

# Commercial Bank of Dubai PSC

Condensed consolidated interim financial statements  
*30 September 2017*

# Commercial Bank of Dubai PSC

Condensed consolidated interim financial statements  
*For the nine-month period ended 30 September 2017*

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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 2017 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:  
Joseph Murphy  
Partner  
Registration No. 492

18 October 2017

Dubai, United Arab Emirates

# Commercial Bank of Dubai PSC

## Consolidated interim statement of financial position

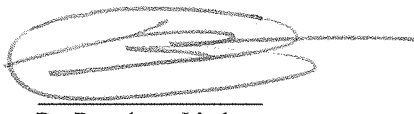
As at 30 September 2017

		30 September 2017	31 December 2016	30 September 2016
	Notes	AED'000 (Unaudited)	AED'000 (Audited)	AED'000 (Unaudited)
<b>ASSETS</b>				
Cash and balances with Central Bank	5	5,738,943	6,712,466	5,865,840
Due from banks	6	2,756,213	3,724,254	3,013,424
Loans and advances and Islamic financing, net	7	47,461,547	41,962,538	41,290,205
Investment securities	8	7,131,599	7,418,277	7,524,534
Investment in an associate		79,944	77,768	78,140
Investment properties		225,389	232,923	237,413
Property and equipment		378,874	355,211	345,742
Bankers acceptances		4,613,050	3,056,956	3,279,263
Other assets		592,446	539,383	579,882
<b>TOTAL ASSETS</b>		<u>68,978,005</u>	<u>64,079,776</u>	<u>62,214,443</u>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Due to banks		947,518	1,560,148	1,568,039
Customers' deposits and Islamic customers' deposits	9	47,472,818	43,773,824	41,958,589
Notes and medium term borrowings	10	6,087,369	6,080,537	6,078,064
Due for trade acceptances		4,613,050	3,056,956	3,279,263
Other liabilities		1,074,591	928,688	883,984
<b>TOTAL LIABILITIES</b>		<u>60,195,346</u>	<u>55,400,153</u>	<u>53,767,939</u>
<b>EQUITY</b>				
Share capital	11	2,802,734	2,802,734	2,802,734
Legal reserve		1,401,367	1,401,367	1,401,367
Capital reserve		38,638	38,638	38,638
General reserve		1,328,025	1,328,025	1,227,718
Cumulative changes in fair values of available for sale investments and cash flow hedge instruments		28,215	18,014	86,477
Proposed cash dividend		-	560,547	-
Proposed directors' remuneration		-	11,000	-
Retained earnings		3,183,680	2,519,298	2,889,570
<b>TOTAL EQUITY</b>		<u>8,782,659</u>	<u>8,679,623</u>	<u>8,446,504</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>68,978,005</u>	<u>64,079,776</u>	<u>62,214,443</u>

The condensed consolidated interim financial statements were approved by the Board of Directors on 18 October 2017.

The attached notes on pages 7 to 23 form part of these condensed consolidated interim financial statements.

  
Mr. Saeed Ahmed Ghobash  
Chairman

  
Dr. Bernd van Linder  
Chief Executive Officer

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 2017

	Notes	Nine-month period ended		Three-month period ended	
		30 September 2017 AED'000 (Unaudited)	30 September 2016 AED'000 (Unaudited)	30 September 2017 AED'000 (Unaudited)	30 September 2016 AED'000 (Unaudited)
Interest income and income from Islamic financing		1,853,195	1,658,903	649,537	565,222
Interest expense and distributions to Islamic depositors		(499,762)	(410,734)	(181,316)	(143,587)
<b>Net interest income and net income from Islamic financing</b>		<b>1,353,433</b>	<b>1,248,169</b>	<b>468,221</b>	<b>421,635</b>
Net fees and commission income		424,439	361,565	140,362	121,373
Net gains from foreign exchange and derivatives		91,543	96,487	42,645	29,089
Net gains from investments at fair value through profit or loss - held for trading		5,225	874	1,141	327
Net gains from sale of available-for-sale investments		15,421	47,372	8,238	14,662
Share of profit of an associate		5,640	3,781	2,362	1,828
Dividend income		61,013	7,449	130	1,122
Other income		30,673	26,977	11,024	8,024
<b>Total operating income</b>		<b>1,987,387</b>	<b>1,792,674</b>	<b>674,123</b>	<b>598,060</b>
Impairment allowances on loans and advances and Islamic financing	7	(679,177)	(494,727)	(149,715)	(169,211)
Recoveries		51,215	53,040	28,432	9,102
Impairment allowance on investment securities		(2,102)	(7,595)	-	(455)
Impairment allowance on other assets		(22,730)	-	-	-
<b>Total net income</b>		<b>1,334,593</b>	<b>1,343,392</b>	<b>552,840</b>	<b>437,496</b>
Staff and other expenses		(628,888)	(602,356)	(206,871)	(208,432)
Depreciation and amortisation		(41,054)	(39,553)	(13,768)	(13,401)
<b>Total operating expenses</b>		<b>(669,942)</b>	<b>(641,909)</b>	<b>(220,639)</b>	<b>(221,833)</b>
<b>Net profit for the period</b>		<b>664,651</b>	<b>701,483</b>	<b>332,201</b>	<b>215,663</b>
<b>Basic and diluted earnings per share</b>	12	<b>AED 0.24</b>	<b>AED 0.25</b>	<b>AED 0.12</b>	<b>AED 0.08</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 2017

