</b>	<b>Level 3 AED'000</b>
Investments			
Equity	137,154	-	-
Fund of funds	-	90,597	-
Fixed and floating rate securities	6,972,193	-	-
Positive market value of forward foreign exchange contracts and other derivatives - held for trading	-	97,608	-
Negative market value of forward foreign exchange contracts and other derivatives			
Held for trading	-	(96,116)	-
Held for fair value hedge	-	(120)	-
Held for cash flow hedge	-	(1,071)	-
	<b>7,109,347</b>	<b>90,898</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 nine-month period ended 30 September 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 September 2016 AED'000 (Unaudited)	31 December 2015 AED'000 (Audited)	30 September 2016 AED'000 (Unaudited)	31 December 2015 AED'000 (Audited)
Loans and advances and Islamic financing, net	161,843	169,368	3,382,226	2,682,502
Due from banks	-	-	-	600,000
Investment securities	-	-	795,852	820,465
Acceptances	-	-	45,335	12,071
Letters of credit	-	-	26,337	16,764
Letters of Guarantees	-	-	797,589	690,668
Undrawn commitments to extend credit	22,207	15,732	2,472,492	1,920,127
Due to banks	-	-	253,626	-
Deposits	34,411	15,772	5,830,507	7,665,418
	30 September 2016 AED'000 (Unaudited)	30 September 2015 AED'000 (Unaudited)	30 September 2016 AED'000 (Unaudited)	30 September 2015 AED'000 (Unaudited)
Interest income and commission income	5,323	6,110	77,552	59,332
Interest expense	38	5	77,339	40,880

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 September 2015: Nil).

Sitting fees paid to certain directors for attending sub-committee meetings during the nine-month period ended 30 September 2016 was AED 4,281 thousand (30 September 2015: AED 2,254 thousand).

# Commercial Bank of Dubai PSC

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

For the nine-month period ended 30 September 2016

### 17. RELATED PARTY TRANSACTIONS (CONTINUED)

#### Key management compensation

	30 September 2016 AED'000 (Unaudited)	30 September 2015 AED'000 (Unaudited)
Salaries	10,395	8,441
Post-employment benefits	475	628
Other benefits	5,631	7,153

### 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 nine-month period ended 30 September 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:

	30 September 2016 AED'000 (Unaudited)	31 December 2015 AED'000 (Audited)
<b>Core tier 1 capital</b>		
Share capital	2,802,734	2,802,734
Legal reserve	1,401,367	1,401,367
General reserve	1,227,718	1,227,718
Retained earnings	2,889,570	2,193,094
<b>Tier 1 capital</b>	<u>8,321,389</u>	<u>7,624,913</u>
<b>Upper tier 2 capital</b>		
Fair value reserve	38,915	(6,294)
Collective provisions (up to allowable limit)	628,677	564,797
<b>Tier 2 capital</b>	<u>667,592</u>	<u>558,503</u>
<b>Total capital base</b>	<u>8,988,981</u>	<u>8,183,416</u>
<b>Risk weighted assets (RWA) Pillar 1</b>		
Credit risk	50,294,190	45,183,729
Market risk	60,099	16,780
Operational risk	4,140,976	4,140,976
<b>Risk weighted assets</b>	<u>54,495,265</u>	<u>49,341,485</u>
<b>Tier 1 ratio</b>	15.27%	15.45%
<b>Capital adequacy ratio (Pillar) 1</b>	16.49%	16.59%

### 19. COMPARATIVE FIGURES

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