CBI

Annual Report 2014

His Highness
Sheikh Khalifa Bin Zayed Al Nahyan
President of the United Arab Emirates
and Ruler of Abu Dhabi

His Highness
Sheikh Mohammed Bin Rashid Al Maktoum
Vice President and Prime Minister of
the United Arab Emirates and Ruler of Dubai

His Highness
Sheikh Saud Bin Saqr Al Qasimi
Supreme Council Member and Ruler of Ras Al Khaimah

His Highness
Sheikh Mohammed Bin Saud Bin Saqr Al Qasimi
Crown Prince of Ras Al Khaimah

Table of Contents

Chairman and Chief Executive Officer's Annual Review

Mohammad Sultan Al Qadi
Chairman

On behalf of the Board of Directors, we are pleased to present the Annual Report and the consolidated financial statements of Commercial Bank International (CBI) for the year ended 31st December 2014.
2014 was a year of transformation for the Bank as we implemented a new Strategic Plan and introduced a significant change in the Bank's management structure. Early in the year we launched a new five year Strategic Plan to position the Bank for continued sustainable growth. The Board of Directors also welcomed Mr. Mark Robinson as our new Chief Executive Officer. Mr. Robinson has the full support and confidence of the Board to commence the next chapter in the development of the Bank.

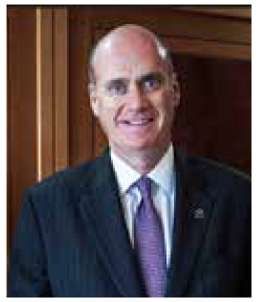
It is with great pleasure that we review the key developments in the UAE economy and banking sector which shaped the Bank's operating environment during the year, as well as review the Bank's financial performance for 2014.

UAE Economy
The UAE economy performed well as the country continues to become less dependent on oil-related investments. The expansion in the non-hydrocarbon sector driven by tourism, real estate, construction and transport continued to positively impact the GDP growth which stood at 4.3% at the end of 2014.
The UAE also registered a healthy growth in trade activity in 2014 with the aggregate value of imports and exports increasing by an estimated 8.6%. There was sound growth in monetary aggregates supported by healthy capital inflows and accelerated credit growth and inflation picked up moderately, driven by rising housing process.

The decline in oil prices in the second half of 2014 had a minimal impact on the UAE economy short term, and the overall macroeconomic performance and near term outlook for the UAE in 2014 remained favorable.

UAE Banking Sector
The UAE banking sector performed strongly during 2014 with total assets growing by a healthy 10.6%. Improvement in the liquidity of Banks operating in the region has led to an increase in lending activity with loans, advances and overdraft facilities recording a 9.5% increase in 2014. With continued consumer and corporate confidence in the banking sector, Total Deposits also increased by 11.1%. The increase in the deposit base is largely attributed to UAE Residents who, with the improved regional economic activity, experienced higher personal liquidity.

Overall, Banks in the UAE remain well capitalized with Capital Adequacy ratios of 18.1%, well in excess of the minimum UAE Central Bank requirement of 12%. This further enhances consumer and institutional confidence in the efficiency of the UAE financial system and economy and sets us up well for 2015.



Mark T. Robinson
Chief Executive Officer

CBI's Performance
In 2014, we delivered solid results whilst beginning to reposition the bank for future growth. Despite the challenging conditions we faced, we continued to strengthen the balance sheet of the bank and generate growth in our loan book while maintaining adequate performance ratios across the board.

CBI reported a Net Profit of AED 134 million representing a 24% decrease from AED 177 million for the same period in 2013. This was due to the increase of provisions to AED 332 million against a provision of AED 156 million for 2013. Naturally we are disappointed to announce an increase in provisions; however it is fiscally prudent and will help accelerate the strengthening of the Bank as we build a solid platform for the future.

Our core operations registered steady growth during 2014 with the Bank's Operating Profit increasing to AED 465 million, up 40% on the 2013 figure. The Bank's profitability was partially due to a growth in Assets and an increase in fee based income. Assets stood at AED 19.7 billion at the end of 2014, an increase of 33% on the previous year. Net Fee and Commission Income increased by 7% to AED 220 million, driven by an increase in LCs and Acceptances.

Loans & Advances increased by 23% to AED 13.1 billion at the year end, compared to AED 10.6 billion at the end of December 2013, while Customer Deposits increased by 38% to reach AED 14.5 billion at the end of 2014 against AED 10.5 billion for the same period in 2013.

Shareholders' equity increased by 7% to AED 2.3 billion as compared to AED 2.2 billion at the end of December 2013.

Corporate Developments
As part of the Bank's strategic plan, a renewed priority was placed on targeting segments in Retail, Small to Medium Enterprises (SMEs), and Corporate through Trade & Syndications. Throughout the year, the Bank more than doubled financing to SMEs operating in the UAE, allocating more than AED 1 billion to support this significant growth sector.

We also signed large financing transactions such as the AED 700 million loan for the Meydan Group to support their growth and investment plans.

The Bank also opened its first dedicated Business Banking branch in Jebel Ali Free Zone. CBI also announced the re-activation of its escrow (trust) account services by signing a new agreement with the Real Estate Regulatory Agency (RERA).
The escrow product reflects CBI's vision to build partnerships with customers and offer innovative, added value products and services that meet their growing business requirements.

In 2014 the Bank's Retail Banking proposition was strengthened significantly with the launch of several new innovative products. We launched a new Fee Free MasterCard Titanium Credit Card, a new Personal Loan Product as well as a new Credit Card Customer Reward Programme. 2014 also saw the Bank sign an agreement with Zurich International Life (Zurich) to market and distribute Zurich's range of Life Insurance products, including protection, investment and savings plans, through its retail distribution network.
The bank also significantly enhanced its branch and ATM network with the opening of five new branches in 2014, increasing the branch network to 24 branches across all seven Emirates.

2014 was also an award winning year. CBI's innovative Low Rate Visa Platinum Card won the prestigious Banker Middle East Award for Best Credit Card. CBI was also recognized by the Banker Middle East for Transparency in Retail Banking in 2014, a first-in-its category win that highlighted CBI's renewed customer-centric strategy designed to engender long-term customer loyalty and satisfaction through better-tailored, high quality products and services.

Throughout 2014, staff development remained a key priority. The Bank focused on recruiting and retaining a performance-driven workforce and significant investment was put towards Training & Development programmes for staff at all levels of the Bank. The Bank also demonstrated sustained efforts towards Emiratization initiatives and career growth for UAE Nationals which saw the number of UAE nationals in the Bank increase to 40% in 2014. CBI's National Development Programme continued to provide opportunities to enhance professional growth for UAE Nationals in the private sector.

CBI's strategic alliance with our major shareholder, Qatar National Bank has also positioned the Bank well for future growth.

Overall, the Board was satisfied with the Bank's financial performance and with many of the Bank's other achievements in what was a year of fundamental change for CBI.

On behalf of the Board of Directors, we would like to thank the management and staff of the Bank for their performance during 2014 and the Bank's customers for their continued support. Moving forward, we will continue to invest in our businesses and build on a strong foundation in order to accelerate growth across key business lines. Above all, we stand by our commitment to meet and exceed the expectations of all our stakeholders.

On behalf of the shareholders and the Board, we would like to express our gratitude to His Highness Sheikh Khalifa Bin Zayed Al Nahyan, President of the UAE; His Highness Sheikh Mohammed Bin Rashid Al Maktoum, Vice President and Prime Minister of The UAE and Ruler of Dubai; His Highness Sheikh Saud Bin Saqr Al Qasimi, Ruler of Ras-Al-Khaimah; and His Highness Sheikh Mohammed Bin Saud Bin Saqr Al Qasimi, Crown Prince of Ras Al Khaimah, for their leadership, vision, and continuous support to the Economy and the Nation.

Mohammad Sultan Al Qadi
Chairman

Mark T. Robinson
Chief Executive Officer

Board of Directors and Executive Management

Board of Directors

Mr. Mohammad Sultan Al Qadi
Chairman

Mr. Ali Ahmed Al Kuwari
Vice Chairman

Mr. Mohamed Omar Bin Haider
Board Member

Sheikh Abdulla Bin Humaid Al Qasimi
Board Member

Mr. Adel Abdul Aziz Khashabi
Board Member

Mrs. Fareeda Ali Abu Al Fath
Board Member

Mr. Obaid Mohamed Ahmed Al Salami
Board Member

Mr. Ahmad Majid Lootah
Board Member

Mr. Ali Rashid Al-Mohannadi
Board Member

Executive Management

Mr. Mark Robinson
Chief Executive Officer

Mr. Robert De Gama
Chief Risk Officer

Mr. Ali Sultan Rakkad Al Amri
Head of Wholesale Banking

Mr. Nasser Fawaz
Head of Strategy & Planning

Corporate Governance

Corporate Governance

Good Corporate Governance plays a fundamental role in the culture and business practices of CBI. We believe high standards of corporate governance are a key contributor to the long term success of a company, and create trust and engagement between the company and its stakeholders. CBI aspires to high standards of corporate governance and over recent years, the Bank has sought to enhance and improve its corporate governance standards and framework in line with the guidelines issued by the Central Bank of the UAE.

The Governance framework adopted by CBI ensures adequate Board oversight over the risks associated with our business. It focuses on the separation of the Board of Directors' and the Executive Management's duties and responsibilities, the effectiveness of the Board and Management Committees, the role of the external and internal auditors, transparency and accurate and timely disclosure of information, cooperation with supervisory and regulatory authorities to ensure full compliance with applicable regulations and best practices.

CBI complies with each of the Central Bank, UAE Securities and Commodities Authority, and Abu Dhabi Securities Exchange regulatory requirements, and adopts industry best practices. The consolidated financial statement of the Bank are prepared in accordance with the International Financial Reporting Standards (IFRS) and external auditors for the year 2014 were Deloitte and Touche.

The External Auditors are appointed with the approval of the Shareholders at an Annual General Meeting/ Assembly of Shareholders. Transparency and disclosure are hallmarks of the Bank's accounting statements and its reports to shareholders. The shares of the Bank are listed on the Abu Dhabi Securities Market (ADX).

Role of the Board of Directors

The Board of Directors is empowered to carry out the activities and functions required to fulfill the objectives of the Bank. The Board responsibilities include establishing the Bank's strategy and ensuring that the Bank manages risk effectively through approving and monitoring the Bank's risk appetite. The Board has overall responsibility for the management of the Bank's activities and affairs. Adopting the Bank's Corporate Governance framework falls within the responsibilities of the Board to help ensure the implementation of solid internal controls and disclosures and the establishment of adequate policies and procedures which are necessary for the Bank's sound operations and compliance with applicable regulatory and statutory requirements at all times.

Board structure and meetings

The CBI Board compromises of nine members. Two members (including the Chairman) represent the Government of Ras Al Khaimah, four members (including the Vice Chairman) represent major shareholder Qatar National Bank, and three members represent key private corporate groups or individuals. All the members of the Board are non-executive Directors.

Composition of the Board and Committees

Board of Directors		Board Committees		
		Executive Committee	Advances Committee	Audit Committee*
Chairman	Mr. Mohammad Sultan Al Qadi			
Vice Chairman	Mr. Ali Ahmed Al Kuwari	C	M	
Members	Mr. Mohamed Omar Bin Haider	M	C	
	Sheikh Abdulla Bin Humaid Al Qasimi			M
	Mr. Adel Abdul Aziz Khashabi			C
	Mrs. Fareeda Ali Abu Al Fath		M	
	Mr. Obaid Mohamed Ahmed Al Salami	M	M	
	Mr. Ahmad Majid Lootah	M	M	
	Mr. Ali Rashid Al-Mohannadi	M	M	
CEO	Mr. Mark Robinson	*	*	*

C - Chairman
M - Member
*Attends meetings as an invitee

Meetings of the Board

The Board meets at least six times per year or whenever necessary at the invitation of the Chairman or Vice Chairman, or at the request of two Board members. A detailed agenda is circulated to the members well ahead of the meetings.

Committees of the Board

The Board has established the following three committees in line with good corporate governance principles and to ensure periodic guidance and direction to the Management of the Bank:

- Executive Committee (EXCO)

- Advances Committee (ADCO)

- Audit Committee (AC)

The roles, responsibilities and authorities of each of these committees are set out in their Terms of Reference. The Board may establish additional committees as necessary or appropriate on either a permanent basis or to deal with specific issues.

Executive Committee (EXCO)

The Executive Committee is primarily responsible for the development and overseeing of the Bank's long term strategy, its implementation, and review and recommendation of the Bank's annual budgets and business plans. Other responsibilities include review of the Bank's financial and operating performance, business planning, corporate social responsibility, marketing and communications, and matters relating to remuneration and human resources.

The committee is chaired by the Vice Chairman of the Board and comprises of four Board members in addition to the Chairman. The Chief Executive Officer attends the meetings as an invitee. The committee meets a minimum of four times a year.

Advances Committee (ADCO)

The ADCO facilitates a tier of approval of the loans and advances of the Bank. In this role it also guides the Bank's core lending and investment operations by receiving and reviewing customer credit and investment exposures including portfolio concentrations.

The Chairman of the committee is elected from among the members of the Board and the committee consists of four Board members in addition to the Chairman. The Chief Executive Officer attends the meetings as an invitee. The committee meets once every two months and more frequently if required.

Audit Committee (AC)

The Audit Committee monitors the integrity of the Bank's financial statements, the soundness of internal controls, the compliance with legal and regulatory requirements, the independence and qualifications of the external auditor, and the performance, output and reports submitted by the internal audit function.

The committee comprises of the Chairman of the Audit Committee, one Board member and one independent member who has expertise in accounting, auditing and finance. The Chief Executive Officer attends the meetings as an invitee. To ensure good governance, Members of the Audit Committee are not eligible to become members of other Board Committees. The committee meets a minimum of four times per year and immediately prior to publication of the annual, half yearly and quarterly results.