	Nine-month period ended		Three-month period ended	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
	AED'000	AED'000	AED'000	AED'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Net profit for the period</b>	<b>664,651</b>	<b>701,483</b>	<b>332,201</b>	<b>215,663</b>
<b>Other comprehensive income:</b>				
Changes in fair value of effective portion of cash flow hedge	(6,760)	(9,907)	(306)	(736)
<b>Changes in available-for-sale (AFS) investments:</b>				
Realised gains on sale of AFS investments	(15,421)	(47,372)	(8,238)	(14,662)
Revaluation of AFS investments (net of impairment)	32,382	150,050	(36,149)	52,643
<b>Net change in AFS investments</b>	<b>16,961</b>	<b>102,678</b>	<b>(44,387)</b>	<b>37,981</b>
<b>Other comprehensive income for the period</b>	<b>10,201</b>	<b>92,771</b>	<b>(44,693)</b>	<b>37,245</b>
<b>Total comprehensive income for the period</b>	<b>674,852</b>	<b>794,254</b>	<b>287,508</b>	<b>252,908</b>

Balances of all items included in other comprehensive income (as above) could be recycled to consolidated income statement in subsequent periods.

The attached notes on pages 7 to 23 form part of these condensed consolidated interim financial statements.

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# Commercial Bank of Dubai PSC

## Consolidated interim statement of changes in equity For the nine-month period ended 30 September 2017

	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
At 1 January 2016	2,802,734	1,401,367	38,638	1,227,718	(6,294)	2,193,094	571,547	8,228,804
<b>Transactions with shareholders, recorded directly in equity</b>								
Cash dividend paid for 2015 (20%)	-	-	-	-	-	-	(560,547)	(560,547)
Directors' remuneration paid for 2015	-	-	-	-	-	-	(11,000)	(11,000)
Others changes in equity*	-	-	-	-	-	(4,807)	-	(4,807)
Share of Director remuneration of an associate	-	-	-	-	-	(200)	-	(200)
<b>Comprehensive income</b>								
Net profit for the period	-	-	-	-	-	701,483	-	701,483
Other comprehensive income for the period	-	-	-	-	92,771	-	-	92,771
<b>Total comprehensive income for the period</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>
At 1 January 2017	2,802,734	1,401,367	38,638	1,328,025	18,014	2,519,298	571,547	8,679,623
<b>Transactions with shareholders, recorded directly in equity</b>								
Cash dividend paid for 2016 (20%)	-	-	-	-	-	-	(560,547)	(560,547)
Directors' remuneration paid for 2016	-	-	-	-	-	-	(11,000)	(11,000)
Share of Director remuneration of an associate	-	-	-	-	-	(269)	-	(269)
<b>Comprehensive income</b>								
Net profit for the period	-	-	-	-	-	664,651	-	664,651
Other comprehensive income for the period	-	-	-	-	10,201	-	-	10,201
<b>Total comprehensive income for the period</b>	-	-	-	-	10,201	664,651	-	674,852
<b>At 30 September 2017 (unaudited)</b>	<b>2,802,734</b>	<b>1,401,367</b>	<b>38,638</b>	<b>1,328,025</b>	<b>28,215</b>	<b>3,183,680</b>	<b>-</b>	<b>8,782,659</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 2017

	30 September 2017 AED'000 (Unaudited)	30 September 2016 AED'000 (Unaudited)
<b>OPERATING ACTIVITIES</b>		
Net profit for the period	664,651	701,483
Adjustments for:		
Depreciation and amortisation	41,054	39,553
Profit on disposal of property and equipment	(107)	(23)
Dividend income	(61,013)	(7,449)
Amortisation of premium / discounts on investments	40,900	51,150
Net unrealised gains on investments at fair value through profit or loss - held for trading	(156)	(996)
Forex translation (gain) / loss	(12,094)	1,667
Realised gains on sale of investments	(20,490)	(47,250)
Net unrealised gain on derivatives	(9,660)	(3,404)
Impairment of AFS investments	2,102	7,595
Amortisation of transaction cost on notes and medium term borrowings	6,832	8,596
	<u>652,019</u>	<u>750,922</u>
Increase in statutory reserve with the Central Bank	(245,013)	(230,637)
(Increase) / decrease in negotiable Central Bank certificate of deposits with original maturity of more than three months	(1,100,000)	200,000
Decrease in due from banks with original maturity of more than three months	393,684	53,961
Increase in loans and advances and Islamic financing, net	(5,499,009)	(2,269,384)
Increase in other assets	(55,365)	(97,003)
Increase in customers' deposits and Islamic customers' deposits	3,698,994	1,483,813
Increase in other liabilities	137,079	142,112
(Decrease) / increase in due to banks with original maturity of more than three months	(3,080)	118,365
Directors' remuneration paid	(11,000)	(11,000)
<b>Net cash flow (used in) / from operating activities</b>	<u>(2,031,691)</u>	<u>141,149</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of investments	(4,776,323)	(3,830,862)
Purchase of property and equipment	(57,929)	(46,144)
Increase in investment properties	-	(1,833)
Dividend income	61,013	7,449
Proceeds from sale of investments	5,083,726	3,019,278
Share of profit of an associate	(5,640)	(3,781)
Dividend from an associate	3,195	2,662
Proceeds from sale of property and equipment	853	449
<b>Net cash flow from / (used in) investing activities</b>	<u>308,895</u>	<u>(852,782)</u>
<b>FINANCING ACTIVITIES</b>		
Notes and medium term borrowings	-	576,774
Dividend paid	(560,547)	(560,547)
<b>Net cash flow (used in) / from financing activities</b>	<u>(560,547)</u>	<u>16,227</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(2,283,343)</u>	<u>(695,406)</u>
Cash and cash equivalents at 1 January	5,558,692	4,962,375
<b>Cash and cash equivalents at end of the period</b>	<u>3,275,349</u>	<u>4,266,969</u>

