Commercial Bank International P.S.C.

REVIEW REPORT AND INTERIM FINANCIAL INFORMATION

FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019

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Review report on the condensed consolidated interim financial information to the board of directors of Commercial Bank International P.S.C.

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Commercial Bank International P.S.C. ("the Bank") and its subsidiaries (together "the Group") as at 31 March 2019 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 – Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent auditor of the Entity". A review of condensed consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 – Interim Financial Reporting.

PricewaterhouseCoopers
21 April 2019

Mohamed ElBorno
Registered Auditor Number 946
Dubai, United Arab Emirates

Condensed consolidated statement of financial position

CBI

as at 31 March 2019

	Note	31 Mar 2019 AED '000 (unaudited)	31 Dec 2018 AED '000 (audited)[1] (restated)	1 Jan 2018 AED '000 (audited)[1] (restated)
Assets				
Cash and balances with the Central Bank of the UAE	8	**4,476,757**	3,740,658	2,088,872
Derivative financial instruments		**27,862**	29,659	20,761
Deposits and balances due from banks	9	**42,905**	1,262,855	817,007
Loans and advances to customers	10	**12,048,030**	12,694,349	12,610,527
Islamic financing and investing assets		**133,883**	205,736	265,466
Receivables and other assets		**2,542,404**	2,899,030	3,007,839
Property inventory		**447,544**	447,544	561,594
Investment securities measured at fair value	11	**61,525**	61,527	72,169
Investment securities measured at amortised cost	12	**1,164,740**	1,009,297	852,826
Investment in associates		**8,834**	9,534	53,477
Investment properties		**69,033**	69,988	182,630
Intangible assets		**67,748**	71,769	78,565
Property and equipment		**126,033**	217,811	168,418
Non-current asset held for sale		**69,403**	69,403	-
Total assets		**21,286,701**	22,789,160	20,780,151
Liabilities and equity				
Liabilities				
Balance due to the Central Bank of the UAE	8	-	60,874	-
Derivative financial instruments		**27,861**	30,107	20,619
Deposits and balances due to banks		**1,965,999**	1,832,506	1,082,342
Customers' deposits	13	**13,372,790**	14,617,625	13,160,647
Islamic customers' deposits		**682,123**	637,132	893,092
Payables and other liabilities		**2,798,795**	3,195,965	3,158,220
Liabilities associated with non-current asset held for sale		**13,323**	13,323	-
Total liabilities		**18,860,891**	20,387,532	18,314,920
Equity				
Share capital	14	**1,737,383**	1,737,383	1,737,383
Tier 1 Capital Securities	15	**459,125**	459,125	459,125
Reserves	16	**416,723**	397,366	285,826
Accumulated losses		**(187,727)**	(192,552)	(17,412)
Equity attributable to owners of the Bank		**2,425,504**	2,401,322	2,464,922
Non-controlling interests		**306**	306	309
Total equity		**2,425,810**	2,401,628	2,465,231
Total liabilities and equity		**21,286,701**	22,789,160	20,780,151

Mark T. [signature]

Mark Timothy Robinson
Chief Executive Officer

Mohammad Sultan Al Qadi
Chairman

[1] The impact of restatement in relation to IFRS 16 in comparative amounts presented is unaudited.

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

Condensed consolidated income statement

for the three months period ended 31 March

	Note	2019 AED '000 (unaudited)	2018 AED '000 (unaudited) (restated)
Interest income		**235,689**	209,785
Income from Islamic financing and investing assets		**4,155**	2,837
Total interest income and income from Islamic financing and investing assets		**239,844**	212,622
Interest expense		**(111,640)**	(82,032)
Distribution to Islamic depositors		**(4,602)**	(4,342)
Net interest income and income from Islamic financing and investing assets		**123,602**	126,248
Fee and commission income		**76,501**	67,715
Fee and commission expense		**(7,578)**	(6,695)
Net fee and commission income		**68,923**	61,020
Net gain from derecognition of financial asset measured at amortised cost		**-**	843
Other operating income, net	17	**15,027**	18,346
Net operating income		**207,552**	206,457
General and administrative expenses		**(90,640)**	(104,010)
Net impairment loss on financial assets	18	**(96,197)**	(39,491)
Net impairment loss on non-financial assets		**-**	(22,360)
Share of results of associates		**(700)**	(749)
Profit for the period from continuing operations		**20,015**	39,847
Loss from discontinued operations		**(29)**	(313)
Profit for the period		**19,986**	39,534
Profit for the period attributable to:			
Owners of the Bank		**19,986**	39,537
Non-controlling interests		**-**	(3)
Profit for the period		**19,986**	39,534
Basic and diluted earnings per share – continuing operations (AED)	20	**0.012**	0.023
Basic and diluted earnings per share – continuing and discontinued operations (AED)	20	**0.012**	0.023

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

for the three months period ended 31 March

	Note	2019 AED '000 (unaudited)	2018 AED '000 (unaudited) (restated)
Profit for the period		**19,986**	39,534
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		**201**	79
Revaluation of properties		**3,995**	-
Other comprehensive income for the period		**4,196**	79
Total comprehensive income for the period		**24,182**	39,613
Total comprehensive income attributable to:			
Owners of the Bank		**24,182**	39,616
Non-controlling interests		**-**	(3)
Total comprehensive income for the period		**24,182**	39,613