Management Structure

The Bank's Management is led by the Chief Executive Officer (CEO). The CEO manages the business of the Bank and its subsidiaries. There are eight committees to effectively support the Bank's Management. The roles, responsibilities and authorities of each of these committees are set out in their Terms of Reference.

Shareholding Structure:

Shareholders	Percentage
Qatar National Bank	40.00%
Mohammed Omar Ali Bin Haider	8.94%
Ras Al Khaimah White Cement Company	8.18%
Publicly Held	42.88%
Total	100.00%

As on 31st December 2014.

Branch Network

CBI Branches

Dubai - Main Branch
Al Riqqa Street, Deira,
P.O. Box 4449
Tel: 6005 44440, Fax: 04 2236739
Saturday to Thursday, 8:00 AM ~ 3:00 PM

Dubai - Sheikh Zayed Road Branch
Sheikh Zayed Road, Al Qouz,
P.O. Box 38344
Tel: 6005 44440, Fax: 04 3383818
Saturday to Thursday, 8:00 AM ~ 3:00 PM

Dubai - Al Ittihad Road Branch
P.O. Box 38344
Tel : 6005 44440, Fax: 04 2689744
Saturday to Thursday, 8:00 AM ~ 3:00 PM

Dubai - Bur Dubai Branch
Mankhool Street, Bur Dubai,
P.O. Box 43174
Tel: 6005 44440, Fax: 04 3554666
Saturday to Thursday, 8:00 AM ~ 3:00 PM

Dubai - Dubai Festival Center
SC239, First Floor - Festival City Mall,
Beside Marks and Spencer,
P.O. Box 182084
Tel: 6005 44440, Fax: 04 6057899
Saturday to Thursday, 10:00 AM ~ 10:00 PM

Dubai - Dubai Mall - Service Center
Dubai Mall – unit no. TDM-LG-173,
Opposite to DU Shop,
P.O. Box 182074
Tel: 6005 44440, Fax: 04 3882181
Saturday to Thursday, 10:00 AM ~ 10:00 PM

Dubai - Emaar Boulevard
Emaar Boulevard Plaza Tower,
Unit no. :BPL12–13–GF–02,
Beside Mama Italia Restaurant,
P.O. Box 182074
Tel: 6005 44440, Fax: 04 3789399
Saturday to Thursday, 8:00 AM ~ 3:00 PM

Dubai - Emirates Airlines HQ Branch
Emirates Airlines Head Quarters,
Airport Road,
P.O. Box 36588
Tel: 6005 44440, Fax: 04 2839638
Sunday to Thursday, 8:00 AM ~ 3:00 PM

Dubai - Silicon Oasis Branch
Cedre Shopping Center,
P.O. Box 4449, Dubai Silicon Oasis
Tel: 6005 44440, Fax: 04 3074999
Saturday to Thursday, 8:00 AM ~ 3:00 PM

Dubai - JAFZA Branch
Unit No 3, Building No. 1,
The Galleries, Down Town Jebel Ali
Tel: 6005 44440, Fax: 04 8105799
Sunday to Thursday, 8:00 AM ~ 3:00 PM

Sharjah - King Faisal Branch
King Faisal Street,
P.O. Box 71666
Tel: 6005 44440, Fax: 06 5752595
Saturday to Thursday, 8:00 AM ~ 3:00 PM

Sharjah - Rolla Branch
Rolla Square, Bank Street,
P.O. Box 2418
Tel: 6005 44440, Fax: 06 5685566
Saturday to Thursday, 8:00 AM ~ 3:00 PM

Abu Dhabi - Abu Dhabi Corniche Branch
Corniche Road,
P.O. Box 43133
Tel: 6005 44440, Fax: 02 6818440
Saturday to Thursday, 8:00 AM ~ 3:00 PM

Abu Dhabi - Electra Branch
Electra Street,
P.O. Box 52260
Tel: 6005 44440, Fax: 02 6435168
Saturday to Thursday, 8:00 AM ~ 3:00 PM

Abu Dhabi - Marina Mall Branch
Marina Mall,
P.O. Box 62667
Tel: 6005 44440, Fax: 02 6580146
Saturday to Thursday, 10:00 AM ~ 5:00 PM

Abu Dhabi - Muroor Branch
Shop No 1, Ramee Hotel Apartments,
Street 4, P.O. Box 43133
Tel: 6005 44440, Fax: 02 4957399
Saturday to Thursday, 8:00 AM ~ 3:00 PM

Abu Dhabi - Al Wahdah Mall Branch
Al Wahda Mall,
First Floor, Hazaa Bin Zayed Street,
P.O. Box 43133
Tel: 6005 44440, Fax: 02 6514599
Saturday to Thursday, 10:00 AM ~ 10:00 PM

Abu Dhabi - Deerfields Town Square Branch
Ground Floor,
Deerfield Town Square,
P.O. Box 43133, Al Shahama
Tel: 6005 44440, Fax: 02 5039699
Saturday to Thursday, 10:00 AM ~ 9:00 PM

Al Ain - Al Ain Branch
Sannaya Street,
P.O. Box 18026
Tel: 6005 44440, Fax: 03 7666245
Saturday to Thursday, 8:00 AM ~ 3:00 PM

Fujairah - Fujairah Branch
Hamad Bin Abdulla Street,
P.O. Box 7133
Tel: 6005 44440, Fax: 09 2244922
Saturday to Thursday, 8:00 AM ~ 3:00 PM

Umm Al Quwain - Umm Al Quwain Branch
King Faisal Street,
P.O. Box 4240
Tel: 6005 44440, Fax: 06 7666053
Saturday to Thursday, 8:00 AM ~ 3:00 PM

Ajman - Ajman Branch
Sh. Khalifa Bin Zayed Street,
P.O. Box 8040
Tel: 6005 44440, Fax: 06 7412060
Saturday to Thursday, 8:00 AM ~ 3:00 PM

RAK - Al Hamra Mall Branch
Sh. Khalifa Bin Zayed Street,
P.O. Box 34922
Tel: 6005 44440, Fax: 07 2434255
Saturday to Thursday, 10:00 AM ~ 5:00 PM

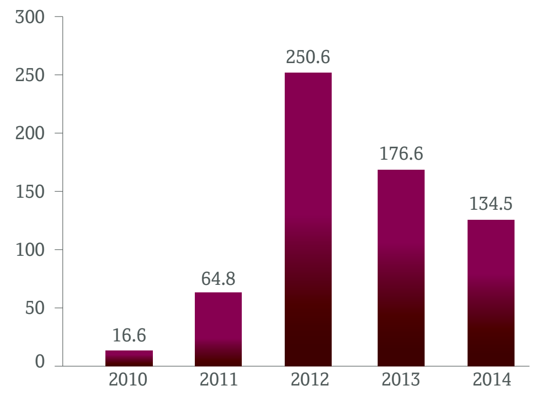
RAK - Julphar Towers
Shops Nos. 1,2,3, & 4 - Ground Floor,
Julphar Towers Shopping Center,
P.O. Box 793
Tel: 6005 44440, Fax: 07 2050899
Saturday to Thursday, 8:00 AM ~ 3:00 PM

Financial Statements

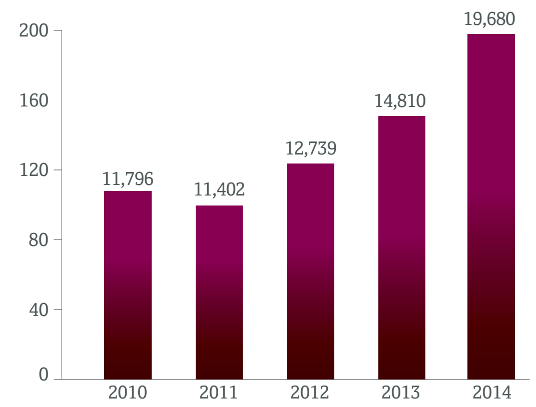
CBI Financial Highlights

- Total Assets increased by 33% to AED 19.68 billion as compared to AED 14.81 billion at the end of December 2014.
- Customer Deposits increased by 38% to AED 14.54 billion as compared to AED 10.5 billion at the end of December 2014.
- Loans and advances increased by 23% to AED 13.10 billion as compared to 10.62 billion at the end of December 2014.
- Shareholder's equity increased by 7% to AED 2.34 billion as compared to AED 2.19 billion at the end of December 2014.
- Capital Adequacy Ratio is 12.65% as per Basel II, which remains well above the 12% limit mandated by the Central Bank of UAE.
- Advances-to-stable-resources ratio is maintained at 0.86:1 as against the Central Bank requirement of 1:1.

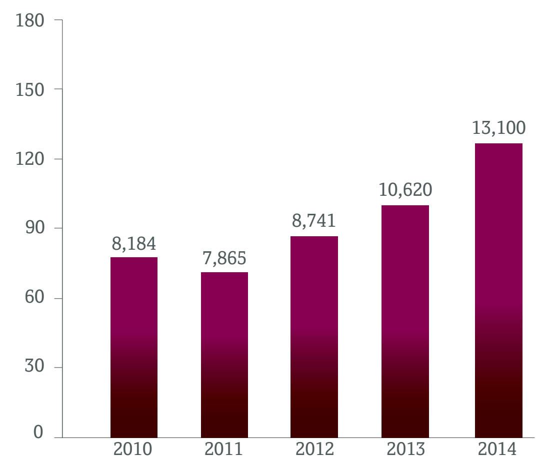
Net Profit (AED million)



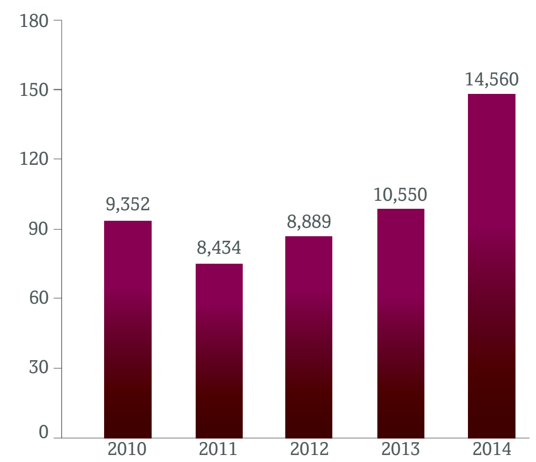
Total Assets (AED million)



Net Loans and Advances (AED million)



Customer Deposits (AED million)



Independent Auditor's Report

To the Shareholders
Commercial Bank International P.S.C.
Ras Al-Khaimah
United Arab Emirates

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Commercial Bank International P.S.C. (the "Bank") and its Subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Commercial Bank International P.S.C. and its Subsidiaries as at 31 December 2014, and the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Also, in our opinion, the Bank has maintained proper books of account. We obtained all the information and explanations which we considered necessary for our audit. According to the information available to us, there were no contraventions during the year of the U.A.E. Federal Commercial Companies Law No. (8) of 1984 (as amended) or the Articles of Association of the Bank which might have materially affected the financial position of the Bank or the results of its operations.

Deloitte & Touche (M.E.)

Anis Sadek
Registration Number 521

3 February 2015

Commercial Bank International PSC
Consolidated Statement of Financial Position
As at 31 December 2014

	Notes	2014	2013
		AED'000	AED'000
ASSETS			
Cash and balances with the Central Bank of the U.A.E.	5	773,773	681,323
Deposits and balances due from banks	6	1,461,385	419,724
Loans and advances to customers	7	13,097,276	10,620,243
Financial assets measured at fair value			
through other comprehensive income	8	179,444	183,841
Financial assets measured at fair value			
through profit or loss	8	163,825	134,525
Financial assets measured at amortised cost	8	1,660,602	878,382
Property inventory	9	280,218	280,218
Interest receivable and other assets	10	1,738,520	1,306,777
Investment properties	11	114,116	121,260
Property and equipment	12	214,285	188,366
Total assets		19,683,444	14,814,659
EQUITY AND LIABILITIES			
Share capital	13	1,654,651	1,575,858
Statutory reserve	14	205,157	191,805
General reserve	14	130,445	117,093
Properties revaluation reserve	14	118,127	106,400
Investments revaluation reserve	14	(97,396)	(92,948)
Retained earnings		328,116	291,581
Equity attributable to owners of the Bank		2,339,100	2,189,789
Non-controlling interests	15	466	483
Total equity		2,339,566	2,190,272
Deposits and balances due to banks	16	1,245,757	1,077,171
Customers' deposits	17	14,538,717	10,499,317
Interest payable and other liabilities	18	1,559,404	1,047,899
Total liabilities		17,343,878	12,624,387
Total equity and liabilities		19,683,444	14,814,659

Mark Timothy Robinson
Chief Executive Officer

Mohammad Sultan Al Qadi
Chairman

The accompanying notes form an integral part of these consolidated financial statements.

Commercial Bank International PSC
Consolidated Income Statement
For the Year Ended 31 December 2014

	Notes	2014	2013
		AED'000	AED'000
Interest income	20	**709,011**	661,500
Interest expense	21	**(172,075)**	(197,251)
Net interest income		**536,936**	464,249
Fee and commission income	22	**230,074**	214,648
Fee and commission expense	22	**(9,830)**	(7,903)
Net fee and commission income		**220,244**	206,745
Other operating income	23	**74,510**	30,784
Net interest and operating income		**831,690**	701,778
General and administrative expenses	24	**(366,347)**	(368,814)
Impairment losses and provisions	25	**(331,820)**	(156,326)
Profit for the year		**133,523**	176,638
Attributable to:			
Owners of the Bank		**133,474**	176,584
Non-controlling interests		**49**	54
Profit for the year		**133,523**	176,638
Basic and diluted earnings per share (AED)	26	**0.079**	0.104

The accompanying notes form an integral part of these consolidated financial statements.