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 2017

### 1 LEGAL STATUS AND ACTIVITIES

Commercial Bank of Dubai PSC ("the Bank") was incorporated in Dubai, United Arab Emirates (U.A.E.) in 1969 and is registered as a Public Shareholding Company (PSC) in accordance with Federal Law No. 2 of 2015. The Federal Law No. 2 of 2015, concerning Commercial Companies has come into effect from 1 July 2015, replacing the 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 was approved by the regulatory authority during the three month period ended 31 March 2017 and was adopted by the bank. The Bank is listed on the Dubai Financial Market. The Bank's principal activity is commercial banking.

The condensed consolidated interim financial statements of the Group for the nine month period ended 30 September 2017 comprise the results of the Bank, its wholly owned subsidiaries (together referred to as "the Group") and the Group's interest in an associate.

Details about subsidiaries and an associate:

- a) CBD Financial Services LLC, is registered as a limited liability company in accordance with Federal Law No. 2 of 2015 in Dubai, United Arab Emirates. The Bank holds a 100% interest. Its principal activity is broking for local shares and bonds.
- b) Attijari Properties LLC, is registered as a limited liability company in accordance with Federal Law No. 2 of 2015 in Dubai, United Arab Emirates. The Bank holds a 100% interest. Its principal activity is self-owned property management services and buying & selling of real estate.
- c) CBD (Cayman) Limited is a special purpose entity (SPE) registered in British Virgin Islands. The SPE has been established for any future issuance of debt securities.
- d) 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.
- e) 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.

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 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 2016. In addition, results for the nine-month period ended 30 September 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

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 2016, except for the adoption of new standards and interpretations effective as of 1 January 2017. Although these new standards and amendments apply for the first time in 2017, 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 Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

# Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)

For the nine-month period ended 30 September 2017

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 BASIS OF PREPARATION (continued)

#### b) Functional and presentation currency

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

#### c) Use of estimates and judgments

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 2016.

#### d) Basis of consolidation

The condensed consolidated financial statements comprise the financial statements of the Bank, its wholly owned subsidiaries (together referred to as "the Group"), which it controls and the Group's interest in an associate, as at 30 September 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

### 2.2 FINANCIAL INSTRUMENTS

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

#### (i) Classification

- Financial assets at fair value through profit or loss (FVPL): This category has the following two sub-categories:

##### Financial assets held for trading

Financial assets held for trading are those that are acquired principally for the purpose of sale in the near term. They are recorded at fair value. Fair value changes are recognised in consolidated income statement.

##### Designated to be fair valued through profit or loss at inception

The Group designates financial assets at fair value through profit or loss in the following circumstances:

- The assets are managed, evaluated and reported internally on a fair value basis.
- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.

- Loans and advances: Loans and advances are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. These arise when the Group provides money directly to the borrower with no intention of trading the receivable.
- Held-to-maturity (HTM): Investments classified as held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the intention of and the ability to hold to maturity. HTM assets are carried at amortized cost less impairment loss if any.

Sale of HTM assets is allowed only under the following circumstances:

- The investment is close enough to maturity as to have no impact on fair value;
- The principal is substantially received;
- Isolated events beyond the Group's control;
- Significant credit deterioration;
- Major business combination or disposal; or
- Increase in regulatory capital requirements.

- Available-for-sale (AFS): Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or not classified as (i) financial assets at fair value through profit or loss, (ii) loans and advances or (iii) held-to-maturity investments. AFS assets are carried at fair value, with fair value changes recognised in other comprehensive income (OCI). These assets may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

# Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)

For the nine-month period ended 30 September 2017

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 FINANCIAL INSTRUMENTS (continued)

(ii) Initial recognition

Purchases and sales of investment securities are recognised on the trade date which is the date on which the Group commits to purchase or sell the securities. Loans and advances are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs, which approximates to its cost, for all financial assets not carried at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognised at fair value, which approximates to its cost.

(iii) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all the risks and rewards of ownership. A financial liability is derecognised when its contractual obligation is discharged, cancelled or expired.

(iv) Subsequent measurement

Financial assets available-for-sale and at fair value through profit or loss are subsequently carried at fair value. Financial assets not carried at fair value are carried at amortised cost using the effective interest method, less impairment allowances.

(v) Embedded derivatives

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the consolidated income statement.

(vi) Gains and losses on subsequent measurement

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

Gains and losses arising from changes in the fair value of available-for-sale investments are recognised directly in other comprehensive income (OCI), until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in OCI is recognised in the consolidated income statement.