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

for the three months period ended 31 March

	Share capital AED '000	Tier 1 Capital Securities AED '000	Reserves AED '000	Accumulated losses AED '000	Equity attributable to owners of the Bank AED '000	Non-Controlling interests AED '000	Total AED '000
2019							
Balance as at 31 December 2018 - audited and restated	1,737,383	459,125	397,366	(192,552)	2,401,322	306	2,401,628
Profit for the period	-	-	-	19,986	19,986	-	19,986
Other comprehensive income for the period	-	-	4,196	-	4,196	-	4,196
Total comprehensive income for the period	-	-	4,196	19,986	24,182	-	24,182
Depreciation of properties revaluation reserve	-	-	(427)	427	-	-	-
Transfer on disposal of property and equipment	-	-	(3,995)	3,995	-	-	-
Transfer to specific provision reserve	-	-	19,583	(19,583)	-	-	-
Balance as at 31 March 2019 - unaudited	**1,737,383**	**459,125**	**416,723**	**(187,727)**	**2,425,504**	**306**	**2,425,810**

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

for the three months period ended 31 March

	Share capital AED '000	Tier 1 Capital Securities AED '000	Reserves AED '000	Accumulated losses AED '000	Equity attributable to owners of the Bank AED '000	Non-Controlling interests AED '000	Total AED '000
2018							
Balance as at 31 December 2017 - audited	1,737,383	459,125	285,826	(14,984)	2,467,350	309	2,467,659
Adjustments due to change in accounting policies resulting from:							
- IFRS 9	-	-	-	(213,892)	(213,892)	-	(213,892)
- IFRS 16 (note 2.2)	-	-	-	(2,428)	(2,428)	-	(2,428)
Balance as at 1 January 2018 - restated	1,737,383	459,125	285,826	(231,304)	2,251,030	309	2,251,339
Profit for the period	-	-	-	39,537	39,537	(3)	39,534
Other comprehensive income for the period	-	-	79	-	79	-	79
Total comprehensive income for the period	-	-	79	39,537	39,616	(3)	39,613
Depreciation of properties revaluation reserve	-	-	(719)	719	-	-	-
Balance as at 31 March 2018 - unaudited	1,737,383	459,125	285,186	(191,048)	2,290,646	306	2,290,952

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

for the three months period ended 31 March

	2019 AED '000 (unaudited)	2018 AED '000 (unaudited) (restated)
Cash flows from operating activities		
Profit for the period	**19,986**	39,534
Adjustments for:		
Depreciation of property and equipment	**6,852**	6,609
Depreciation of investment property	**955**	1,913
Amortisation of intangible assets	**4,191**	3,696
Impairment of financial assets	**96,197**	39,491
Impairment of non-financial assets	**-**	22,360
Write-off of property and equipment	**-**	3
Gain on disposal of investment properties	**-**	-
Amortisation of financial assets measured at amortised cost	**1,500**	1,318
Gain on disposal of financial assets measured at amortised cost	**-**	(843)
(Gain)/loss on financial assets measured at FVTPL	**455**	(852)
Dividend income	**-**	-
Share of results of associates	**700**	749
Provision for end of service benefits	**1,746**	1,838
	132,582	115,816
Changes in operating assets and liabilities:		
(Increase)/decrease in balances with the Central Bank of the UAE	**(1,108,532)**	49,721
Decrease/(increase) in deposits and balances due from banks	**183,665**	(73,450)
Decrease/(increase) in loans and advances to customers	**540,691**	(349,667)
Decrease in Islamic financing and investing assets	**70,480**	18,331
Decrease in property inventory	**-**	24,786
Decrease in receivables and other assets	**357,469**	325,903
Decrease in due to the central bank of the UAE	**(60,874)**	-
Increase in deposits and balances due to banks	**133,493**	121,847
Decrease in customers' deposits	**(1,244,835)**	(239,542)
Increase/(decrease) in Islamic customers' deposits	**44,991**	(179,543)
Decrease in payables and other liabilities	**(386,613)**	(307,986)
Cash used in operating activities	**(1,337,483)**	(493,784)
End of service benefits paid	**(3,277)**	(2,018)
Net cash used in operating activities	**(1,340,760)**	(495,802)
Cash flows from investing activities:		
Purchase of property and equipment	**(6,458)**	(4,288)
Purchase of intangible assets	**(170)**	-
Purchase of financial assets measured at amortised cost	**(159,161)**	(190,162)
Purchase of investment in associates	**-**	(2,975)
Proceeds from sale of property and equipment	**95,379**	-
Proceeds from sale/redemption of financial assets measured at amortised cost	**-**	37,642
Proceeds from disposal of financial assets measured at FVTOCI	**203**	860
Net cash (used in)/generated from investing activities	**(70,207)**	(158,923)

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

for the three months period ended 31 March

	Note	2019 AED '000 (unaudited)	2018 AED '000 (unaudited) (restated)
Net decrease in cash and cash equivalents		**(1,410,967)**	(654,725)
Cash and cash equivalents at the beginning of the period		**3,652,875**	1,987,589
Cash and cash equivalents at the end of the period	21	**2,241,908**	1,332,864
Operational cash flows from:			
Interest received		**748,555**	213,486
Income from Islamic financing and investing assets received		**1,142**	1,645
Interest paid		**73,756**	78,765
Distribution to Islamic depositors paid		**6,017**	3,750

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

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 is listed on the Abu Dhabi Exchange (Ticker "CBI"). The Bank carries on commercial banking activities through its branches in the United Arab Emirates ("the UAE").