Commercial Bank International PSC
Consolidated Statement of Comprehensive Income
For the Year Ended 31 December 2014

	2014	2013
	AED'000	AED'000
Profit for the year	**133,523**	176,638
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Changes in fair value of financial assets measured		
at fair value through other comprehensive income	**(4,514)**	14,177
Revaluation of properties	**22,685**	-
Other comprehensive income for the year	**18,171**	14,177
Total comprehensive income for the year	**151,694**	190,815
Total comprehensive income attributable to:		
Owners of the Bank	**151,711**	190,783
Non-controlling interests	**(17)**	32
	151,694	190,815

The accompanying notes form an integral part of these consolidated financial statements.

Commercial Bank International PSC
Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2014

	Share capital	Statutory reserve	General reserve	Properties revaluation reserve	Investments revaluation reserve	Retained earnings	Attributable to owners of the Bank	Non-controlling interests	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Balance at 31 December 2012	1,407,016	174,141	99,429	116,874	(107,156)	313,702	2,004,006	451	2,004,457
Profit for the year						176,584	176,584	54	176,638
Other comprehensive income for the year					14,199	-	14,199	(22)	9,177
Total comprehensive income for the year	-	-	-	-	14,199	176,584	190,783	32	185,815
Depreciation of properties revaluation Reserve	-	-	-	(10,474)	-	10,474	-	-	-
Reclassification on sale of FVTOCI assets during the year	-	-	-	-	9	(9)	-	-	-
Bonus shares issued (note 13)	168,842	-	-	-	-	(168,842)	-	-	-
Directors' fee (note 27(c))	-	-	-	-	-	(5,000)	(5,000)	-	(5,000)
Transfer to statutory reserve	-	17,664	-	-	-	(17,664)	-	-	-
Transfer to general reserve	-	-	17,664	-	-	(17,664)	-	-	-
Balance at 31 December 2013	1,575,858	191,805	117,093	106,400	(92,948)	291,581	2,189,789	483	2,190,272

The accompanying notes form an integral part of these consolidated financial statements.

Commercial Bank International PSC
Consolidated Statement of Changes in Equity (continued)
For the Year Ended 31 December 2014

	Share capital	Statutory reserve	General reserve	Properties revaluation reserve	Investments revaluation reserve	Retained earnings	Attributable to owners of the Bank	Non-controlling interests	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Balance at 31 December 2013	1,575,858	191,805	117,093	106,400	(92,948)	291,581	2,189,789	483	2,190,272
Profit for the year	-	-	-	-	-	133,474	133,474	49	133,523
Other comprehensive income for the year	-	-	-	22,685	(4,448)	-	18,237	(66)	18,171
Total comprehensive income for the year	-	-	-	22,685	(4,448)	133,474	151,711	(17)	151,694
Depreciation of properties revaluation Reserve	-	-	-	(10,958)	-	10,958	-	-	-
Bonus shares issued (note 13)	78,793	-	-	-	-	(78,793)	-	-	-
Directors' fee (note 27(c))	-	-	-	-	-	(2,400)	(2,400)	-	(2,400)
Transfer to statutory reserve	-	13,352	-	-	-	(13,352)	-	-	-
Transfer to general reserve	-	-	13,352	-	-	(13,352)	-	-	-
Balance at 31 December 2014	**1,654,651**	**205,157**	**130,445**	**118,127**	**(97,396)**	**328,116**	**2,339,100**	**466**	**2,339,566**

The accompanying notes form an integral part of these consolidated financial statements.

Commercial Bank International PSC
Consolidated Statement of Cash Flows
For the Year Ended 31 December 2014

	2014	2013
	AED'000	AED'000
Cash flows from operating activities		
Profit for the year	133,523	176,638
Adjustments for:		
Depreciation (note 24)	31,572	27,373
Loss on disposal of property and equipment	-	19
Impairment losses and provisions (note 25)	331,820	156,326
Amortisation of discount financial assets measured at amortised cost	(230)	(297)
(Gain)/loss on financial assets measured at FVTPL (note 23)	(29,300)	2,117
Dividend income (note 23)	(10,100)	(7,018)
Provision for end of service benefits (note 18)	10,472	14,697
	467,757	369,855
Changes in operating assets and liabilities:		
Increase in statutory deposits with the Central Bank	(44,240)	(124,689)
Decrease/(increase) in deposits and balances due from banks with an original maturity of more than 90 days	7,583	(7,583)
Increase in loans and advances to customers	(2,808,853)	(2,035,266)
Increase in interest receivable and other assets	(431,860)	(213,602)
Increase in deposits and balances due to banks	587,680	49,524
Increase in customers' deposits	4,039,400	1,610,067
Increase in interest payable and other liabilities	503,384	169,247
Cash generated from/(used in) operating activities	2,320,851	(182,447)
End of service benefits paid (note 18)	(4,751)	(2,899)
Net cash from/(used in) operating activities	2,316,100	(185,346)
Cash flows from investing activities		
Purchase of property and equipment (note 12)	(27,616)	(18,681)
Purchase of investment properties (note 11)	(46)	-
Purchase of financial assets measured at amortised cost	(818,720)	(471,731)
Proceeds from redemption of financial assets measured at amortised cost	36,730	40,000
Proceeds from redemption of investment in fund measured at FVTOCI	-	260
Proceeds from sale of financial assets measured at FVTPL	-	696,633
Dividend received	10,100	7,018
Net cash (used in)/from investing activities	(799,552)	253,499
Net increase in cash and cash equivalents	1,516,548	68,153
Cash and cash equivalents, beginning of the year	(386,519)	(454,672)
Cash and cash equivalents, end of year (note 19)	1,130,029	(386,519)
Operational cash flows from interest		
Interest paid	(158,539)	(206,248)
Interest received	740,763	619,784
Non-cash transactions		
Transfer from advances to acquire properties to property inventory (note 9)	-	8,548
Transfer from property inventory to investment properties (note 11)	-	51,792
Transfer from brokerage receivable to financial assets at FVTOCI	117	696
Gain on revaluation of property and equipment (note 12)	22,685	-

The accompanying notes form an integral part of these consolidated financial statements.

Commercial Bank International PSC
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014

1. Status and activities

Commercial Bank International P.S.C. (the "Bank") is a public shareholding company with limited liability incorporated under an Emiri Decree Number 5/91 on 28 April 1991 by His Highness Ruler of Ras Al-Khaimah. The registered office of the Bank is at P.O. Box 793, Ras Al-Khaimah. The Bank carries on commercial banking activities through its 23 branches and 1 service centre (2013: 17 branches) in the United Arab Emirates ("U.A.E.").

These consolidated financial statements incorporate the financial statements of the Bank and its subsidiaries: International Financial Brokerage LLC (the "subsidiary - IFB") and Takamul Real Estate Company (the "subsidiary - TRE"), collectively referred to as the "Group". The subsidiary - IFB is a limited liability company registered in the Emirate of Dubai and acts as a broker for customers trading in shares and securities on the Dubai Financial Market and the Abu Dhabi Exchange. The Bank owns 99.19% (2013: 99.19%) of the subsidiary - IFB. The subsidiary - TRE is a limited liability company registered in the Emirate of Dubai and acts as a real estate broker. The Bank owns 100% (2013: 100%) of the subsidiary - TRE.

2. Application of new and revised International Financial Reporting Standards ("IFRS")

2.1 New and revised IFRS affecting disclosures in the consolidated financial statements only

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2014, have been adopted in these consolidated financial statements. The application of these revised and new IFRS has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

• Amendments to IAS 32 Financial Instruments: Presentation relating to application guidance on the offsetting of financial assets and financial liabilities.

• Amendments to IAS 36 Impairment of Assets relating to recoverable amount disclosures:

The amendments restrict the requirements to disclose the recoverable amount of an asset or CGU to the period in which an impairment loss has been recognised or reversed. They also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal.

• Amendments to IFRS 10, IFRS 12 and IAS 27 - Guidance on Investment Entities

On 31 October 2012, the IASB published a standard on investment entities, which amends IFRS 10, IFRS 12, and IAS 27 and introduces the concept of an investment entity in IFRS.

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

2.2 New and revised IFRS in issue but not yet effective and not early adopted

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

New and revised IFRS	Effective for annual periods beginning on or after
Finalised version of IFRS 9 (IFRS 9 Financial Instruments (2014)) was issued in July 2014 incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition.	1 January 2018
IFRS 15 Revenue from Contracts with Customers IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.	1 January 2017
Annual Improvements to IFRS 2012 - 2014 Cycle that include amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34	1 January 2016
Amendments to IAS 16 and IAS 38 to clarify the acceptable methods of depreciation and amortization	1 January 2016
Amendments to IFRS 11 to clarify accounting for acquisitions of Interests in Joint Operations	1 January 2016
Amendments to IAS 16 and IAS 41 require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16	1 January 2016
Amendments to IFRS 10 and IAS 28 clarify that the recognition of the gain or loss on the sale or contribution of assets between an investor and its associate or joint venture depends on whether the assets sold or contributed constitute a business	1 January 2016
Amendments to IAS 27 allow an entity to account for investments in subsidiaries, joint ventures and associates either at cost, in accordance with IAS 39/IFRS 9 or using the equity method in an entity's separate financial statements	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 clarifying certain aspects of applying the consolidation exception for investment entities	1 January 2016
Amendments to IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports	1 January 2016
Annual Improvements to IFRS 2010 - 2012 Cycle that includes amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 38 and IAS 24	1 July 2014
Annual Improvements to IFRS 2011 - 2013 Cycle that includes amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40	1 July 2014
Amendments to IAS 19 Employee Benefits clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service	1 July 2014

As of date of issuance of these consolidated financial statements, management are still in the process of evaluating the impact of these new and revised standards on the consolidated financial statements.

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

3. Significant accounting policies

The principal accounting policies are set out below:

3.1 Statement of compliance

The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of the Central Bank of the U.A.E.

3.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account when pricing the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value such as value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank (its subsidiaries). Control is achieved where the Bank has:

- Power over the investee,
- Exposure, or has rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The financial statements of subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies.

All significant intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

3. Significant accounting policies (continued)

3.3 Basis of consolidation (continued)

Profit or loss and each component of other comprehensive income are attributed to the owners of the Bank and to the non-controlling interests. Losses applicable to the non-controlling interests in excess of the non-controlling shareholders' interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling shareholders have a binding obligation and are able to make an additional investment to cover the losses.

3.4 Property and equipment

Land and buildings held for use are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in consolidated income statement, in which case the increase is credited to consolidated income statement to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in consolidated income statement to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to consolidated income statement. Revaluation surplus is transferred to retained earnings as the asset is used by the Group. The amount of the surplus transferred is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. On the subsequent sale or retirement of a revalued property, related revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Freehold land is not depreciated. Buildings are depreciated over a period of 10 to 20 years.

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction, using the straight-line method, over the estimated useful lives of the respective assets.

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Leasehold improvements	4 years
Furniture and fixtures	4 years
Equipment and computers	4 years
Motor vehicles	4 years

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in consolidated income statement.

3.5 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation, including property under construction for such purposes. Investment properties are measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated so as to write off the cost of investment properties using straight line method over their estimated useful lives of 20 years.

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

3. Significant accounting policies (continued)

3.5 Investment properties (continued)

Investment properties are accounted for as acquisitions on the date when ownership passes to the Group under the contract for the purchase of the relevant property, pending which event payments in respect of investment property acquisitions are included in 'interest receivable and other assets'.

Investment properties are derecognised when either they have been disposed off or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of asset is recognised in the consolidated income statement in the period of derecognition.

3.6 Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the consolidated income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the consolidated income statement, unless the relevant asset is carried at revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.7 Property inventory

Properties acquired or constructed with the intention of sale are classified as property inventory. These are stated at the lower of cost and net realisable value. Cost includes transaction costs incurred in respect of the acquisition of those properties. Net realisable value represents the estimated selling price for property inventory less all estimated costs necessary to make the sale.

3.8 Derivative financial instruments

The Group enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risk. Further details of derivative financial instruments are disclosed in note 31.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in consolidated income statement immediately.

A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability.

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

3.Significant accounting policies (continued)

3.9 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.10 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in consolidated income statement.

3.10.1 Financial assets

Financial assets are classified into the following specified categories: 'financial assets measured at fair value through other comprehensive income', 'financial assets measured at fair value through profit or loss', and 'financial assets measured at amortised cost'. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets at fair value through other comprehensive income (FVTOCI)

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at fair value through other comprehensive income. Designation at fair value through other comprehensive income is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Investments in equity instruments at fair value through other comprehensive income are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. Fair value is determined in the manner described in note 30.

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

3.Significant accounting policies (continued)

3.10 Financial instruments (continued)

3.10.1 Financial assets (continued)

Dividends on these investments in equity instruments are recognised in consolidated income statement when the Group's right to receive the dividends is established in accordance with IAS 18 Revenue. Dividends earned are recognised in consolidated income statement and are included in the 'other operating income' line item.

Financial assets at fair value through profit or loss (FVTPL)

Investments in equity instruments are classified as at FVTPL, unless the Group designates an investment that is not held for trading as at fair value through other comprehensive income (FVTOCI) on initial recognition (see above).

Debt instrument financial assets that do not meet the amortised cost criteria described below, or that meet the criteria but the Group has irrevocably chosen to designate as at fair value through profit or loss at initial recognition, are measured at fair value through profit or loss. A debt instrument may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Debt instruments are reclassified from amortised cost to FVTPL when the business model is changed such that the amortised cost criteria are no longer met. Reclassification of debt instruments that are designated as at FVTPL on initial recognition is not allowed.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in consolidated income statement and is included within 'other operating income' line tem. Fair value is determined in the manner described in note 30.

Interest income on debt instruments as at FVTPL is included in the 'other operating income' line item in the consolidated income statement.

Dividend income on investments in equity instruments at fair value through profit or loss is recognised in consolidated income statement when the Group's right to receive the dividends is established in accordance with IAS 18 Revenue and is included in the 'other operating income' described above.