In cases where available-for-sale investments with a fixed maturity are reclassified as held-to-maturity investments, the fair value gains or losses until the date of the reclassification are held in OCI and amortised over the remaining life of the held-to-maturity investments using the effective interest rate method.

### 2.3 INVESTMENT PROPERTIES CARRIED AT COST AND HELD FOR SALE

The Group holds certain properties for its own use as well as to lease out. The leased out or intended to lease out components have been classified as investment properties. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred, if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at cost less any accumulated depreciation and accumulated impairment losses.

Depreciation is charged using straight line method over the useful life of the asset. Estimated useful life of buildings is 20 to 30 years.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated income statement under 'other income' in the year of retirement or disposal.

Transfers are made to investment properties when, and only when there is change in use evidenced by ending of owner-occupation, commencement of an operating lease of another party or ending of construction or development.

Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner-occupation.

Non current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition, management has committed to the sale, and the sale is expected to have been completed within one year from the date of classification.

# Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)

For the nine-month period ended 30 September 2017

## 3 APPLICATION OF NEW AND REVISED INTERNATIONAL REPORTING STANDARDS "IFRS"

### Standards / Interpretations / amendments issued and effective for accounting periods beginning on 1 January 2017

#### *IAS 7 – Statement of cash flows*

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The amendments are effective for annual periods beginning on or after 1 January 2017.

### Standards / Interpretations / amendments issued but not yet effective for accounting periods beginning on 1 January 2017

#### *IFRS 9 – Financial instruments*

The complete version of IFRS 9 replaces most of the guidance in IAS 39. IFRS 9 brings together the following three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018.

#### *(a) Classification and measurement*

IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets:

- (i) amortised cost
- (ii) fair value through other comprehensive income (OCI); and
- (iii) fair value through profit and loss.

The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss.

#### *(b) Impairment*

There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and receivables, either on a 12-month or lifetime basis depending on increase in credit risk since initial recognition.

#### *(c) Hedging*

IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

#### *IFRS 15, 'Revenue from contracts with Customers'*

This is the converged standard on revenue recognition. It replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

IFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The new standard will be effective for annual periods beginning on or after 1 January 2018.

#### *IFRS 16 – Leases*

IFRS 16 Leases requires lessee's to recognise assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 Leases. The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, IFRS 15 Revenue from Contracts with Customers, has been applied.

#### *Transfers of investment property – amendments to IAS 40*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are effective for annual periods beginning on or after 1 January 2018.

# Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)

For the nine-month period ended 30 September 2017

## 3 APPLICATION OF NEW AND REVISED INTERNATIONAL REPORTING STANDARDS "IFRS" (CONTINUED)

Standards / Interpretations / amendments issued but not yet effective for accounting periods beginning on 1 January 2017 (continued)

### Impact assessment

The Group is in the process of analyzing the impact of IFRS 9. The Group has assessed the impact of other standards, amendments to standards, revisions and interpretations. Based on the assessment, the above standards, amendments to standards, revisions and interpretations (excluding IFRS 9) are not expected to have a material impact on the consolidated financial statements of the Group as at the reporting date.

## 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 2016.

## 5 CASH AND BALANCES WITH CENTRAL BANK

	30 September 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)
Cash on hand	412,993	515,182
Balances with U.A.E Central Bank		
- Clearing account balances	201,901	718,248
- Statutory reserves	3,124,049	2,879,036
- Negotiable certificates of deposit	2,000,000	2,600,000
	<u>5,738,943</u>	<u>6,712,466</u>

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

## 6 DUE FROM BANKS

	30 September 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)
Current and demand deposits	950,355	718,858
Placements	1,673,968	2,656,461
Loans to Banks	131,890	348,935
	<u>2,756,213</u>	<u>3,724,254</u>
The geographical concentration is as follows:		
Within the U.A.E.	627,748	1,397,924
Outside the U.A.E.	2,128,465	2,326,330
	<u>2,756,213</u>	<u>3,724,254</u>

Placements include cash collaterals amounting to AED 50.6 million (31 December 2016: AED 351.5 million) placed against repurchase agreements.

## Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)

For the nine-month period ended 30 September 2017

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

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

	30 September 2017	31 December 2016
	AED'000	AED'000
	(Unaudited)	(Audited)
<b>Loans and advances</b>		
Overdrafts	4,669,286	4,591,758
Loans	35,724,195	32,636,897
Advances against letters of credit and trust receipts	1,193,482	1,275,189
Bills discounted	1,741,305	1,437,892
<b>Gross loans and advances</b>	<b>43,328,268</b>	<b>39,941,736</b>
<b>Islamic financing</b>		
Murabaha and Tawaruq	2,875,923	2,173,745
Ijara	4,012,600	2,516,634
Others	95,048	481,723
<b>Gross Islamic financing</b>	<b>6,983,571</b>	<b>5,172,102</b>
<b>Gross loans and advances and Islamic financing</b>	<b>50,311,839</b>	<b>45,113,838</b>
Allowances for impairment losses	(2,850,292)	(3,151,300)
<b>Net loans and advances and Islamic financing</b>	<b>47,461,547</b>	<b>41,962,538</b>