These condensed consolidated financial statements incorporate the financial statements of the Bank and its subsidiaries as disclosed below (collectively referred to as the "Group").

Name	Principal activity	Principal place of business	Place of incorporation	% of ownership 2019	2018
International Financial Brokerage L.L.C. *	Brokerage	Dubai - the UAE	Dubai - the UAE	99.4	99.4
Takamul Real Estate L.L.C.	Real estate	Dubai - the UAE	Dubai - the UAE	100.0	100.0
Al Khaleejiah Property Investments LLC	Real estate	Sharjah - the UAE	Sharjah - the UAE	52.8	52.8
Al Caribi Development Limited	Real estate	Antigua and Barbuda	British Virgin Islands	95.0	95.0
Time Crystal Hotel Apartments FZ-LLC	Hotel	Dubai - the UAE	Dubai - the UAE	-	100.0
CBI Financial Services Limited	SPV	Dubai - the UAE	Cayman Islands	100.0	100.0
CBI Tier 1 Private Ltd	SPV	Dubai - the UAE	Cayman Islands	100.0	100.0

* *under liquidation*

2. Application of new and revised IFRSs

2.1 New and revised IFRSs applied with no material effect on the condensed consolidated financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2019, have been adopted in these condensed consolidated financial statements. The application of these revised IFRSs, except for IFRS 16, 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 IFRS 9 *Financial Instruments* regarding prepayment features with negative compensation and modifications of financial liabilities.
- Amendments to IAS 19 *Employee Benefits* regarding plan amendments, curtailments or settlements.
- Amendments to IAS 28 *Investments in Associates and Joint Ventures* regarding long-term interests in associates and joint ventures.
- Annual Improvements to IFRSs 2015 - 2017 Cycle amending IFRS 3 *Business Combinations*, IFRS 11 *Joint Arrangements*, IAS 12 *Income Taxes* and IAS 23 *Borrowings Costs*.
- IFRIC 23 *Uncertainty over Income Tax Treatments* clarifies the accounting for uncertainties in income taxes.

2. Application of new and revised IFRSs (continued)

2.2 Impact of application of IFRS 16 Leases

In the current period, the Group has applied IFRS 16 Leases in these condensed consolidated financial statements.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in note 3.6. The impact of the adoption of IFRS 16 on the Group's condensed consolidated financial statements is described below.

The date of initial application of IFRS 16 for the Group is 1 January 2019.

The Group has applied IFRS 16 using the full retrospective approach, with restatement of the comparative information.

2.2.1 Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered into or modified before 1 January 2018.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2018 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

2.2.2 Impact on lease accounting

Former operating leases

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet.

Applying IFRS 16, for all leases (except as noted below), the Group:

a) Recognises right-of-use assets and lease liabilities in the condensed consolidated statement of financial position, initially measured at the present value of future lease payments; and
b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the condensed consolidated statement of profit or loss.

2. Application of new and revised IFRSs (continued)

2.2 Impact of application of IFRS 16 Leases (continued)

2.2.2 Impact on lease accounting (continued)

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 *Impairment of Assets*. This replaces the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

Former finance leases

The main difference between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of residual value guarantees provided by a lessee to a lessor. IFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the Group's condensed consolidated financial statements.

2.2.3 Financial impact of initial application of IFRS 16

The table below shows the amount of adjustment for each financial statement line item affected by the application of IFRS 16 for the current and prior periods.

	Year ended 31 December 2018 AED ’000 (unaudited)	Three months period ended 31 March 2018 AED ’000 (unaudited)
Impact on profit/(loss) for the period:		
(Increase) in interest expense	(2,064)	(474)
(Increase)/Decrease in general and administrative expenses	(332)	81
(Decrease) in profit for the period	(2,396)	(393)
Impact on earnings per share:		
Basic and diluted		
Increase/(decrease) in earnings per share from continuing and discontinued operations	(0.001)	-
Increase/(decrease) in earnings per share from continuing operations	(0.001)	-