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

3.Significant accounting policies (continued)
3.10 Financial instruments (continued)
3.10.1 Financial assets (continued)
Financial assets at amortised cost

Debt instruments are subsequently measured at amortised cost less impairment loss if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

Debt instruments meeting these criteria are measured initially at fair value plus transaction costs (except if they are designated as at fair value through profit or loss - see above) and are subsequently measured at amortised cost using the effective interest method less any impairment (see below), with interest revenue recognised on an effective yield basis in interest income.

The Group may, at initial recognition, irrevocably designate a debt instrument that meets amortised cost criteria above as measured at fair value through profit or loss if doing so eliminates or significantly reduces accounting mismatch that would otherwise arise from measuring financial asset at amortised cost.

Subsequent to initial recognition, the Group is required to reclassify debt instrument from amortised cost to fair value through profit or loss, if the objective of the instrument changes so that the amortised cost criteria is no longer met.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Foreign exchange gains and losses

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. The foreign exchange component forms part of its fair value gain or loss. Therefore,

- for financial assets that are classified as at FVTPL, the foreign exchange component is recognised in profit or loss; and
- for financial assets that designated as at FVTOCI, any foreign exchange component is recognised in other comprehensive income.

For foreign currency denominated debt instruments measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the financial assets and are recognised in the 'other operating income' line item in the consolidated income statement.

Reclassification of financial assets

The financial assets are required to be reclassified if the objective of the Group's business model for managing those financial assets changes. Such changes are expected to be very infrequent. The Group determines these changes by the Group's Board of Directors as a result of external or internal changes and must be significant to the Group's operations and demonstrable to external parties.

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

3. Significant accounting policies (continued)
3.10 Financial instruments (continued)
3.10.1 Financial assets (continued)
Reclassification of financial assets (continued)

If the Group reclassifies financial assets, it shall apply the reclassification prospectively from the reclassification date. Any previously recognised gains, losses or interest are not required to be restated.

If the Group reclassifies a financial asset so that it is measured at fair value, its fair value is determined at the reclassification date. Any gain or loss arising from a difference between the previous carrying amount and fair value is recognised in consolidated income statement.

If the Group reclassifies a financial asset so that it is measured at amortised cost, its fair value at the reclassification date becomes its new carrying amount.

The reclassification day is the first day of the first reporting period following the change in business model that results in an entity reclassifying financial assets.

Impairment of financial assets

Financial assets that are measured at amortised cost are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows reflecting the amount of collateral and guarantee, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loan and advances to customers, where the carrying amount is reduced through the use of an allowance account. When loan or advance to customers is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the consolidated income statement to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

3. Significant accounting policies (continued)
3.10 Financial instruments (continued)
3.10.1 Financial assets (continued)
Impairment of financial assets (continued)

The Group assesses whether objective evidence of impairment exists for loans and advances that are individually significant, and collectively for loans and advances that are not individually significant as follows:

(i) Individually assessed loans

Represent mainly, corporate loans which are assessed individually by Credit Risk Unit in order to determine whether there exists any objective evidence that a loan is impaired.

Impaired loans are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or at the loan's observable market price, if available, or at the fair value of the collateral if the recovery is entirely collateral dependent.

Impairment loss is calculated as the difference between the loan's carrying value and its present value calculated as above.

The calculation of the present value of the estimated cash flows of a collateralised loans and advances reflect the cash flows that may result from foreclosure less costs for obtaining and selling the collateral whether or not foreclosure is probable.

(ii) Collectively assessed loans

Impairment losses of collectively assessed loans include the allowances on:

a) Performing commercial and other loans

b) Retail loans with common features which are rated on a portfolio basis and where individual loan amounts are not significant.

(a) Performing commercial and other loans

Where individually assessed loans are evaluated and no evidence of loss is present or has been identified, there may be losses based upon risk rating and expected migrations, product or industry characteristics.

Impairment covers losses which may arise from individual performing loans that are impaired at the reporting date but were not specifically identified as such until sometime in the future.

The estimated impairment is calculated by the Group's management for each identified portfolio and based on historical experience, credit rating and expected migrations in addition to the assessed inherent losses which are reflected by the economic and credit conditions and taking into account the requirements of the Central Bank of the U.A.E.

(b) Retail loans with common features which are rated on a portfolio basis and where individual loan amounts are not significant

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

3. Significant accounting policies (continued)
3.10 Financial instruments (continued)
3.10.1 Financial assets (continued)
Impairment of financial assets (continued)

Impairment of retail loans is calculated by applying a formulaic approach whereby a provision of 25% of loan balance is made when it is past due by more than 90 days and a provision of 50% of loan balance is made when is past due by more than 120 days. All loans that are past due by more than 180 days are written off. This approach is in line with the requirements of the Central Bank of the U.A.E.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in consolidated income statement.

On derecognition of a financial asset that is classified as FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to consolidated income statement, but is reclassified to retained earnings.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, unrestricted balances held with central banks and amounts due from/to banks on demand or with an original maturity of 90 days or less from the acquisition date that are subject to an insignificant risk of changes in fair value, and are used by the Group in the management of its short term commitments.

Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

3. Significant accounting policies (continued)

3.11 Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Derivative financial liabilities are classified as 'financial liabilities at FVTPL'. Financial liabilities at FVTPL are stated at fair value. Any gain or loss arising on re-measurement are recognised in consolidated income statement immediately.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not held-for-trading and are not designated as at FVTPL are measured at amortised cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments and are recognised in the 'other operating income' line item in the consolidated income statement.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in the consolidated income statement.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in consolidated statement of income.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

3. Significant accounting policies (continued)

3.11 Financial liabilities and equity instruments (continued)

Employees' end of service indemnity

Provision is made for estimated amounts required to cover employees' end of service indemnity at the end of reporting period as per U.A.E. Labour Law. In the opinion of management, the provision would not have been materially different had it been calculated on an actuarial basis.

Defined contribution plan

U.A.E. national employees in the United Arab Emirates are members of the Government-managed retirement pension and social security benefit scheme. As per Federal Labour Law No. 7 of 1999, the Group is required to contribute 15% of the "contribution calculation salary" of U.A.E. payroll costs to the retirement benefit scheme to fund the benefits. The employees are also required to contribute 5% of the "contribution calculation salary" to the scheme. The only obligation of the Group with respect to the retirement pension and social security scheme is to make the specified contributions. The contributions are charged to the consolidated income statement.

Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances.

Financial guarantee contracts issued by the Group are initially measured at their fair values and the initial fair value is amortised over the life of the guarantee. These are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

3.12 Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated any impairment is measured using the original effective interest rate as calculated before the modification of terms. Renegotiated loans remain in the same credit risk grade independent of satisfactory performance after restructuring. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment.

3.13 Incurred but not yet identified

Individually assessed financial assets carried at amortised cost for which no evidence of loss has been specifically identified on an individual basis are grouped together according to their credit risk characteristics based on industry, product or loans and advances assets rating for the purpose of calculating an estimated collective loss. This reflects impairment losses that the Group may have incurred as a result of events occurring before the end of reporting period, which the Group is not able to identify on an individual basis, but that can be reliably estimated. As soon as information becomes available which identifies losses on individual financial assets within the group of the customer, those financial assets are removed from the group of the customer and assessed on an individual basis for impairment.

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

3. Significant accounting policies (continued)

3.14 Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest income and expense

Interest income and expense for all interest bearing financial instruments, except for financial assets measured at FVTPL, are recognised using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability on initial recognition. When there is doubt in the collection of the principal or the interest, the recognition of interest income ceases. Interest income from financial assets measured at FVTPL is recognised on accrual basis.

Fee and commission income

Fee and commission income are generally accounted for on an accrual basis when the related services are performed.

Dividend income

Dividend income from investments is recognised when the Group's right to receive payment has been established.

Rental income

The Group's policy for recognition of revenue from operating leases is described in 3.15 below.

Revenue from the sale of properties

Revenue from the sale of properties shall be recognised when the equitable interest in a property vests in a buyer and all the following conditions have been satisfied:

1. The Group has transferred to the buyer the significant risks and rewards of ownership of the properties;
2. The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties sold;
3. The amount of revenue can be measured reliably;
4. It is probable that the economic benefits associated with the transaction will flow to the Group; and
5. The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

3. Significant accounting policies (continued)

3.15 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.16 Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segment income, segment expenses and segment performance include transfers between business segments and between geographical segments. Refer to note 29 on Business Segment reporting.

3.17 Acceptances

Acceptances are recognised as financial liability in the consolidated statement of financial position with a contractual right of reimbursement from the customer as a financial asset. Therefore, commitments in respect of acceptances have been accounted for as financial assets and financial liabilities.

3.18 Foreign currencies

The individual financial statements of each group entity are presented in U.A.E. Dirham (AED), which is the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in AED, which is the functional currency of the Bank, and the presentation currency for the consolidated financial statements.

Transaction in currencies other than the Group's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in consolidated statement of income in the period in which they arise.

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

Classification and measurement of financial assets

The classification and measurement of the financial assets depend on the management's business model for managing its financial assets and on the contractual cash flow characteristics of the financial asset assessed. Management is satisfied that the Group's financial assets are appropriately classified and measured.

Leasehold improvements

Management determined the estimated useful life and related depreciation charges for its leasehold improvements. This estimate is based on an assumption that the Group will renew its annual lease over the estimated useful life. It could change significantly should the annual lease not be renewed. Management will increase the depreciation charge where useful life is less than previously estimated life.

Fair valuation of financial instruments

Certain assets and liabilities are measured at fair value for financial reporting purposes. The management has set up a valuation process, which involves finance and investment banking departments to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Bank uses market observable data to the extent it is available. Where level 1 inputs are not available, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs such as present value discount rates, prepayment rates and default rate assumptions for 'asset-backed' securities.

Impairment of financial assets measured at amortised cost

The Group's accounting policy for allowances in relation to impaired financial assets measured at amortised cost is described in note 3. Impairment is calculated on the basis of discounted estimated future cash flows or by applying a certain percentage on the performing unclassified loan based on market trend and historical pattern of defaults. For retail loans and advances impairment is calculated based on a formulaic approach depending on past due instalments and payments.

The allowance for loan losses is established through charges to income in the form of an allowance for loan loss. Increases and decreases in the allowance due to changes in the measurement of the impaired loans are included in the allowance for loan losses and affect the income statement accordingly.

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

4. Critical accounting judgments and key sources of estimation uncertainty (continued)

Individually assessed loans

Impairment losses for individually assessed loans are determined by an evaluation of exposure on a case-by-case basis. This procedure is applied to all classified corporate loans and advances which are individually significant accounts or are not subject to, the portfolio-based approach.

The Group reviews its individually assessed loans at each statement of financial position date to assess whether an impairment loss should be recorded in the consolidated income statements. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating the cash flow, the Group makes judgments about:

1. The customer's aggregate borrowings.
2. The customer's risk rating, i.e. ability to perform profitable business and generate sufficient cash to repay the borrowed amount.
3. The value of the collateral and the probability of successful repossession.
4. The cost involved to recover the debts.

The Group's policy requires regular review of the level of impairment allowances on individual facilities.

Impaired loans continue to be classified as impaired unless they are brought fully current and the collection of scheduled interest and principal is considered probable.

Collectively assessed loans

Collectively assessed allowances are made in respect of losses incurred in portfolios of retail loans with common features and where individual loan amounts are not significant.

The management of the Bank assesses, based on historical experience and the prevailing economical and credit conditions, the magnitude of loans which may be impaired but not identified at the end of the reporting period.

These portfolio allowances are reassessed on a periodical basis and allowances are adjusted accordingly based on the judgement of management and guidance received from the Central Bank of the U.A.E.

Property and equipment and investment properties

Property and equipment and investment properties are depreciated over the estimated useful life, which is based on expected usage of the asset, expected physical wear and tear, which depends on operational factors. The management has not considered any residual value as it is deemed immaterial.

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

5. Cash and balances with the Central Bank of the U.A.E.

	2014	2013
	AED'000	AED'000
Cash on hand	**84,081**	70.272
Balances with the Central Bank of the U.A.E.:		
Current account	**95,720**	61.319
Statutory cash ratio requirements	**593,972**	549.732
	773,773	681.323

Statutory cash ratio requirements with the Central Bank of the U.A.E. represent mandatory reserve deposits and are not available for use in the Group's day-to-day operations.

6. Deposits and balances due from banks

	2014	2013
	AED'000	AED'000
Demand and call deposits	**228,811**	62,258
Term deposits	**1,232,574**	357,466
	1,461,385	419,724

Deposits and balances due from banks with an original maturity of 90 days or less amounts to AED 1,461 million (2013: AED 412 million).