	30 September 2017	31 December 2016
	AED'000	AED'000
	(Unaudited)	(Audited)
<b>Concentration by sector</b>		
Manufacturing	2,676,291	2,482,930
Construction	2,134,890	2,331,942
Real estate	17,204,368	14,072,262
Trade	5,321,852	4,939,227
Transportation and storage	2,565,459	2,554,220
Services	3,551,832	3,550,667
Hospitality	2,351,554	1,739,753
Financial and Insurance activities	4,422,377	3,800,653
Government entities	76,014	39,915
Personal-mortgage	2,550,160	2,190,636
Personal-schematic	3,886,624	3,436,973
Individual loans for business	2,444,038	2,928,304
Others	1,126,380	1,046,356
<b>Gross loans and advances and Islamic financing</b>	<b>50,311,839</b>	<b>45,113,838</b>
Allowances for impairment losses	(2,850,292)	(3,151,300)
<b>Net loans and advances and Islamic financing</b>	<b>47,461,547</b>	<b>41,962,538</b>

## Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)

For the nine-month period ended 30 September 2017

### 7 LOANS AND ADVANCES AND ISLAMIC FINANCING, NET (continued)

The movements in allowances for impairment losses are as follows:

	Interest suspended AED'000	Specific provisions AED'000	Collective provisions AED'000	Total AED'000
<b>Opening balance 1 January 2017</b>	<b>530,661</b>	<b>1,849,309</b>	<b>771,330</b>	<b>3,151,300</b>
Interest not recognised / new provisions raised	189,981	614,676	64,501	869,158
<b>Less:</b>				
Written-off	(178,006)	(938,188)	-	(1,116,194)
Recoveries / reversal to income	(2,757)	(51,215)	-	(53,972)
<b>Closing balance 30 September 2017 (Unaudited)</b>	<b>539,879</b>	<b>1,474,582</b>	<b>835,831</b>	<b>2,850,292</b>
	<b>Interest suspended AED'000</b>	<b>Specific provisions AED'000</b>	<b>Collective provisions AED'000</b>	<b>Total AED'000</b>
<b>Opening balance 1 January 2016</b>	<b>381,943</b>	<b>1,615,893</b>	<b>678,789</b>	<b>2,676,625</b>
Interest not recognised / 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>

The Group has hedged the fair value of certain fixed rate loans and advances and Islamic financing. The carrying value of these loans and advances and Islamic financing was AED 281.6 million (31 December 2016: AED 295 million). The positive fair value of the hedged component was AED 4.3 million (31 December 2016: negative fair value AED 108 thousand).

## Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)

For the nine-month period ended 30 September 2017

### 8 INVESTMENT SECURITIES

	UAE AED'000	GCC AED'000	International AED'000	Total AED'000
<b>30 September 2017 (Unaudited)</b>				
<b>Held for trading</b>				
Fixed rate non-government securities	-	-	18,160	18,160
Floating rate non-government securities	-	-	27,514	27,514
<b>Available-for-sale</b>				
Equities	97,054	-	-	97,054
Fund of funds	3,346	11,832	199	15,377
Fixed rate securities				
- Government	2,535,933	886,403	216,799	3,639,135
- Others	1,691,383	906,499	368,903	2,966,785
Floating rate non-government securities	138,237	8,809	18,364	165,410
<b>Held to maturity</b>				
Fixed rate non-government securities	147,234	54,930	-	202,164
<b>Total investment securities</b>	<b>4,613,187</b>	<b>1,868,473</b>	<b>649,939</b>	<b>7,131,599</b>
<b>31 December 2016 (Audited)</b>				
<b>Available-for-sale</b>				
Equities	144,931	-	-	144,931
Fund of funds	-	11,701	63,786	75,487
Fixed rate securities				
- Government	2,316,693	749,208	249,688	3,315,589
- Others	1,774,259	1,136,540	349,113	3,259,912
Floating rate non-government securities	188,457	45,608	-	234,065
<b>Held to maturity</b>				
Fixed rate non-government securities	269,902	103,163	15,228	388,293
<b>Total investment securities</b>	<b>4,694,242</b>	<b>2,046,220</b>	<b>677,815</b>	<b>7,418,277</b>

Included in available-for-sale investment securities is an amount of AED 1,407.1 million (31 December 2016: AED 1,399.2 million), pledged under repurchase agreements with banks (note 10).

As at 30 September 2017, the fair value of HTM securities is AED 202.1 million (31 December 2016: AED 387.9 million). The fair value represents level 1 of the fair value hierarchy.



## Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)

For the nine-month period ended 30 September 2017

### 8 INVESTMENT SECURITIES (continued)

#### 8.1 Fund of funds investments

This represents investments in global and regional asset management funds as a part of the Group's strategy of diversifying its holdings. These investments are carried at net assets value provided by the respective fund managers.