2. Application of new and revised IFRSs (continued)

2.2 Impact of application of IFRS 16 Leases (continued)

2.2.3 Financial impact of initial application of IFRS 16 (continued)

	As previously reported AED '000 (audited)	IFRS 16 adjustment AED '000 (unaudited)	As restated AED '000 (unaudited)
Impact on assets, liabilities and equity as at 1 January 2018:			
Property and equipment	130,458	37,960	168,418
Receivable and other assets	3,008,782	(943)	3,007,839
Net impact on total assets		**37,017**	
Payables and other liabilities	3,118,785	39,445	3,158,230
Net impact on total liabilities		**39,445**	
Accumulated losses	(14,984)	(2,428)	(17,412)
Net impact on total equity		**(2,428)**	
Impact on assets, liabilities and equity as at 31 December 2018:			
Property and equipment	167,745	50,066	217,811
Receivable and other assets	2,900,970	(1,940)	2,899,030
Net impact on total assets		**48,126**	
Payables and other liabilities	3,143,015	52,950	3,195,965
Net impact on total liabilities		**52,950**	
Accumulated losses	(187,728)	(4,824)	(192,552)
Net impact on total equity		**(4,824)**	

2.3 New and revised IFRSs in issue but not yet effective and not early adopted

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

2. Application of new and revised IFRSs (continued)

2.3 New and revised IFRSs in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	**Effective for annual periods beginning on or after**
The IASB has published its revised 'Conceptual Framework for Financial Reporting'. Included are revised definitions of an asset and a liability as well as new guidance on measurement and derecognition, presentation and disclosure. Together with the revised Conceptual Framework, the IASB has also issued amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.	1 January 2020
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Effective date deferred indefinitely
Amendments to IFRS 3 *Business Combinations* to clarify the definition of a business.	1 January 2020
IFRS 17 *Insurance Contracts* requires insurance liabilities to be measured at current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of consistent, principal based accounting for insurance contracts.	1 January 2021
Amendments to IAS 1 *Presentation of Financial Statements* regarding the definition of material.	1 January 2020

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's condensed consolidated financial statements for the period of initial application and adoption of these new standards, interpretations and amendments may have no material impact on the condensed consolidated financial statements of the Group in the period of initial application

3. Significant accounting policies

3.1 Basis of preparation

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are carried at fair value.

These condensed consolidated financial statements are prepared in accordance with IAS 34 - *Interim Financial Reporting* issued by the IASB.

The accounting policies used in the preparation of these condensed consolidated financial statements are consistent with those used in the audited consolidated financial statements for the year ended 31 December 2018 except for leases as described in note 2.2. Accounting policy for leases is disclosed in note 3.6

These condensed consolidated financial statements do not include all the information required for full annual consolidated financial statements and should be read in conjunction with the Group's consolidated financial statements as at and for the year ended 31 December 2018. In addition, results for the three months period ended 31 March 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

As required by the SCA Notification No. 2624/2008 dated 12 October 2008, accounting policies relating to financial assets and investment properties have been disclosed in the condensed consolidated financial statements.

3.2 Financial instruments

Financial assets and financial liabilities are recognised in the Group's condensed consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Recognised 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 FVTPL) 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 FVTPL are recognised immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, the Group will account for such difference as follows:

- if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised in profit or loss on initial recognition (i.e. day 1 profit or loss);
- in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

3. Significant accounting policies (continued)

3.3 Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at FVTOCI;
- all other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.

However, the Group may make the following irrevocable election / designation at initial recognition of a financial asset on an asset-by-asset basis:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in OCI; and
- the Group may irrevocably designate a debt instrument that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

3.3.1 Debt instruments at amortised cost or at FVTOCI

The Group assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Group's business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI).

For the purpose of the SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

3. Significant accounting policies (continued)

3.3 Financial assets (continued)

3.3.1 Debt instruments at amortised cost or at FVTOCI (continued)

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Group determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Group may have more than one business model for managing its financial instruments which reflect how the Group manages its financial assets in order to generate cash flows. The Group's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Group considers all relevant information available when making the business model assessment. However, this assessment is not performed on the basis of scenarios that the Group does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios. The Group takes into account all relevant evidence available such as:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- how managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Group determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Group reassesses its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the Group has not identified a change in its business models.

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

In the current and prior reporting period, the Group has not classified any debt instrument at FVTOCI. Further, in the current and prior reporting period the Group has not applied the fair value option and so has not designated debt instruments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

3. Significant accounting policies (continued)

3.3 Financial assets (continued)

3.3.2 Financial assets at FVTPL

Financial assets at FVTPL are:

- assets with contractual cash flows that are not SPPI; and/or
- assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Fair value is determined in the manner described in note 23.

3.3.3 Reclassifications

If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Group's financial assets. During the current financial year and previous accounting period there was no change in the business model under which the Group holds financial assets and therefore no reclassifications were made. Changes in contractual cash flows are considered under the accounting policy on 'Modification and derecognition of financial assets' see note 3.3.10.

3.3.4 Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss. Other exchange differences are recognised in OCI in the investments revaluation reserve;
- for financial assets measured at FVTPL that are not part of a designated hedge accounting relationship, exchange differences are recognised in profit or loss; and
- for equity instruments measured at FVTOCI, exchange differences are recognised in OCI in the investments revaluation reserve.

3.3.5 Impairment

The Group recognises loss allowances for expected credit losses (ECL) on the financial instruments that are not measured at FVTPL (including loan commitments and financial guarantee contracts). No impairment loss is recognised on equity investments.