The geographical analysis of deposits and balances due from banks is as follows:

Within the U.A.E.	**1,232,703**	350,012
Outside the U.A.E.	**228,682**	69,712
	1,461,385	419,724

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

7. Loans and advances to customers

	2014	2013
	AED'000	AED'000
Overdrafts	**1,484,869**	1,859,304
Loans	**10,249,780**	8,536,193
Bills discounted	**919,751**	618,340
Trust receipts	**1,623,972**	739,989
Credit cards	**51,539**	42,196
Other	**197,907**	49,113
	14,527,818	11,845,135
Less: Allowance for impairment	**(1,430,542)**	(1,224,892)
	13,097,276	10,620,243

The geographical analysis of loans and advacnes to customers is as follows:

	2014	2013
	AED'000	AED'000
Within the U.A.E.	**13,191,236**	11,478,328
Outside the U.A.E.	**1,336,582**	366,807
	14,527,818	11,845,135

(a) The movements in the allowance for impairment of loans and advances to customers during the year were as follows:

	2014	2013
	AED'000	AED'000
Balance at the beginning of the year	**1,224,892**	1,055,047
Impairment allowance for the year (note 25)	**375,310**	263,101
Interest suspended during the year	**180,667**	179,205
Amounts written off during the year	**(310,852)**	(199,618)
Recoveries during the year (note 25)	**(39,475)**	(72,843)
Balance at the end of the year	**1,430,542**	1,224,892

	2014	2013
	AED'000	AED'000
Individual impairment and interest in suspense	**1,220,248**	1,111,205
Collective impairment	**210,294**	113,687
	1,430,542	1,224,892

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

7. Loans and advances to customers (continued)

(b) Analysis of gross loans and advances to customers by class:

	2014	2013
	AED'000	AED'000
Corporate lending	**11,092,892**	8,668,015
Retail lending	**3,434,926**	3,177,120
	14,527,818	11,845,135

(c) Analysis of gross loans and advances to customers by economic activities:

	2014	2013
	AED'000	AED'000
Services	**2,791,753**	2,277,557
Wholesale and retail trade	**2,393,054**	1,768,734
Construction	**1,284,300**	1,757,820
Retail lending	**2,786,849**	2,771,928
Real estate	**3,076,598**	2,400,782
Manufacturing	**696,476**	357,855
Government	**204,466**	263,145
Transport and communication	**929,388**	159,694
Financial institutions	**364,934**	87,620
	14,527,818	11,845,135

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

8. Other financial assets

(a)	2014	2013
	AED'000	AED'000
Financial assets measured at FVTOCI		
Investment in quoted shares	**35,013**	48,701
Investment in unquoted shares	**90,262**	94,857
Investment in unquoted investment funds	**54,169**	40,283
	179,444	183,841
Financial assets measured at FVTPL		
Non-discretionary investment portfolio managed by a related party (note 27)	**163,825**	134,525
Financial assets measured at amortised cost		
Investment in debt instruments (i)	**1,660,602**	878,382
	2,003,871	1,196,748

(i) The Group holds these bonds with an average yield of 3% to 9% per annum (2013: 6% to 8% per annum)
The bonds are redeemable at par on various maturity dates from 2015 to 2028 (2013: 2015 to 2020)

(b) Other financial assets by geographic concentration are as follows:

	2014	2013
	AED'000	AED'000
- Within the U.A.E.	**1,014,806**	823,477
- Outside the U.A.E.	**989,065**	373,271
	2,003,871	1,196,748

(c) The analysis of other financial assets by industry sector is as follows:

	2014	2013
	AED'000	AED'000
Government and Public Sector	**626,456**	618,701
Commercial and Business	**595,094**	451,389
Financial Institutions	**782,321**	126,658
	2,003,871	1,196,748

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

9. Property inventory

	2014	2013
	AED'000	AED'000
Real estate property	**280,218**	280,218

The property inventory comprises real estate properties held by the Group for the purpose of sale in the ordinary course of business. The movements in property inventory during the year were as follows:

	2014	2013
	AED'000	AED'000
Balance at the beginning of the year	**280,218**	323,462
Transfer from advances to acquire properties	**-**	8,548
Transfer to investment properties (note 11)	**-**	(51,792)
Balance at the end of the year	**280,218**	280,218

Property inventory includes properties of AED 21 million (2013: AED 21 million) for which the Group holds Sale Purchase Agreements ("SPA's") but has not yet obtained title deeds.

All property inventory are within the U.A.E.

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

10. Interest receivable and other assets

	2014	2013
	AED'000	AED'000
Interest receivable	**265,322**	297,074
Prepayments	**32,799**	31,968
Derivative financial instruments	**4,973**	4,169
Customer acceptance	**1,263,004**	803,786
Brokerage receivables (i)	**5,740**	20,391
Advances to acquire properties (ii)	**62,845**	62,845
Other	**103,837**	86,544
	1,738,520	1,306,777

(i) Brokerage receivables include amounts (see below for ageing analysis) that are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because management believes that these receivables are recoverable.

Ageing of past due but not impaired:

	2014	2013
	AED'000	AED'000
365 + days	**5,740**	20,391

The above balance is fully collateralised.

Movement in the allowance for impairment:

Brokerage receivables are stated at net of allowance for impairment of AED 96 million (2013: AED 123 million). The movement in the allowance for impairment is as follows:

	2014	2013
	AED'000	AED'000
Balance at the beginning of the year	**123,403**	153,768
Impairment losses reversed for the year (note 25)	**(5,779)**	(8,672)
Written off during the year	**(21,825)**	(21,693)
Balance at the end of the year	**95,799**	123,403

Ageing of impaired brokerage receivables:

	2014	2013
	AED'000	AED'000
365 + days	**95,799**	123,403

ii) Advances to acquire properties are stated at net of allowance for impairment of AED 21 million (2013: AED 21 million).

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

11. Investment properties

	2014	2013
	AED'000	AED'000
Cost		
At 1 January	143,732	91,940
Additions during the year	46	-
Transfer from property inventory (note 9)	-	51,792
At 31 December	143,778	143,732
Accumulated depreciaiton		
At 1 January	22,472	17,171
Charge for the year	7,190	5,301
At 31 December	29,662	22,472
Carrying value		
At 31 December	114,116	121,260

Investment properties includes properties with the carrying amount of AED 11 million (2013: AED 11 million) for which the Group holds Sale Purchase Agreements ("SPA's") but has not yet obtained title deeds.

The fair value of the Group's investment property as at 31 December 2014 and 31 December 2013 has been arrived at on the basis of a valuation carried out on the respective dates by independent valuers not related to the Group. Independent valuers have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on a present value calculation of the estimated future cash flow model supported by existing lease and current market rents for similar properties in the same location. The interest rate, which is used to discount the future cash flows, reflects current market assessments of the uncertainty and timing of the cash flows.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2014 and 31 December 2013 are as follows:

	Level 1	Level 2	Level 3	Fair value
	AED'000	AED'000	AED'000	AED'000
31 December 2014				
Investment properties	-	-	147,350	147,350
31 December 2013				
Investment properties	-	-	156,000	156,000

All investment properties are within the U.A.E.

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

12. Property and equipment

	Freehold land	Buildings	Leasehold improvements	Furniture and fixtures	Equipment and computers	Motor vehicles	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Cost or revalued amount							
At 31 December 2012	53,575	120,600	39,158	12,623	93,151	2,227	321,334
Additions	-	-	9,610	657	8,414	-	18,681
Disposals	-	-	(681)	(136)	(140)	-	(957)
At 31 December 2013	53,575	120,600	48,087	13,144	101,425	2,227	339,058
Additions	-	273	14,392	1,765	10,882	304	27,616.
Revaluation*	(1,225)	225	-	-	-	-	(1,000)
Disposals	-	-	(19)	-	(153)	(232)	(404)
At 31 December 2014	**52,350**	**121,098**	**62,460**	**14,909**	**112,154**	**2,299**	**365,270**
Accumulated depreciation							
At 31 December 2012	-	-	34,595	12,194	81,622	1,147	129,558
Charge for the year	-	11,713	3,579	355	5,968	457	22,072
Disposals	-	-	(681)	(119)	(138)	-	(938)
At 31 December 2013	-	11,713	37,493	12,430	87,452	1,604	150,692
Charge for the year	-	13,128	3,995	462	6,459	338	24,382
Elimination on revaluation*	-	(23,685)	-	-	-	-	(23,685)
Disposals	-	-	(19)	-	(153)	(232)	(404)
At 31 December 2014	**-**	**1,156**	**41,469**	**12,892**	**93,758**	**1,710**	**150,985**
Carrying amount							
At 31 December 2014	**52,350**	**119,942**	**20,991**	**2,017**	**18,396**	**589**	**214,285**
At 31 December 2013	53,575	108,887	10,594	714	13,973	623	188,366

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

12. Property and equipment (continued)

* The Group's freehold land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Group's freehold land and buildings as at 31 December 2014 were performed by independent valuers not related to the Group. The valuers have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations.

The fair value of the freehold land was determined based on the market comparable approach that reflects recent transaction prices for similar properties. The fair value of the buildings was determined based on a present value calculation of the estimated future cash flow model supported by existing lease and current market rents for similar properties in the same location. The interest rate, which is used to discount the future cash flows, reflects current market assessments of the uncertainty and timing of the cash flows.

Details of the Group's freehold land and buildings and information about the fair value hierarchy as at 31 December 2014 and 31 December 2013 are as follows:

	Level 1	Level 2	Level 3	Fair value
	AED'000	AED'000	AED'000	AED'000
31 December 2014				
Freehold land	-	-	**52,350**	**52,350**
Buildings	-	-	**119,942**	**119,942**
31 December 2013				
Freehold land	-	-	53,575	53,575
Buildings	-	-	108,887	108,887

Had the Group's land and buildings being measured on a historical cost basis their carrying amount would have been as follows:

	2014	2013
	AED'000	AED'000
Freehold land	**33,429**	33,429
Buildings	**21,044**	22,566
	54,473	55,995

13. Share capital

The authorised, issued, and paid up capital of the Bank comprises 1,654,650,524 shares of AED 1 each (2013: 1,575,857,642 shares of AED 1 each).

The shareholders, in Annual General Meeting held on 23 March 2014, approved bonus shares of 5% of issued share capital as at 31 March 2014.

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

14. Reserves

Statutory reserve

In accordance with Article 82 of Federal Law No.10 of 1980 and the Bank's Articles of Association, a transfer equivalent to at least 10% of the annual net profit is made annually to the statutory reserve until such reserve equals 50% of the paid up share capital.

General reserve

In accordance with the Bank's Articles of Association, a transfer equivalent to at least 10% of the annual net profit should be made to a general reserve each year until the value of the reserve is equal to 50% of the nominal value of the issued share capital.

Property revaluation reserve

The properties revaluation reserve arises on the revaluation of land and buildings. When revalued land or buildings are sold, the portion of the properties revaluation reserve that relates to that asset, and that is effectively realised, is transferred directly to retained earnings. The revaluation surplus is also transferred as the properties are used by the Group. The amount of surplus so transferred is the difference between depreciation based on the revalued carrying amount of the properties and depreciation based on the properties original cost

Investments revaluation reserve

The investments revaluation reserve represents accumulated gains and losses arising on the revaluation of financial assets at fair value through other comprehensive income.

15. Non-controlling interests

	2014	2013
	AED'000	AED'000
At 1 January	**483**	451
Share of net profit in subsidiary	**49**	54
Share in investment revaluation reserve	**(66)**	(22)
At 31 December	**466**	483

16. Deposits and balances due to banks

	2014	2013
	AED'000	AED'000
Demand and call deposits	**201,797**	55,915
Term deposits	**1,043,960**	1,021,256
	1,245,757	1,077,171

Deposits and balances due to banks with an original maturity of 90 days or less amounts to AED 511 million (2013: AED 930 million).

The geographical analysis of deposits and balances due to banks is as follows:

Within the U.A.E.	**35,000**	458,555
Outside the U.A.E.	**1,210,757**	618,616
	1,245,757	1,077,171

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

17. Customers' deposits

	2014	2013
	AED'000	AED'000
Current accounts	3,207,506	2,306,887
Savings accounts	242,888	164,587
Time deposits	10,695,273	7,744,807
Other	393,050	283,036
All customers' deposits are from customers within the U.A.E.	14,538,717	10,499,317

18. Interest payable and other liabilities

	2014	2013
	AED'000	AED'000
Accrued interest payable	85,008	71,472
Unearned commission	41,809	12,491
Derivative financial instruments	2,069	271
Cheques and drafts payable	56,317	37,827
Customer acceptances	1,263,004	803,786
Brokerage payables	23,184	28,186
Provision for end-of-service benefits (i)	40,689	34,968
Directors' fee (note 27 (b))	2,400	5,000
Other	44,924	53,898
	1,559,404	1,047,899

i) The movements in provision for end of service benefits during the year were as follows:

	2014	2013
	AED'000	AED'000
Balance at the beginning of the year	34,968	23,170
Charge for the year	10,472	14,697
Payments during the year	(4,751)	(2,899)
Balance at the end of the year	40,689	34,968

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

19. Cash and cash equivalents

Cash and cash equivalents included in the consolidated statements of cash flows comprises the following consolidated statement of financial position amounts:

	2014	2013
	AED'000	AED'000
Cash and balances with the Central Bank of the U.A.E. (note 5)	773,773	681,323
Deposits and balances due from bank with an original maturity of 90 days or less (note 6)	1,461,385	412,141
Deposits and balances due to banks with an original maturity of 90 days or less (note 16)	(511,157)	(930,251)
	1,724,001	163,213
Less: Statutory reserve with the Central Bank of the U.A.E. (note 5)	(593,972)	(549,732)
	1,130,029	(386,519)

20. Interest income

	2014	2013
	AED'000	AED'000
Loans and overdrafts	596,672	543,945
Placements with banks	881	1,787
Bills discounted	49,228	42,060
Interest on debt instruments	62,230	73,708
	709,011	661,500

21. Interest expense

	2014	2013
	AED'000	AED'000
Customers' deposits	153,933	186,087
Borrowing from banks	15,056	6,488
Other	3,086	4,676
	172,075	197,251

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

22. Net fee and commission income

	2014	2013
	AED'000	AED'000
Fee and commission income		
Facility processing fees	89,437	105,537
Commission income	70,133	51,913
Bank fees and other charges	34,640	27,678
Insurance commission	24,409	22,819
Credit card related fees	7,521	4,358
Brokerage income	3,934	2,343
	230,074	214,648
Fee and commission expense		
Commission expense	641	869
Credit card related expenses	7,519	6,414
Other	1,670	620
	9,830	7,903
	220,244	206,745

23. Other operating income

	2014	2013
	AED'000	AED'000
Foreign exchange gains	27,357	20,529
Dividend income	10,100	7,018
Gain/(loss) on revaluation of financial assets measured at FVTPL	29,300	(2,117)
Other	7,753	5,354
	74,510	30,784

24. General and administrative expenses

	2014	2013
	AED'000	AED'000
Payroll and related expenses	241,075	244,277
Rent	17,639	15,014
Depreciation on property and equipment (note 12)	24,382	22,072
Depreciation on investment properties (note 11)	7,190	5,301
Directors' expenses (note 27(c))	3,265	3,486
Other	72,796	78,664
	366,347	368,814

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

25. Impairment losses and provisions

	2014	2013
	AED'000	AED'000
Impairment allowance on loans and advances to customers (note 7)	375,310	263,101
Impairment losses reversed on brokerage receivables (note 10)	(5,779)	(8,672)
Recoveries against impaired loans and advances to customers (note 7)	(39,475)	(72,843)
Recoveries against written off loans	(10,300)	(32,938)
Bad debts written off	12,064	7,678
	331,820	156,326

26. Earnings per share

Earnings per share is calculated by dividing the profit for the year attributable to the owners of the Bank, net of directors' fee by the weighted average number of ordinary shares in issue throughout the year as follows:

	2014	2013
Profit for the year attributed to the owners of the Bank (AED'000)	133,474	176,584
Directors' fee (AED'000) (note 27(c)	(2,400)	(5,000)
Earnings used in calculation of earnings per share (AED'000)	131,074	171,584
Weighted average number of ordinary shares outstanding during the year	1,654,650,524	1,654,650,524
Basic and diluted earnings per share (AED)	0.079	0.104

The weighted average number of ordinary shares in issue throughout the year ended 31 December 2013 has beenadjusted to reflect the bonus shares issued during the year ended 31 December 2014.