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

	30 September 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)
<b>Customers' deposits</b>		
Current and demand accounts	15,674,917	15,502,051
Savings accounts	1,936,689	1,686,496
Time deposits	<u>21,573,357</u>	<u>17,842,136</u>
	<b>39,184,963</b>	<b>35,030,683</b>
<b>Islamic customers' deposits</b>		
Current and demand accounts	1,486,227	1,462,891
Mudaraba savings accounts	581,216	546,084
Investment and Wakala deposits	<u>6,220,412</u>	<u>6,734,166</u>
	<b>8,287,855</b>	<b>8,743,141</b>
<b>Total customers' deposits and Islamic customers' deposits</b>	<b><u>47,472,818</u></b>	<b><u>43,773,824</u></b>

## Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)

For the nine-month period ended 30 September 2017

### 10 NOTES AND MEDIUM TERM BORROWINGS

		31 December 2016 AED'000 (Audited)	Cash flow Changes AED'000	Non cash flow Changes AED '000	30 September 2017 AED'000 (Unaudited)
Syndicated loan	10.1	1,641,103	-	3,533	1,644,636
Repurchase agreements - I	10.2	551,442	-	-	551,442
Repurchase agreements - II	10.2	591,799	-	-	591,799
Euro medium term notes - I	10.3	1,832,276	-	2,323	1,834,599
Euro medium term notes - II	10.3	1,463,917	-	976	1,464,893
<b>Total</b>		<b>6,080,537</b>	<b>-</b>	<b>6,832</b>	<b>6,087,369</b>

		31 December 2015 AED'000 (Audited)	Cash flow Changes AED'000	Non cash flow Changes AED '000	30 September 2016 AED'000 (Unaudited)
Syndicated loan	10.1	1,648,767	(14,143)	5,286	1,639,910
Repurchase agreements - I	10.2	551,442	-	-	551,442
Repurchase agreements - II	10.2	-	591,799	-	591,799
Euro medium term notes - I	10.3	1,828,982	-	2,329	1,831,311
Euro medium term notes - II	10.3	1,463,503	(882)	981	1,463,602
<b>Total</b>		<b>5,492,694</b>	<b>576,774</b>	<b>8,596</b>	<b>6,078,064</b>

#### 10.1 *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.

#### 10.2 *Repurchase agreements*

In July 2012, the Group entered into Repo transactions to obtain financing against the sale of certain debt securities, amounting to USD 150.1 million (AED 551.3 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 591.8 million) with arrangements to repurchase them at a fixed future date in June 2021.

These securities are carried at fair value amounting to AED 1,407.1 million (USD 383.1 million) (31 December 2016: AED 1,399.2 million (USD 380.9 million)).

#### 10.3 *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 2017

## 11 EQUITY

### Share capital

The fully paid up and authorised ordinary share capital as at 30 September 2017 comprised 2,802,733,968 ordinary shares of AED 1 each (31 December 2016: 2,802,733,968 shares of AED 1 each). There was no movement in authorised ordinary share capital during the period / year.

## 12 BASIC AND DILUTED EARNINGS PER SHARE

The earnings per share (EPS) is based on the Group's profit for the nine and three month period ended 30 September 2017 attributable to the shareholders of the parent amounting to AED 664.7 million and AED 332.2 million respectively (nine and three month period ended 30 September 2016: AED 701.5 million and AED 215.7 million 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

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

	30 September 2017	30 September 2016
	AED'000	AED'000
	(Unaudited)	(Unaudited)
Cash on hand	412,993	489,375
Balances with the U.A.E. Central Bank	201,901	5,669
Negotiable certificates of deposit with the U.A.E. Central Bank with original maturity less than three months	800,000	2,300,000
Due from banks with original maturity less than three months	2,624,323	2,719,584
	<u>4,039,217</u>	<u>5,514,628</u>
Due to banks with original maturity less than three months	(763,868)	(1,247,659)
	<u>3,275,349</u>	<u>4,266,969</u>

## 14 CONTINGENT LIABILITIES AND COMMITMENTS

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

	30 September 2017	31 December 2016
	AED'000	AED'000
	(Unaudited)	(Audited)
<b>Contingent liabilities:</b>		
Letters of credit	1,085,224	1,157,549
Guarantees	9,162,331	8,446,494
<b>Total contingent liabilities</b>	<u>10,247,555</u>	<u>9,604,043</u>
<b>Undrawn commitments to extend credit</b>	14,031,167	14,490,193
<b>Total contingent liabilities and undrawn commitments</b>	<u>24,278,722</u>	<u>24,094,236</u>

### Acceptances

Under IAS 39, acceptances are recognised on balance sheet with a corresponding liability. Accordingly, there are no contingent liabilities.

# Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)

For the nine-month period ended 30 September 2017

## 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 funding costs.

### *Business segments*

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

	Corporate banking AED'000	Commercial banking AED'000	Business banking AED'000	Personal banking AED'000	Treasury & investments AED'000	Total AED'000
<b>30 September 2017 (Unaudited)</b>						
Assets	<u>33,014,895</u>	<u>11,989,459</u>	<u>1,144,455</u>	<u>7,079,140</u>	<u>15,750,056</u>	<u>68,978,005</u>
Liabilities	<u>29,210,713</u>	<u>8,376,895</u>	<u>3,551,784</u>	<u>11,868,191</u>	<u>7,187,763</u>	<u>60,195,346</u>
<b>31 December 2016 (Audited)</b>						
Assets	<u>29,024,791</u>	<u>9,398,139</u>	<u>1,396,822</u>	<u>6,224,618</u>	<u>18,035,406</u>	<u>64,079,776</u>
Liabilities	<u>25,884,370</u>	<u>7,129,647</u>	<u>3,510,553</u>	<u>11,207,379</u>	<u>7,668,204</u>	<u>55,400,153</u>

# Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)