With the exception of 'Purchased or Originated Credit-Impaired' (POCI) financial assets (which are considered separately below), ECL are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

3. Significant accounting policies (continued)

3.3 Financial assets (continued)

3.3.5 Impairment (continued)

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECL are measured at an amount equal to the 12-month ECL.

ECL are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

- for undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Group if the holder of the commitment draws down the loan and the cash flows that the Group expects to receive if the loan is drawn down; and
- for financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group expects to receive from the holder, the debtor or any other party.

The Group measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

3.3.6 Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event, instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group assesses whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Group considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default (see below) includes unlikeliness to pay indicators and a backstop if amounts are overdue for 90 days or more.

3. Significant accounting policies (continued)

3.3 Financial assets (continued)

3.3.7 Purchased or originated credit-impaired (POCI) financial assets

POCI financial assets are treated differently because the asset is credit-impaired at initial recognition. For these assets, the Group recognises all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognised in profit or loss. A favourable change for such assets creates an impairment gain.

3.3.8 Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECL and the identification of a significant increase in credit risk.

The Group considers the following as constituting an event of default:

- the borrower is past due more than 90 days on any material credit obligation to the Group; or
- the borrower is unlikely to pay its credit obligations to the Group in full.

The definition of default is appropriately tailored to reflect different characteristics of different types of assets. Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding.

When assessing if the borrower is unlikely to pay its credit obligation, the Group takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset, for example in corporate lending a qualitative indicator used is the breach of covenants, which is not relevant for retail lending. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Group uses a variety of sources of information to assess default which are either developed internally or obtained from external sources.

3.3.9 Significant increase in credit risk

The Group monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the loss allowance based on lifetime rather than 12-month ECL. The Group's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result, the Group monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Group's historical experience and expert credit assessment including forward-looking information.

3. Significant accounting policies (continued)

3.3 Financial assets (continued)

3.3.9 Significant increase in credit risk (continued)

Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine the ECL.

For corporate lending, forward-looking information includes the future prospects of the industries in which the Group's counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various internal and external sources of actual and forecast economic information. For retail lending, forward looking information includes the same economic forecasts as corporate lending with additional forecasts of local economic indicators, particularly for regions with a concentration to certain industries, as well as internally generated information of customer payment behaviour. The Group allocates its counterparties to a relevant internal credit risk grade depending on their credit quality. The quantitative information is a primary indicator of significant increase in credit risk and is based on the change in credit worthiness of borrowers measured by rating downgrade which result in higher PD as per staging criteria.

The PDs used are forward looking and the Group uses the same methodologies and data used to measure the loss allowance for ECL.

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis. However, the Group still considers separately some qualitative factors to assess if credit risk has increased significantly. For corporate lending there is particular focus on assets that are included on a 'watch list' given an exposure is on a watch list once there is a concern that the creditworthiness of the specific counterparty has deteriorated. For retail lending the Group considers the expectation of forbearance and payment holidays, credit scores and events such as unemployment, bankruptcy, divorce or death.

As a back-stop when an asset becomes 30 days past due, the Group considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL, unless the Group has reasonable and supportable information that demonstrates otherwise.

3.3.10 Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The Group renegotiates loans to customers in financial difficulty to maximise collection and minimise the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants.

3. Significant accounting policies (continued)

3.3 Financial assets (continued)

3.3.10 Modification and derecognition of financial assets (continued)

When a financial asset is modified the Group assesses whether this modification results in derecognition. In accordance with the Group's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Group considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or change of counterparty, the extent of change in interest rates, maturity and covenants. If these do not clearly indicate a substantial modification, then;
- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, with both amounts discounted at the original effective interest. If the difference in present value is substantial the Group deems the arrangement is substantially different leading to derecognition.

In the case where the financial asset is derecognised the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Group monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Group determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with
- the remaining lifetime PD at the reporting date based on the modified terms.

For financial assets modified as part of the Group's forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the Group's ability to collect the modified cash flows taking into account the Group's previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition the Group calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then the Group measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

3. Significant accounting policies (continued)

3.3 Financial assets (continued)

3.3.10 Modification and derecognition of financial assets (continued)

The Group derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred 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 in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain/loss allocated to it that had been recognised in OCI is recognised in profit or loss. A cumulative gain/loss that had been recognised in OCI is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

3.3.11 Write-off

Loans and debt securities are written off when the Group has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off, or in the case of retail loan, when the amounts are over 180 days past due, whichever occurs sooner. A write-off constitutes a derecognition event. The Group may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's enforcement activities will result in impairment gains.

3.3.12 Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- for debt instruments measured at FVTOCI: no loss allowance is recognised in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the investments revaluation reserve;

3. Significant accounting policies (continued)

3.3 Financial assets (continued)

3.3.12 Presentation of allowance for ECL in the statement of financial position (continued)

- for loan commitments and financial guarantee contracts: as a provision; and
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component, the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

3.4 Equity and financial liabilities

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.

3.4.1 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.