27. Related party transactions

a) The Group enters into transactions with companies and entities that fall within the definition of a related party as contained in International Accounting Standard (IAS) 24: Related Party Disclosures. Related parties comprise companies under common ownership and/or common management and control, their shareholders and key management personnel. The shareholders and the management decide on the terms and conditions of the transactions and services received/rendered from/to related parties as well as on other charges.

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

27. Related party transactions (continued)

b) Year-end related party balances included in the consolidated statement of financial position are as follows:

	2014	2013
	AED'000	AED'000
Deposits and balances due from other banks	-	7,584
Loans and advances to customers	232,634	180,092
Non discretionary investment portfolio managed by a related party and classified as financial assets measured at FVTPL (note 8)	163,825	134,525
Deposits and balances due to other banks	771,330	367,300
Directors' fee payable (note 18)	2,400	5,000
Customers' deposits	250,630	262,112
Letters of credit, guarantees and acceptances	174,004	169,956

c) Significant transactions with related parties during the year are as follows:

	2014	2013
	AED'000	AED'000
Interest income	10,263	8,123
Interest expense	12,632	9,267
Directors' fee	2,400	5,000
Directors' expenses (note 24)	3,265	3,486
Compensation of key management personnel*	16,662	12,829

*These includes long term benefits amounting to AED 0.9 million (2013: AED 1 million).

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

28. Contingencies and commitments

To meet the financial needs of customers, the Group enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other undrawn commitments to lend. Even though these obligations may not be recognised on the consolidated statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Group.

Contingencies

Letters of credit and guarantees (including standby letters of credit) commit the Group to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry a similar credit risk to loans.

The contractual amounts of contingent liabilities are set out in the following table by category. The amounts reflected in the table represent the maximum accounting loss that would be recognised at the end of reporting period if counterparties failed to perform as contracted.

	2014	2013
	AED'000	AED'000
Guarantees	3,139,500	1,982,335
Letters of credit	1,080,663	716,382
	4,220,163	2,698,717

Maturity profile

The maturity profile of the Group's contra accounts were as follows:

	31 December 2014					
	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 years +	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Guarantees	1,626,391	694,030	675,516	143,106	457	3,139,500
Letters of credit	638,700	272,848	127,638	41,477	-	1,080,663
Total	2,265,091	966,878	803,154	184,583	457	4,220,163

	31 December 2013					
	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 years +	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Guarantees	809,055	548,205	535,052	89,548	475	1,982,335
Letters of credit	538,329	93,432	8,830	75,791	-	716,382
Total	1,347,384	641,637	543,882	165,339	475	2,698,717

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

28. Contingencies and commitments (continued)

Commitments

At any time the Group has outstanding commitments to extend credit. These commitments are in the form of approved loan facilities. The amounts reflected in the table below for commitments assume that amounts are fully advanced.

	2014	2013
	AED'000	AED'000
Loan commitments	**3,214,217**	2,195,818
Capital commitments	**21,577**	23,223
	3,235,794	2,219, 041

29. Segmental analysis

Operating Segments are identified on the basis of internal reports about the components of the Group that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and to assess its performance.

For operating purposes the Group is organized into three major business segments as follows:

a) Reportable segments

Banking activities include the corporate banking group, retail banking group, Bank's treasury and others.

Brokerage activities represent brokerage related services in respect of equity shares.

Real estate activities represent brokerage and development related services in respect of the real estate.

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

29. Segmental analysis (continued)

b) The accounting policies of the reportable segments are the same as the Group's accounting policy as described in note 3 of these consolidated financial statements.

c) Segment profit represents the profit earned by each segment. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

The segmental information provided to Group's CEO for the reportable segments for the year ended 31 December 2014 and 31 December 2013 are as follows:

For the year ended 31 December 2014

	Banking							
	Corporate	**Retail**	**Treasury**	**Others**	**Total**	**Brokerage**	**Real estate**	**Total**
	AED'000	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**
Net interest income from external customers	**325,449**	**156,744**	**52,612**	**2,131**	**536,936**	**-**	**-**	**536,936**
Inter-segmental net interest income	**8,386**	**-**			**8,386**	**380**	**(8,766)**	**-**
Net fee and commission income	**158,570**	**57,794**	**(210)**	**156**	**216,310**	**3,934**	**-**	**220,244**
Other operating income	**19,150**	**2,736**	**42,251**	**-**	**64,137**	**985**	**9,388**	**74,510**
Impairment losses	**(278,611)**	**(58,942)**	**-**	**-**	**(337,553)**	**5,733**	**-**	**(331,820)**
General and administrative expenses excluding depreciation	**(41,124)**	**(131,346)**	**(6,240)**	**(148,172)**	**(326,882)**	**(4,608)**	**(3,285)**	**(334,775)**
Depreciation expense	**(964)**	**(5,853)**	**(61)**	**(17,392)**	**(24,270)**	**(85)**	**(7,217)**	**(31,572)**
Profit for the year	**190,856**	**21,133**	**88,352**	**(163,277)**	**137,064**	**6,339**	**(9,880)**	**133,523**
Segment total assets	**11,241,286**	**3,386,576**	**4,423,741**	**146,713**	**19,198,316**	**16,494**	**468,634**	**19,683,444**
Segment total liabilities	**11,030,328**	**4,281,642**	**1,817,815**	**186,467**	**17,316,252**	**24,778**	**2,848**	**17,343,878**

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

29. Segmental analysis (continued)

For the year ended 31 December 2013

	Banking							
	Corporate	Retail	Treasury	Others	Total	Brokerage	Real estate	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Net interest income from external customers	249,679	148,852	65,718	-	464,249	-	-	464,249
Inter-segmental net interest income	10,834	-	-	-	10,834	374	(11,208)	-
Net fee and commission income	157,369	47,176	(153)	10	204,402	2,343	-	206,745
Other operating income	10,128	2,010	13,051	119	25,308	103	5,373	30,784
Impairment losses	(119,045)	(46,294)	-	-	(165,339)	9,013	-	(156,326)
General and administrative expenses excluding depreciation	(42,680)	(124,691)	(7,870)	(156,220)	(331,461)	(4,980)	(5,000)	(341,441)
Depreciation expense	(1,103)	(5,141)	(93)	(15,567)	(21,904)	(45)	(5,424)	(27,373)
Profit for the year	265,182	21,912	70,653	(171,658)	186,089	6,808	(16,259)	176,638
Segment total assets	8,350,517	3,092,591	2,475,383	377,707	14,296,198	43,651	474,810	14,814,659
Segment total liabilities	7,693,949	3,408,879	1,277,447	211,666	12,591,941	29,443	3,003	12,624,387

The Group conducted all of its operation in the United Arab Emirates and there is no operation outside the United Arab Emirates.

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

30. Fair value of financial instruments

This note provides information about how the Group determines the fair value of various financial assets and financial liabilities.

(a) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The fair value of financial assets and financial liabilities are determined as follows:

- Fair value of all quoted investment measured at fair value through profit or loss and at fair value through other comprehensive income (note 8) are based on quoted bid prices in an active market;

- Fair value of all unquoted equity investments and unquoted investment funds measured at fair value through other comprehensive income (note 8) is mainly based on net asset value of the investees on measurement dates. The net asset value is unobservable input and the Group has determined that the reported net asset value represents the fair value at end of the reporting period; and

- Fair value of all foreign currency derivatives (note 31) is calculated using discounted cash flow. Discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

The table below summarises the Group's financial instruments fair value according to fair value hierarchy:

31 December 2014	Level 1	Level 2	Level 3	Total
	AED'000	AED'000	AED'000	AED'000
Financial assets at fair value through other comprehensive income				
- Equity shares	35,013	-	90,262	125,275
- Investment funds	-	-	54,169	54,169
Financial assets at fair value through profit or loss				
- Derivatives financial assets	-	4,973	-	4,973
- Equity shares	163,825	-	-	163,825
Total	198,838	4,973	144,431	348,242
Financial liabilities at fair value through profit or loss				
Derivatives financial liabilities	-	2,069	-	-

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

30. Fair value of financial instruments (continued)

(a) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

31 December 2013	Level 1	Level 2	Level 3	Total
	AED'000	AED'000	AED'000	AED'000
Financial assets at fair value through other comprehensive income				
- Equity shares	48,701	-	94,857	143,558
- Investment funds	-	-	40,283	40,283
Financial assets at fair value through profit or loss				
- Derivatives financial assets	-	4,169	-	4,169
- Equity shares	134,525	-	-	134,525
Total	183,226	4,169	135,140	322,535
Financial liabilities at fair value through profit or loss				
Derivatives financial liabilities	-	271	-	271

There were no transfers between Level 1 and 2 during the years ended 31 December 2014 and 2013.

Reconciliation of Level 3 fair value measurements of financial assets

	2014	2013
	AED'000	AED'000
Opening balance	**135,140**	145,150
Total gains or losses: - in other comprehensive income	**9,291**	(10,010)
Closing balance	**144,431**	135,140

The financial liabilities subsequently measured at fair value are measured on level 2 fair value measurement, there are no financial liabilities measured at fair value on level 3 measurement.

All gain and losses included in other comprehensive income relate to FVTOCI (quoted or unquoted) held at the end of the year and are reported as changes of 'Investment revaluation reserve'.

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

Fair value of financial instruments carried at amortised cost

(b) Fair value of financial instruments carried at amortised cost

Except as detailed below, the directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the consolidated financial statements approximate their fair values.

	Carrying amount	**Fair value**
	AED'000	**AED'000**
31 December 2014		
Investment in debt instruments	**1,660,602**	**1,707,633**
31 December 2013		
Investment in debt instruments	878,382	883,480

All above financial instruments are quoted instruments and categorised as level 1 in fair value hierarchy. The fair values is determined using unadjusted quoted market prices.

31. Derivatives

Derivatives and foreign exchange instruments are utilised by the Group primarily to satisfy the requirements of its customers and are also used to a limited extent to manage the Group's own exposure to currency, interest rate and other market risks.

The derivatives most frequently used by the Group are forward foreign exchange contracts which are initially measured at fair value and subsequently measured at fair value. The resultant gains and losses from derivatives are included in the consolidated income statement.

The table below shows the positive and negative fair values of derivative financial instruments, which are equivalent to the market values, together with the notional amounts. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year end, do not necessarily reflect the amounts of future cash flows involved. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

	Positive fair value	**Negative fair value**	**Notional amount**	**1 to 3 months**	**3 months to 1 year**
	AED'000	**AED'000**	**AED'000**	**AED'000**	**AED'000**
2014					
Forward foreign exchange contract	**4,973**	**2,069**	**562,559**	**468,234**	**94,325**
2013					
Forward foreign exchange contract	4,169	271	580,051	580,051	-

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

32. Financial risk management

The Group has exposure to the following primary risks from its use of financial instruments:
• Credit risk
• Liquidity risk
• Market risk
• Operational risk

The Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk are discussed below:

As part of its management of risks, the Group implemented systems for the management of its Credit Risk, Market Risk, Liquidity Risk and Asset and Liability Management (ALM) Risk. These systems include credit origination, analysis, rating, pricing and approval. For treasury, the Group has acquired systems for front and back offices to manage efficiently market risk, liquidity risk, and ALM risk. For Operational risk, the Group has developed internally, tools that can allow the analysis, quantification, and reporting of operational risk events/losses that are faced on a granular cluster level.

In addition, the Group is also exposed to other risks that are managed along with the key risks, and are quantified, monitored and reported as part of the Group's Internal Capital Adequacy Assessment Policy (ICAAP) Framework. Such risks include, among others, concentration risk, strategic risk, business risk, and legal and compliance risk.

Risk management framework

The Board of Directors (the "Board") has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Group Asset and Liability (ALCO) Committee, Credit Risk Committee, Executive Committee, and Management Committee, which are responsible for developing and monitoring Group risk management policies in their specified areas. These committees comprise key Group management staff, who convene frequently to appraise the Group's risk profile and various risk issues. However, the Board is ultimately responsible for the approval of the risk policies and procedures, infrastructure and management of all risks related to the Group.

Credit risk is managed by the Group's Credit Committee and includes a periodic review of credit limits, policies and procedures, the approval of specific exposures and workout situations, and a regular re-evaluation of the loans portfolio and the sufficiency of provisions relating thereto.

The Assets and Liabilities Committee (ALCO) monitors and controls market and liquidity risks primarily by means of gap analyses of maturities of assets and liabilities for day-to-day.

Operational Risk is managed by the Management Committee with the support of the Risk Management Department and various other units/divisions across the Group including IT.