For the nine-month period ended 30 September 2017

## 15 SEGMENTAL REPORTING (continued)

	Corporate banking AED'000	Commercial banking AED'000	Business banking AED'000	Personal banking AED'000	Treasury & investments AED'000	Total AED'000
<b>30 September 2017 (Unaudited)</b>						
Net interest income and net income from Islamic financing	503,357	306,690	136,125	272,871	134,390	1,353,433
Non-interest & other income	162,677	119,938	73,073	104,646	173,620	633,954
Total operating income	666,034	426,628	209,198	377,517	308,010	1,987,387
Expenses (note a)	123,928	113,949	99,108	305,456	27,501	669,942
Net provisions (note b)	(14,795)	353,907	128,801	160,299	24,582	652,794
	109,133	467,856	227,909	465,755	52,083	1,322,736
Net profit for the period	556,901	(41,228)	(18,711)	(88,238)	255,927	664,651
<b>30 September 2016 (Unaudited)</b>						
Net interest income and net income from Islamic financing	504,891	303,357	132,570	231,024	76,327	1,248,169
Non-interest & other income	130,135	118,426	69,748	67,159	159,037	544,505
Total operating income	635,026	421,783	202,318	298,183	235,364	1,792,674
Expenses (note a)	144,230	118,214	79,611	273,640	26,214	641,909
Net provisions (note b)	(17,563)	212,970	120,820	125,460	7,595	449,282
	126,667	331,184	200,431	399,100	33,809	1,091,191
Net profit for the period	508,359	90,599	1,887	(100,917)	201,555	701,483

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

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

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

	External parties		Inter-segment	
	30 September 2017 AED'000 (Unaudited)	30 September 2016 AED'000 (Unaudited)	30 September 2017 AED'000 (Unaudited)	30 September 2016 AED'000 (Unaudited)
Corporate banking	666,034	635,026	(84,671)	(50,609)
Commercial banking	426,628	421,783	(64,513)	(31,532)
Business banking	209,198	202,318	22,967	14,734
Personal banking	377,517	298,183	22,773	11,511
Treasury & investments	308,010	235,364	103,444	55,896
Total operating income	1,987,387	1,792,674	-	-

# Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)

For the nine-month period ended 30 September 2017

## 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 in IAS 39:

	Fair value through Profit or loss AED'000	Held-to- maturity AED'000	Loans and receivables AED'000	Available-for- sale at fair value AED'000	Other amortised cost AED'000	Total carrying amount AED'000
<b>30 September 2017 (Unaudited)</b>						
Cash and balances with Central Bank	-	-	-	-	5,738,943	5,738,943
Due from banks	-	-	-	-	2,756,213	2,756,213
Loans and advances and Islamic financing, net	-	-	47,461,547	-	-	47,461,547
Investment securities	45,674	202,164	-	6,883,761	-	7,131,599
Bankers acceptances	-	-	-	-	4,613,050	4,613,050
Other assets	74,354	-	-	-	469,744	544,098
<b>Total financial assets</b>	<b>120,028</b>	<b>202,164</b>	<b>47,461,547</b>	<b>6,883,761</b>	<b>13,577,950</b>	<b>68,245,450</b>
Due to banks	-	-	-	-	947,518	947,518
Customers' deposits and Islamic customers' deposits	-	-	-	-	47,472,818	47,472,818
Notes and medium term borrowing	-	-	-	-	6,087,369	6,087,369
Due for trade acceptances	-	-	-	-	4,613,050	4,613,050
Other liabilities	64,262	-	-	-	882,055	946,317
<b>Total financial liabilities</b>	<b>64,262</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>60,002,810</b>	<b>60,067,072</b>
<b>31 December 2016 (Audited)</b>						
Cash and balances with Central Bank	-	-	-	-	6,712,466	6,712,466
Due from banks	-	-	-	-	3,724,254	3,724,254
Loans and advances and Islamic financing, net	-	-	41,962,538	-	-	41,962,538
Investment securities	-	388,293	-	7,029,984	-	7,418,277
Bankers acceptances	-	-	-	-	3,056,956	3,056,956
Other assets	77,330	-	-	-	427,728	505,058
<b>Total financial assets</b>	<b>77,330</b>	<b>388,293</b>	<b>41,962,538</b>	<b>7,029,984</b>	<b>13,921,404</b>	<b>63,379,549</b>
Due to banks	-	-	-	-	1,560,148	1,560,148
Customers' deposits and Islamic customers' deposits	-	-	-	-	43,773,824	43,773,824
Notes and medium term borrowing	-	-	-	-	6,080,537	6,080,537
Due for trade acceptances	-	-	-	-	3,056,956	3,056,956
Other liabilities	55,438	-	-	-	759,320	814,758
<b>Total financial liabilities</b>	<b>55,438</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>55,230,785</b>	<b>55,286,223</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 2017

## 16 FINANCIAL ASSETS AND LIABILITIES (continued)

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

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

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

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

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

Level 3: Valuation technique using significant unobservable inputs.