Repurchase of the Group's own equity instruments is recognised and deducted directly in equity. No gain/loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

3.4.2 Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group or a contract that will or may be settled in the Group's own equity instruments and is a non-derivative contract for which the Group is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Group's own equity instruments.

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

3.4.2.1 Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is 1) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, 2) held for trading, or 3) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing 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 a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

3. Significant accounting policies (continued)

3.4 Equity and financial liabilities (continued)

3.4.2 Financial liabilities (continued)

3.4.2.1 Financial liabilities at FVTPL (continued)

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities.

3.4.2.2 Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using 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 EIR 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.

3.4.3 Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability.

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 the straight line method over their estimated useful lives of 25 years.

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 'receivable and other assets'.

Investment properties are derecognised when either they have been disposed of 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 Leases

3.6.1 The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented in 'payables and other laibilities' in the condensed consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

3. Significant accounting policies (continued)

3.6 Leases (continued)

3.6.1 The Group as lessee (continued)

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented in 'property and equipment' in the condensed consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

3.6.2 The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

3. Significant accounting policies (continued)

3.6 Leases (continued)

3.6.2 The Group as lessor (continued)

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.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

4. Estimates and judgments

The preparation of condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the audited consolidated financial statements as at and for the year ended 31 December 2018.

5. Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the audited annual consolidated financial statements as at and for the year ended 31 December 2018.

6. Basis for consolidation

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

- power over an investee,
- exposures, or rights, to variable returns from its involvement with the investee, and
- has the ability to use its power to affect its returns.

The condensed financial statements of subsidiaries are prepared using similar policies as those used by the Bank.

All significant inter-group company balances, income and expense items are eliminated on consolidation.

7. Seasonality of results

No income of seasonal nature was recorded in the condensed consolidated financial statements for the three months periods ended 31 March 2019 and 2018.

8. Cash and balances with the Central Bank of the UAE

In the table below, statutory cash ratio requirements with the Central Bank of the UAE represent mandatory reserve deposits and are not available for use in the Group's day-to-day operations. Cash on hand and current accounts and other balances are non-interest bearing. Certificates of deposit carry interest rates ranging between 2.25% and 2.60% per annum (2018: 1.68% and 2.60% per annum).

8. Cash and balances with the Central Bank of the UAE (continued)

	2019 AED '000 (unaudited)	2018 AED '000 (audited) (restated)
Cash on hand	**103,236**	171,436
Balances with the Central Bank of the UAE:		
Current account	**295,767**	-
Statutory cash ratio requirements	**777,754**	669,222
Certificates of deposit	**3,300,000**	2,900,000
	4,476,757	3,740,658
Balance due to the Central Bank of the UAE:		
Current account	**-**	60,784

9. Deposits and balances due from banks

	2019 AED '000 (unaudited)	2018 AED '000 (audited) (restated)
Demand and call deposit	**42,905**	105,302
Term deposits	**-**	1,159,802
Islamic investment deposits	**-**	-
	42,905	1,265,104
Less: ECL allowance	**-**	(2,249)
	42,905	1,262,855

10. Loans and advances to customers

	2019 AED '000 (unaudited)	2018 AED '000 (audited) (restated)
Retail lending:		
Mortgage loans	**1,135,056**	1,159,495
Credit cards	**153,806**	165,173
Other	**1,517,394**	1,767,266
	2,806,256	3,091,934
Less: ECL allowance	**(100,985)**	(96,203)
	2,705,271	2,995,731
Corporate lending:		
Loans	**7,917,858**	8,014,934
Overdrafts	**1,132,988**	1,183,066
Trust receipts	**446,890**	441,157
Bills discounted	**350,730**	476,375
	9,848,466	10,115,532
Less: ECL allowance	**(505,707)**	(416,914)
	9,342,759	9,698,618
	12,048,030	12,694,349

11. Investment securities measured at fair value

The Group has designated the following investments in equity instruments and investment fund at FVTOCI as these are the investments that the Group plans to hold in the long term for strategic reasons. The table below shows fair value of these investments.

	2019 AED '000 (unaudited)	2018 AED '000 (audited) (restated)
Investment in quoted shares	**16,004**	16,004
Investment in unquoted shares	**42,826**	42,828
Investment in unquoted investment fund	**2,695**	2,695
	61,525	61,527

12. Investment securities measured at amortised cost

The table below shows investment securities at amortised cost held by the Group at the end of the reporting period. The Group holds these investment securities with an average yield of 2.4% to 7.4% per annum (2018: 2.4% to 7.4% per annum). The investment securities are redeemable at par on various maturity dates from 2020 to 2027 (2017: 2020 to 2027).

	2019 AED '000 (unaudited)	2018 AED '000 (audited) (restated)
Investment in debt instrument	**911,264**	753,521
Investment in Islamic Sukuk	**256,134**	256,216
	1,167,398	1,009,737
Less: ECL allowance	**(2,658)**	(440)
	1,164,740	1,009,297

13. Customers' deposits

	2019 AED '000 (unaudited)	2018 AED '000 (audited) (restated)
Current accounts	**3,133,854**	3,808,925
Savings accounts	**866,857**	629,178
Time deposits	**9,096,499**	9,875,766
Other	**275,580**	303,756
	13,372,790	14,617,625

14. Share capital

The authorised, issued, and paid up capital of the Bank comprises 1,737,383,050 shares of AED 1 each (2018: 1,737,383,050 shares of AED 1 each). Fully paid up shares carry one vote per share and carry a right to dividends.