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

32. Financial risk management (continued)

Risk management framework (continued)

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

Credit risk

Credit risk is the risk of loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's loans and advances amounts (corporate and retail), due from banks and non-trading investments. Credit risk can also arise from financial guarantees, letters of credit, endorsements and acceptances. Credit risk is the single largest risk for the Group business, management therefore carefully manages its exposure to credit risk.

For risk management purposes, credit risk arising on trading investments is managed independently, but reported as a component of market risk exposure.

Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to the Group Credit Committee which is responsible for oversight of the Group's credit risk including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishment of authorisation structure and limits for the approval and renewal of credit facilities. Lending authorities have been established at various levels together with a framework of dual/multiple credit approval delegated authorities. Larger facilities require approval by the Group Credit Committee and/or the Board of Directors, as appropriate.
- Establishing limits and actual levels of exposure are reviewed regularly and updated by the Group Credit Committee or the Board of Directors, as appropriate.
- Limiting concentrations of exposure to industry sectors, geographic locations and counterparties.
- Developing and maintaining the Group's risk grading in category exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of ten grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the Executive Committee and is subject to regular reviews by the Group Risk Management Department.
- Credit review procedures are designed to identify at an early stage exposures which require more detailed monitoring and review.
- Reviewing compliance, on an ongoing basis, with agreed exposure limits relating to counterparties, industries and countries and reviewing limits in accordance with risk management strategy and market trends.

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

32. Financial risk management (continued)

Credit risk (continued)

Management of credit risk (continued)

- In addition the Group has an Internal Audit Department that undertakes regular audits of the business units and the Group credit process and reports direct to the Audit Committee.

The Group measures its exposure to credit risk by reference to the gross carrying amount of financial assets less interest suspended and impairment losses.

The Group's current Credit Risk Rating Methodology comprises 10 grades as set out below. Grades IA to IE reflect performing accounts; grades IIA and IIB reflect irregular accounts (other loans especially mentioned) and grades III to V reflect non-performing accounts.

Risk grade	Risk significance
Regular Accounts	
Grade IA	Substantially Risk Free Exposure
Grade IB	Minimal Risk
Grade IC	Moderate Risk
Grade ID	Average Risk
Grade IE	Below Average Risk
Other Loans Especially Mentioned (OLEM)	
Grade IIA	Requires Management Attention and Control
Grade IIB	Watch Listed
Non performing accounts	
Grade III	Substandard
Grade IV	Doubtful
Grade V	Loss

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

32. Financial risk management (continued)

Credit risk (continued)

Management of credit risk (continued)

The following table shows the risk grading and maximum exposure to credit risk before collateral:

	Loans and advances		Due from banks		Investments	
	2014	2013	**2014**	2013	**2014**	2013
	AED'000	AED'000	**AED'000**	AED'000	**AED'000**	AED'000
Carrying amount	**13,097,276**	10,620,243	**1,461,385**	419,724	**1,660,602**	878,382
Individually impaired						
Grade III: Substandard	**1,872,138**	1,767,266				
Grade IV: Doubtful	**362,345**	432,914				
Grade V: Loss	**1,047**	22,224				
Gross amount	**2,235,530**	2,222,404				
Interest suspended	**(470,347)**	(421,404)				
Allowance for impairment	**(693,262)**	(615,808)				
Carrying amount	**1,071,921**	1,185,192				
Impaired retail loans and advances						
Grades III: Substandard	**13,081**	20,230				
Grade IV: Doubtful	**25,687**	21,007				
Grade V: Loss	**90,464**	117,680				
Gross amount	**129,232**	158,917				
Interest suspended	**(12,069)**	(18,426)				
Collective provision for impairment	**(44,570)**	(55,567)				
Carrying amount	**72,593**	84,924				
Past due but not impaired						
(Other loans especially mentioned)						
Grade IIA : Requires management attention and control	**229,874**	605,024				
Grade IIB : Watch listed	**976,555**	812,653				
Carrying amount	**1,206,429**	1,417,677				
Neither past due nor impaired						
Grades IA to IE: Regular accounts	**10,956,627**	8,046,137	**1,461,385**	419,724	**1,660,602**	878,382
Gross amount	**10,956,627**	8,046,137	**1,461,385**	419,724	**1,660,602**	878,382
Collective provision for unimpaired loans	**(210,294)**	(113,687)		-		-
Carrying amount	**10,746,333**	7,932,450	**1,461,385**	419,724	**1,660,602**	878,382
Total carrying amount	**13,097,276**	10,620,243	**1,461,385**	419,724	**1,660,602**	878,382

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

32. Financial risk management (continued)
Credit risk (continued)
Management of credit risk (continued)

The above table represents a worse-case scenario of credit risk exposure to the Group at 31 December 2014 and 2013, without taking into account of any collateral held.

Impaired loans and advances

Impaired loans and advances are financial assets for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the agreements.

Past due but not impaired loans

Loans where contractual interest or payments are past due up to 180 days but the Group believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Group.

Ageing analysis of past due but not impaired financial assets:

	Loans and advances	
	2013	2012
	AED'000	AED'000
Past due up to 30 days	**1,060,086**	986,324
Past due 30-60 days	**53,573**	61,332
Past due 60-90 days	**25,576**	55,577
Past due 90-180 days	**67,194**	314,444
Total	**1,206,429**	1,417,677

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to a deterioration in the borrower's financial position. The Group does not usually offer concessions simply because of the borrower's financial position. Rather, it reschedules the outstanding to improve the likelihood of collection. Once the loan is restructured, it remains in the same category grade defined by the Group's credit risk rating methodology until satisfactory performance after restructuring.

Allowances for impairment

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are specific loss components that relate to individually significant exposures, and a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

32. Financial risk management (continued)
Credit risk (continued)
Management of credit risk (continued)
Write-off policy

The Group writes off a loan/an investment (and any related allowances for impairment) when the Group Credit Committee determines that the loans/investments are uncollectible. This determination is reached after considering information such as the significant deterioration in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or proceeds from collateral will not be sufficient to pay back the entire exposure or all possible efforts of collecting the amounts have been exhausted.

For smaller balances of standardized loans, write off decisions are generally based on a product specific past due status.

Collateral

The Group holds collateral against loans and advances in the form of cash, guarantees, mortgages and liens over properties or other securities over assets. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and are subsequently monitored on a periodic basis. Generally, collateral is not held against non-trading investments and amounts due from banks.

The estimated value of collaterals for loans and advances to customers other than retail portfolio are as follows:

	2014	2013
	AED'000	AED'000
Property and mortgage	**4,355,193**	3,276,356
Deposits and shares	**1,760,667**	1,555,954
Vehicles and machines	**46,475**	33,932
	6,162,335	4,866,242

The management estimates the fair value of collateral and other security enhancements held against individually impaired loans and advances as at 31 December 2014 to be approximately AED 401 million (2013: AED 486 million) including loans and advances for which excess collaterals is held.

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

32. Financial risk management (continued)
Credit risk (continued)
Management of credit risk (continued)

The Group monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk at the reporting date is shown below:

	Loans and advances		Due from banks		Investments at amortised cost	
	2014	2013	**2014**	2013	**2014**	2013
	AED'000	AED'000	**AED'000**	AED'000	**AED'000**	AED'000
Commercial and business:						
Manufacturing	**696,476**	357,855	**-**	-	**95,498**	-
Real estate and construction	**4,360,898**	4,158,602	**-**	-	**73,894**	56,079
Trade	**2,393,054**	1,768,734	**-**	-	**-**	-
Transport	**929,388**	159,694	**-**	-	**117,269**	117,258
Communication and other services	**2,791,753**	2,277,557	**-**	-	**-**	-
Total commercial and Business	**11,171,569**	8,722,442	**-**	-	**286,661**	173,337
Banks and financial institutions	**364,934**	87,620	**1,461,385**	419,724	**747,485**	86,342
Government and public sector entities	**204,466**	263,145	**-**	-	**626,456**	618,703
Retail lending	**2,786,849**	2,771,928	**-**	-	**-**	-
	14,527,818	11,845,135	**1,461,385**	419,724	**1,660,602**	878,382
Less: Provisions for impairment	**(1,430,542)**	(1,224,892)	**-**	-	**-**	-
Total carrying amount	**13,097,276**	10,620,243	**1,461,385**	419,724	**1,660,602**	878,382

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

32. Financial risk management (continued)
Credit risk (continued)
Management of credit risk (continued)

	Loans and advances		Due from banks		Investments at amortised cost	
	2014	2013	**2014**	2013	**2014**	2013
	AED'000	AED'000	**AED'000**	AED'000	**AED'000**	AED'000
Concentration by location:						
U.A.E.	**13,191,236**	11,478,328	**1,232,703**	350,013	**883,721**	674,883
GCC	**960,764**	365,113	**25,902**	10,601	**287,940**	196,153
Other Arab countries	**655**	1,287	**724**	344	**-**	-
Europe	**159,557**	96	**3,590**	11,699	**-**	-
USA	**-**	-	**197,542**	45,086	**-**	-
Asia	**202,413**	311	**281**	1,101	**488,941**	7,346
Others	**13,193**	-	**643**	880	**-**	-
	14,527,818	11,845,135	**1,461,385**	419,724	**1,660,602**	878,382
Less: Provision for impairment	**(1,430,542)**	(1,224,892)	**-**	-	**-**	-
Total carrying amount	**13,097,276**	10,620,243	**1,461,385**	419,724	**1,660,602**	878,382

Concentration by location for loans and advances and amounts due from banks is measured based on the residential status of the borrower. Concentration by location for non-trading investments is measured based on the location of the issuer of the security.

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The table below shows the maximum exposure to credit risk for the components of the statement of financial position, including derivatives. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

	Gross maximum exposure 2014	Gross maximum exposure 2013
Cash and balances with the Central Bank of the U.A.E.	**689,692**	611,051
Deposits and balances due from banks	**1,461,385**	419,724
Loans and advances to customer	**13,097,276**	10,620,243
Financial assets measured at amortised cost	**1,660,602**	878,382
Interest receivable and other assets	**1,637,903**	1,211,964
Contingent liabilities	**18,546,858 4,220,163**	13,741,364 2,698,717
Total	**22,767,021**	16,440,081

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

32. Financial risk management (continued)

Credit risk (continued)

Management of credit risk (continued)

Settlement risk

The Group's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a counterparty to honour its obligations to deliver cash, securities or other assets as contractually due. Any delays in settlement are monitored and quantified as part of the Group's ICAAP framework and Operational Risk Management.

For certain types of transactions, the Group mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval/limit monitoring process described above. Acceptance of settlement risk on free settlement trades requires transaction specific or counterparty specific approvals from Group Risk Management Department.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations associated with financial liabilities. It includes the risk of inability to fund assets at appropriate maturities and rates, and inability to liquidate assets at a reasonable price and in an appropriate time frame, and inability to meet obligations as they become due. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to diminish.

Management of liquidity risk

Liquidity risk is managed by the Treasury and ALM departments in line with the regulatory and internal policies and guidelines.

The Group's approach to managing liquidity risk is to ensure that it has adequate funding from diversified sources at all times and that it can withstand any major shocks to its liquidity position. Funds are raised using a broad range of instruments including customer deposits, money market instruments and capital. The Treasury and ALM departments monitor the liquidity profile of financial assets and liabilities and the projected cash flows arising from existing and future business. Treasury maintains a portfolio of short-term liquid assets and inter-bank placements to ensure that sufficient liquidity is maintained. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and abnormal market conditions. The Group's liquidity policy is set by the Board of Directors and is subject to annual review. Adherence to the policies is monitored by the Group Risk Management Department and ALCO.

Exposure to liquidity risk

The key measures used by the Group for measuring liquidity risk are advances to stable resources (which is a regulatory measure) as well as the ratio of net liquid assets, i.e., total assets by maturity against total liabilities by maturity.

Details of the Group's net liquid assets are summarized in the following table by the maturity profile of the Group's assets and liabilities based on the contractual repayment arrangements and does not take account of the effective maturities as indicated by the Group's deposit retention history. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the end of reporting period to the contractual maturity date.

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

32. Financial risk management (continued)

Liquidity risk (continued)

Exposure to liquidity risk (continued)

The maturity profile of assets and liabilities at 31 December 2014 was as follows:

	Less than 3 months	3 to 6 months	6 to 12 months	One year +	No fixed maturity	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Assets						
Cash and balances with the Central Bank of the U.A.E.	773,773	-	-	-	-	773,773
Deposits and balances due from banks	1,461,385	-	-	-	-	1,461,385
Loans and advances to customers	3,911,623	900,838	1,095,503	7,189,312	-	13,097,276
Financial assets at fair value through other comprehensive income	-	-	-	-	179,444	179,444
Financial assets measured at FVTPL	-	-	-	-	163,825	163,825
Financial assets measured at amortised cost	-	73,352	18,333	1,568,917	-	1,660,602
Property inventory	-	-	-	-	280,218	280,218
Interest receivable and other assets	1,383,204	348,611	6,705	-	-	1,738,520
Investment properties	-	-	-	-	114,116	114,116
Property and equipment	-	-	-	-	214,285	214,285
Total	7,529,985	1,322,801	1,120,541	8,758,229	951,888	19,683,444
Liabilities						
Deposits and balances due to banks	511,157	-	-	734,600	-	1,245,757
Customers' deposits	7,293,598	4,159,722	2,831,098	254,299	-	14,538,717
Interest payable and other liabilities	1,204,088	348,611	6,705	-	-	1,559,404
Total	9,008,843	4,508,333	2,837,803	988,899	-	17,343,878
Liquidity gap	(1,478,858)	(3,185,532)	(1,717,262)	7,769,330	951,888	2,339,566
Represented by: Equity						2,339,566

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

32. Financial risk management (continued)

Liquidity risk (continued)

Exposure to liquidity risk (continued)

The maturity profile of assets and liabilities at 31 December 2013 was as follows:

	Less than 3 months	3 to 6 months	6 to 12 months	One year +	No fixed maturity	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Assets						
Cash and balances with the Central Bank of the U.A.E.	681,323	-	-	-	-	681,323
Deposits and balances due from banks	419,724	-	-	-	-	419,724
Loans and advances to customers	3,901,619	450,173	753,409	5,515,042	-	10,620,243
Financial assets at fair value through other comprehensive income	-	-	-	-	183,841	183,841
Financial assets measured at FVTPL	-	-	-	-	134,525	134,525
Financial assets measured at amortised cost	-	-	-	878,382	-	878,382
Property inventory	-	-	-	-	280,218	280,218
Interest receivable and other assets	1,107,854	181,607	16,095	1,221	-	1,306,777
Investment properties	-	-	-	-	121,260	121,260
Property and equipment	-	-	-	-	188,366	188,366
Total	6,110,520	631,780	769,504	6,394,645	908,210	14,814,659
Liabilities						
Deposits and balances due to banks	930,251	146,920	-	-	-	1,077,171
Customers' deposits	6,711,900	2,198,346	1,572,929	16,142	-	10,499,317
Interest payable and other liabilities	848,976	181,607	16,095	1,221	-	1,047,899
Total	8,491,127	2,526,873	1,589,024	17,363	-	12,624,387
Liquidity gap	(2,380,607)	(1,895,093)	(819,520)	6,377,282	908,210	2,190,272
Represented by: Equity						2,190,272

The previous table shows undiscounted cash flows on the Group's financial assets and liabilities on the basis of their earliest possible contractual maturity.