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

	Level 1	Level 2	Level 3	Total fair value	Carrying value
	AED'000	AED'000	AED'000	AED'000	AED'000
<b>30 September 2017 (Unaudited)</b>					
Investments					
Equities	97,054	-	-	97,054	97,054
Fund of funds	-	15,377	-	15,377	15,377
Fixed and floating rate securities	7,019,019	-	-	7,019,019	7,019,168
Positive market value of forward foreign exchange contracts and other derivatives					
Held for trading	-	70,037	-	70,037	70,037
Held for fair value hedge	-	4,317	-	4,317	4,317
Held for cash flow hedge	-	-	-	-	-
Negative market value of forward foreign exchange contracts and other derivatives					
Held for trading	-	(58,198)	-	(58,198)	(58,198)
Held for fair value hedge	-	-	-	-	-
Held for cash flow hedge	-	(6,064)	-	(6,064)	(6,064)
Liabilities at amortized cost					
Notes and medium term borrowings	3,359,950	2,787,877	-	6,147,827	6,087,369
	<b>10,476,023</b>	<b>2,813,346</b>	<b>-</b>	<b>13,289,369</b>	<b>13,229,060</b>
	Level 1	Level 2	Level 3	Total fair value	Carrying value
	AED'000	AED'000	AED'000	AED'000	AED'000
<b>31 December 2016 (Audited)</b>					
Investments					
Equities	144,931	-	-	144,931	144,931
Fund of funds	-	75,487	-	75,487	75,487
Fixed and floating rate securities	7,197,511	-	-	7,197,511	7,197,859
Positive market value of forward foreign exchange contracts and other derivatives					
Held for trading	-	59,191	-	59,191	59,191
Held for fair value hedge	-	16,092	-	16,092	16,092
Held for cash flow hedge	-	2,047	-	2,047	2,047
Negative market value of forward foreign exchange contracts and other derivatives					
Held for trading	-	(51,282)	-	(51,282)	(51,282)
Held for fair value hedge	-	(2,805)	-	(2,805)	(2,805)
Held for cash flow hedge	-	(1,351)	-	(1,351)	(1,351)
Liabilities at amortized cost					
Notes and medium term borrowings	3,355,517	2,783,151	-	6,138,668	6,080,537
	<b>10,697,959</b>	<b>2,880,530</b>	<b>-</b>	<b>13,578,489</b>	<b>13,520,706</b>

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

## 17 RELATED PARTY TRANSACTIONS AND BALANCES

As at 30 September 2017 and 31 December 2016, Investment Corporation of Dubai ("ICD") owns 20% share capital of the Bank. ICD is wholly owned by the Government of Dubai (the "Government").

Other than the transactions disclosed below, the Group enters into transactions with other Government entities. In accordance with the exemption available in the revised IAS 24, the other transactions with such related Government entities are not collectively or individually significant and have not been disclosed.

# Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)

For the nine-month period ended 30 September 2017

## 17 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	Directors and key management personnel		Government related parties		Other related parties	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016	30 September 2017	31 December 2016
	AED'000 (Unaudited)	AED'000 (Audited)	AED'000 (Unaudited)	AED'000 (Audited)	AED'000 (Unaudited)	AED'000 (Audited)
Loans and advances and Islamic financing, net	153,500	172,873	2,034,682	1,998,853	1,523,422	1,001,567
Due from banks	-	-	328,555	275,475	-	-
Investment securities	-	-	1,508,247	1,344,038	-	-
Acceptances	-	-	184,250	216,067	205,116	11,792
Letters of credit	-	-	-	-	16,733	22,698
Letters of guarantees	-	-	323,311	172,595	713,074	711,539
Undrawn commitments to extend credit	25,484	17,003	900,250	1,128,803	427,683	580,451
Due to banks	-	-	781	18,846	-	-
Customers' deposits and Islamic customers' deposits	62,730	24,884	5,362,774	5,134,321	1,666,635	1,702,570
Interest income and commission income	5,586	5,323	48,165	43,176	45,896	23,727
Interest expense	106	38	70,680	54,565	17,122	22,773
Dividend from an associate	-	-	-	-	3,195	2,662

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

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

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

No specific allowance for impairment losses has been made on balances with key management personnel and their immediate relations at the period end.

Sitting fees paid to directors for attending committee meetings during the nine month period ended 30 September 2017 amounted to AED 2,010 thousand (30 September 2016: AED 4,281 thousand).

Key management compensation	30 September 2017 AED'000 (Unaudited)	30 September 2016 AED'000 (Unaudited)
Salaries	12,962	10,395
Post-employment benefits	579	475
Other benefits	17,751	5,631



# Commercial Bank of Dubai PSC

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

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### 18 CAPITAL ADEQUACY

The table below summarizes the composition of regulatory capital and the ratios of the Group for the period and year ended 30 September 2017 and 31 December 2016 respectively. During those two periods, the Group has complied with all of the externally imposed capital requirements to which it is subject to:

	<b>30 September 2017 AED'000 (Unaudited)</b>	<b>31 December 2016 AED'000 (Audited)</b>
<b>Capital base</b>		
Tier 1 capital (net-off deduction)	8,650,118	8,051,424
Tier 2 capital (net-off deduction)	647,044	641,466
<b>Total capital base</b>	<u>9,297,162</u>	<u>8,692,890</u>
<b>Risk weighted assets (RWA) Pillar 1</b>		
Credit risk	56,002,813	50,668,746
Market risk	364,066	109,379
Operational risk	4,409,191	4,409,191
<b>Risk weighted assets</b>	<u>60,776,070</u>	<u>55,187,316</u>
<b>Tier 1 ratio</b>	14.23%	14.59%
<b>Capital adequacy ratio (Pillar 1)</b>	15.30%	15.75%

### 19 COMPARATIVE FIGURES

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