15. Tier 1 Capital Securities

On 23 December 2015, the Bank issued Tier 1 Capital Securities (the "Capital Securities") through an SPV, CBI Tier 1 Private Ltd, (the "Issuer") amounting to USD 125 million (AED 459.125 million). These Capital Securities are perpetual and carry an interest rate of 6.50 % (calculated based on the relevant Six- Years Mid Swap Rate plus 4.71 percent per annum) during the "initial period". After the initial period, at every reset date, interest would be calculated for the next reset period at the relevant Six-Year Mid Swap Rate plus a margin of 4.71 percent per annum. Interest is payable semi-annually in arrears on these Capital Securities. The "Initial Period" is the period (from and including) the Issue Date to (but excluding) the First Call Date. The "Reset Date" is the First Call Date and every sixth anniversary thereafter. These Capital Securities are callable by the Bank beginning from 23 December 2021 "First Call date" and every interest payment date thereafter.

Tier 1 Capital Securities are perpetual, subordinated and unsecured. The Bank may elect not to pay a coupon at its own discretion. The holder of the Capital Securities does not have a right to claim the coupon and an election by the Bank not to service the coupon is not considered an event of default.

16. Reserves

The movements in the reserves during the period were as follows:

	Statutory reserve AED '000	General reserve AED '000	Properties revaluation reserve AED '000	Investment revaluation reserve AED '000	Specific provision reserve AED '000	Total AED '000
2019						
As at 1 January (audited)	257,674	22,551	27,178	(43,870)	133,833	397,366
Other comprehensive income/(loss)	-	-	3,995	201	-	4,196
Transfers	-	-	(3,995)	-	19,583	15,588
Depreciation of properties revaluation reserve	-	-	(427)	-	-	(427)
As at 31 March (unaudited)	**257,674**	**22,551**	**26,751**	**(43,669)**	**153,416**	**416,723**
2018						
As at 1 January (audited)	235,123	17,459	72,950	(39,706)	-	285,826
Other comprehensive income/(loss)	-	-	-	79	-	79
Depreciation of properties revaluation reserve	-	-	(719)	-	-	(719)
As at 31 March (unaudited)	235,123	17,459	72,231	(39,627)	-	285,186

17. Other operating income, net

	2019 AED '000 (unaudited)	2018 AED '000 (unaudited) (restated)
Foreign exchange gains	**12,829**	13,469
Net (loss)/income from financial assets at FVTPL	**(455)**	852
Other	**2,653**	4,025
	15,027	18,346

18. Net impairment loss on financial assets

	2019 AED '000 (unaudited)	2018 AED '000 (unaudited) (restated)
Net ECL charge for the period	**103,106**	48,911
Recoveries against written off loans	**(8,014)**	(9,546)
Bad debts written off	**80**	126
Other	**1,025**	-
	96,197	39,491

19. Contingent liabilities and commitments

	2019 AED '000 (unaudited)	2018 AED '000 (audited) (restated)
Letters of credit and guarantees:		
Guarantees	**3,458,886**	3,160,482
Letters of credit	**530,845**	316,824
	3,989,731	3,477,306
Other commitments:		
Loan Commitments	**2,494,092**	2,487,308
Capital commitments	**3,913**	3,359
	2,498,005	2,490,667

20. Basic and diluted earnings per share

Earnings per share are calculated by dividing the profit for the period attributed to the owners of the Bank by the weighted average number of shares in issue throughout the period as follows:

	From continuing operations		From continuing and discontinued operations	
	2019 (unaudited)	2018 (unaudited) (restated)	2019 (unaudited)	2018 (unaudited) (restated)
Profit for the period attributable to owners of the Bank (AED'000)	**20,015**	39,847	**19,986**	39,537
Weighted average number of shares in issue ('000)	**1,737,383**	1,737,383	**1,737,383**	1,737,383
Basic and diluted earnings per share (AED)	**0.012**	0.023	**0.012**	0.023

21. Cash and cash equivalents

Cash and cash equivalents included in the condensed consolidated statement of cash flows comprise the following:

	31 March 2019 AED '000 (unaudited)	31 December 2018 AED '000 (audited) (restated)	31 March 2018 AED '000 (unaudited) (restated)
Cash and balances with the Central Bank of the UAE	**4,476,757**	3,740,658	1,714,871
Deposits and balances due from banks	**42,905**	1,265,104	560,012
	4,519,662	5,005,762	2,274,883
Less: Statutory reserve with the Central Bank of the UAE	**(777,754)**	(669,222)	(668,569)
Less: CDs with original maturity of more than 90 days	**(1,500,000)**	(500,000)	(200,000)
Less: Deposits and balances due from bank with an original maturity of more than90 days	**-**	(183,665)	(73,450)
	2,241,908	3,652,875	1,332,864

22. 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 IAS 24 *Related Party Disclosures*. Related parties comprise companies under common ownership and/or common management and control, their shareholders and key management personnel. Transactions with associate and other related parties are made on substantially the same terms, as those prevailing at the same time for comparable transactions with external customers and parties.