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

32. Financial risk management (continued)

Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads will affect the Group's income and/or the value of the financial instrument. The Group manages its market risk in order to achieve an optimum return while maintaining market risk exposure within prudent limits.

Management of market risk

The Board of directors has set risks limits based on sensitivity analysis and notional limits which are closely monitored by the Risk Management Department, reported frequently to Senior Management and discussed monthly by the ALCO.

The Group separates its exposure to market risk between trading and non-trading portfolios with overall responsibility vested in the ALCO. The Risk Management Department is responsible for the development of detailed risk management policies and for the day to day review of their implementation subject to the review and approval by ALCO.

Exposure to interest rate risk

Interest rate risk arises from interest bearing financial instruments and reflects the possibility that changes in interest rate will adversely affect the value of the financial instruments and the related income. The Group manages the risk principally through monitoring interest rate gaps, matching the re-pricing profile of assets and liabilities and by having pre-approved limits for repricing brands. The ALCO monitors compliance with these limits and is assisted by the Risk Management Department for day to day monitoring of activities.

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

32. Financial risk management (continued)
Market risk (continued)
Exposure to interest rate risk (continued)

The following table depicts the interest rate sensitivity position and interest rate gap position based on contractual repricing arrangement as at 31 December 2014:

Interest Rate Sensitivity Gap:

	Less than 3 months	3 to 6 months	6 to12 months	One year +	Non interest sensitive	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Assets						
Cash and balances with the Central Bank of the U.A.E.	-	-	-	-	773,773	773,773
Deposits and balances due from banks	1,232,574	-	-	-	228,811	1,461,385
Loans and advances to customers	3,510,221	900,838	1,095,503	7,189,312	401,402	13,097,276
Financial assets at fair value through other comprehensive income	-	-	-	-	179,444	179,444
Financial assets measured at FVTPL	-	-	-	-	163,825	163,825
Financial assets measured at amortised cost	-	73,352	18,333	1,568,917	-	1,660,602
Property inventory	-	-	-	-	280,218	280,218
Interest receivable and other assets	-	-	-	-	1,738,520	1,738,520
Investment properties	-	-	-	-	114,116	114,116
Property and equipment	-	-	-	-	214,285	214,285
Total assets	4,742,795	974,190	1,113,836	8,758,229	4,094,394	19,683,444
Liabilities and Equity						
Deposits and balances due to banks	319,007	-	-	734,600	192,150	1,245,757
Customers' deposits	3,693,042	4,159,722	2,831,098	254,299	3,600,556	14,538,717
Interest payable and other liabilities	-	-	-	-	1,559,404	1,559,404
Total equity	-	-	-	-	2,339,566	2,339,566
Total liabilities and equity	4,012,049	4,159,722	2,831,098	988,899	7,691,676	19,683,444
Interest rate sensitivity gap	730,746	(3,185,532)	(1,717,262)	7,769,330	(3,597,282)	-
Cumulative interest rate sensitivity gap	730,746	(2,454,786)	(4,172,048)	3,597,282	-	-

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

32. Financial risk management (continued)
Market risk (continued)
Exposure to interest rate risk (continued)

The following table depicts the interest rate sensitivity position and interest rate gap position based on contractual repricing arrangement as at 31 December 2013:

Interest Rate Sensitivity Gap:

	Less than 3 months	3 to 6 months	6 to12 months	One year +	Non-interest sensitive	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Assets						
Cash and balances with the Central Bank of the U.A.E.	-	-	-	-	681,323	681,323
Deposits and balances due from banks	357,465	-	-	-	62,259	419,724
Loans and advances to customers	3,581,719	450,173	753,409	5,515,042	319,900	10,620,243
Financial assets at fair value through other comprehensive income	-	-	-	-	183,841	183,841
Financial assets measured at FVTPL	-	-	-	-	134,525	134,525
Financial assets measured at amortised cost	-	-	-	878,382	-	878,382
Property inventory	-	-	-	-	280,218	280,218
Interest receivable and other assets	-	-	-	-	1,306,777	1,306,777
Investment properties	-	-	-	-	121,260	121,260
Property and equipment	-	-	-	-	188,366	188,366
Total assets	3,939,184	450,173	753,409	6,393,424	3,278,469	14,814,659
Liabilities and Equity						
Deposits and balances due to banks	874,336	146,920	-	-	55,915	1,077,171
Customers' deposits	4,129,380	2,198,346	1,572,929	16,142	2,582,520	10,499,317
Interest payable and other liabilities	-	-	-	-	1,047,899	1,047,899
Total equity	-	-	-	-	2,190,272	2,190,272
Total liabilities and equity	5,003,716	2,345,266	1,572,929	16,142	5,876,606	14,814,659
Interest rate sensitivity gap	(1,064,532)	(1,895,093)	(819,520)	6,377,282	(2,598,137)	-
Cumulative interest rate sensitivity gap	(1,064,532)	(2,959,625)	(3,779,145)	2,598,137	-	-

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

32. Financial risk management (continued)

Market risk (continued)

Exposure to interest rate risk (continued)

Overall non-trading interest rate risk positions are managed by the Treasury and ALM departments, which use investment securities, advances to banks, deposits from banks and derivative instruments to manage the overall position arising from the Group's non-trading activities.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in a foreign currency. The Group's functional currency is the U.A.E. Dirham. The Board of Directors has set limits on positions by currency. Positions are closely monitored to ensure positions are maintained within established limits. At 31 December the Group had the following significant net exposure denominated in foreign currencies:

	Net spot position	**Forward position**	**Total 2014**	Total 2013
	AED'000	**AED'000**	**AED'000**	AED'000
Currency				
US Dollar	**2,757,641**	**(519,080)**	**2,238,561**	(67,133)
Great Britain Pound	**(55)**	**(33,217)**	**(33,272)**	26,499
Japanese Yen	**108**	**-**	**108**	(799)
Euro	**(32)**	**93,599**	**93,567**	53,134
Other	**163,691**	**461,397**	**625,088**	634,680

Other price risks

The Group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

Equity price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% higher/lower, profit for the year and other comprehensive income as at year end would have been higher/lower by AED 8 million and AED 9 million respectively, (2013: AED 7 million and AED 9 million).

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

33. Capital management

The Group's lead regulator, the Central Bank of the U.A.E., sets and monitors regulatory capital requirements.

The Group's objectives when managing capital are:

- To safeguard the Group's ability to continue as a going concern and to increase returns for shareholders; and
- To comply with regulatory capital requirements set by the Central Bank of the U.A.E.

In implementing current capital requirements, the Group calculates its capital adequacy ratio in accordance with the guidelines issued by the Central Bank of the U.A.E. that essentially prescribe that this is a ratio of capital to risk weighted assets.

Regulatory capital

The Central Bank of the U.A.E. sets and monitors capital requirements for the Group as a whole.

The Central Bank of the U.A.E. adopted Basel Two capital regime in November 2009. The Bank calculates its Capital Adequacy Ratio in line with guidelines issued by the Central Bank of the U.A.E. The minimum capital ratio prescribed by the Central Bank is 12% of Risk Weighted Assets (RWA) calculated as per the guidelines issued by them.

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

- Tier 1 capital, which includes paid-up share capital, retained earnings, reserves and non-controlling interests in the equity of subsidiaries less than wholly owned after deductions for goodwill and intangible assets, if any.
- Tier 2 capital, which includes general provisions (Collective allowance for impairment subject to a limit of 1.25% of RWA), qualifying subordinated liabilities and the element of the properties revaluation reserve (45%) and of investment revaluation reserve (45%) relating to unrealised gains on investments classified as financial assets measured at FVTOCI.

Various limits are applied to elements of the capital base. The qualifying tier 2 capital cannot exceed tier 1 capital; and qualifying term subordinated loan capital may not exceed 50 percent of tier 1 capital. The tier 1 capital must be 7% of RWA and Tier 2 Capital cannot be more than 67% of Tier 1 Capital.

The bank's RWA are weighted as to their relative credit, market, and operational risk. Credit risk includes both on and off-balance sheet risks. Market risk is defined as the risk of losses in on and off-balance sheet positions arising from movements in market prices and includes interest rate risk, foreign exchange risk, equity exposure risk, commodity risk, and options risk. Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. The bank is following the standardized measurement approach for credit, market and operational risk, as per Pillar 1 of Basel 2.

The Group and its individually regulated operations have 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 year.

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

33. Capital management (continued)

Regulatory capital (continued)

The Group's regulatory capital position is as follows:

Capital adequacy

		2014	2013
		AED'000	AED'000
Tier 1 capital			
Issued and paid up capital		1,654,651	1,575,858
Statutory and legal reserve		205,157	191,805
General reserve		130,445	117,093
Retained earnings		328,116	291,581
Non-controlling interest		466	483
Total		2,318,835	2,176,820
Tier 2 capital			
Allowance for collective impairment		210,294	113,687
Assets revaluation reserve		(44,239)	(45,068)
Total		166,055	68,619
Total capital base	**(A)**	2,484,890	2,245,439
Risk-weighted assets			
Credit risk		18,040,122	13,649,855
Market risk		318,540	179,334
Operational risk		1,281,991	755,464
Total risk-weighted assets	**(B)**	19,640,653	14,584,653
Risk asset ratio	**[(A)/(B) x 100]**	12.65%	15.40%

Capital allocation

The Group also assesses internally its capital requirements taking into consideration its growth requirements and business plans, and quantifies its regulatory and risk/economic capital requirements within its integrated ICAAP Framework. Risks such as interest rate risk on the banking book, concentration risk, stress testing, strategic risk, legal and compliance risk, and reputational risk are all part of the ICAAP.

The Group also calculates Risk Adjusted Return on Capital (RAROC) for credit applications that are priced on a risk-adjusted basis.

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

34. Classification of financial assets and liabilities

The table below sets out the Group's classification for each class of financial assets and liabilities and their carrying amounts as at 31 December 2014:

	At fair value through profit or loss	At fair value through other comprehensive income	At amortised cost	Total carrying amount
	AED'000	AED'000	AED'000	AED'000
2014				
Assets				
Cash and balances with the Central Bank of the U.A.E.	-	-	773,773	773,773
Deposits and balances due from banks	-	-	1,461,385	1,461,385
Loans and advances to customers	-	-	13,097,276	13,097,276
Financial assets at fair value through other comprehensive income	-	179,444	-	179,444
Financial assets at fair value through other profit or loss	163,825	-	-	163,825
Financial assets measured at amortised cost	-	-	1,660,602	1,660,602
Interest receivable and other assets	4,973	-	1,637,903	1,642,876
Total	168,798	179,444	18,630,939	18,979,181
Liabilities				
Customers' deposits	-	-	14,538,717	14,538,717
Deposits and balances due to banks	-	-	1,245,757	1,245,757
Interest payable and other liabilities	2,069	-	1,474,837	1,476,906
Total	2,069	-	17,259,311	17,261,380

Commercial Bank International PSC
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2014

34. Classification of financial assets and liabilities (continued)

The table below sets out the Group's classification for each class of financial assets and liabilities and their carrying amounts as at 31 December 2013:

	At fair value through profit or loss	At fair value through other comprehensive income	At amortised cost	Total carrying amount
	AED'000	AED'000	AED'000	AED'000
2013				
Assets				
Cash and balances with the Central Bank of the U.A.E.	-	-	681,323	681,323
Deposits and balances due from banks	-	-	419,724	419,724
Loans and advances to customers	-	-	10,620,243	10,620,243
Financial assets at fair value through other comprehensive income	-	183,841	-	183,841
Financial assets at fair value through other profit or loss	134,525	-	-	134,525
Financial assets measured at amortised cost	-	-	878,382	878,382
Interest receivable and other assets	4,169	-	1,207,795	1,211,964
Total	138,694	183,841	13,807,467	14,130,002
Liabilities				
Customers' deposits	-	-	10,499,317	10,499,317
Deposits and balances due to banks	-	-	1,077,171	1,077,171
Interest payable and other liabilities	271	-	1,000,169	1,000,440
Total	271	-	12,576,657	12,576,928

35. Approval of consolidated financial statements

The consolidated financial statements for the year ended 31 December 2014 were approved by the Board of Directors and authorized for issue on 3 February 2015.

Commercial Bank International PSC
P.O. Box 4449, Dubai,
United Arab Emirates.

Tel: +971 4 227 5265
Fax: +971 4 227 9038

cbiuae.com