22. Related party transactions (continued)

b) Related party balances at the end of the reporting period were as follows:

	Terms %	2019 AED '000 (unaudited)	2018 AED '000 (audited) (restated)
Subsidiaries			
Financial guarantee contract		**25,000**	25,000
Associate			
Loans and advances to customers	**5.0**	**43,129**	43,129
Key management personnel			
Loans and advances to customers	**2.75 - 3.0**	**12,106**	12,377
Customers' deposits	**2.5**	**3,063**	5,122
Other related parties			
Loans and advances to customers	**6.0 - 13.0**	**495,898**	516,984
Deposits and balances due from banks	**-**	**1,136**	1,066
Deposits and balances due to banks	**1.9**	**43,316**	73,942
Customers' deposits	**3.0**	**250,145**	251,337
Interest rate swaps (Notional amount)	**-**	**36,730**	36,730
Tier 1 capital securities	**6.5**	**459,125**	459,125

c) Significant transactions with related parties during the period were as follows:

	2019 AED '000 (unaudited)	2018 AED '000 (unaudited) (restated)
Associate		
Interest income	**749**	656
Key management personnel		
Interest income	**89**	57
Interest expense	**24**	66
Directors' expenses	**298**	1,889
Compensation of key management personnel	**4,205**	4,067
Other related parties		
Interest income	**5,851**	4,388
Interest expense	**1,913**	1,736

23. Fair value of financial instruments

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

23.1 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 investments measured at fair value through profit or loss and at fair value through other comprehensive income 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 is mainly based on market approach based valuation technique using price/book value multiple of trading peers and precedent transactions. These price/book values multiples and precedent transactions are unobservable inputs; and
- Fair value of all derivatives is calculated using discounted cash flows. 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. Derivatives are measured using quoted rates and yield curves derived from quoted rates matching maturities of the contracts.

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

	Level 1		Level 3	
	2019 AED '000 (unaudited)	**2018 AED '000 (audited) (restated)**	**2019 AED '000 (unaudited)**	**2018 AED '000 (audited) (restated)**
Financial assets at fair value through other comprehensive income				
Equity shares	**16,004**	16,004	**42,826**	42,828
Investment funds	**-**	-	**2,695**	2,695
	16,004	16,004	**45,521**	45,523

	Level 2	
	2019 AED '000 (unaudited)	**2018 AED '000 (audited) (restated)**
Financial assets at fair value through profit or loss		
Positive fair value of derivatives financial assets	**27,862**	29,659
Financial liabilities at fair value through profit or loss		
Negative fair value of derivatives financial assets	**26,751**	30,107

For level 3 fair valuation, the higher the unobservable input of price/book value multiple, the higher the fair value. The price/book value multiple used in valuation ranges between AED 1.29 to AED 2.42 (2018: AED 1.29 to AED 2.42). There were no transfers between Level 1 and 2 during the periods ended 31 March 2019 and 2018.

23. Fair value of financial instruments (continued)

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

Reconciliation of Level 3 fair value measurements of financial assets

	2019 AED '000 (unaudited)	2018 AED '000 (audited) (restated)
Balance at the beginning of the period/year	**45,523**	54,477
Total losses in other comprehensive income	**201**	(2,476)
Redemption	**(203)**	(6,478)
	45,521	45,523

The financial liabilities subsequently measured at fair value are classified as level 2 in the fair value hierarchy. There are no financial liabilities classified as fair value as level 3 in the fair value hierarchy.

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

23.2 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	
	2019 AED '000 (unaudited)	2018 AED '000 (audited) (restated)	2019 AED '000 (unaudited)	2018 AED '000 (audited) (restated)
Investment securities measured at amortised cost	**1,167,398**	1,009,297	**1,141,548**	957,459

24. Operating segments

Operating Segments are identified on the basis of internal reports about the components of the Group that are regularly reviewed by the Group's CEO in order to allocate resources to the segment and to assess its performance. The Group's reportable segments under IFRS 8 are therefore as follows:

- Wholesale banking;
- Retail banking;
- Treasury;
- Real estate (financial position and results of real estate subsidiary TRE);
- Other

24. Operating segments (continued)

The segmental information provided to the Group's CEO for the reportable segments for the period ended 31 March 2019 and 31 March 2018 were as follows:

	Wholesale banking AED '000	Retail banking AED '000	Treasury AED '000	Real estate AED '000	Other AED '000	Total AED '000
Three months period ended 31 March 2019 (unaudited)						
Net interest income from external customers	64,333	51,443	4,911	-	2,915	**123,602**
Inter-segmental net interest income	1,869	-	-	(1,869)	-	**-**
Fee and commission income	51,166	25,335	-	-	-	**76,501**
Fee and commission expense	(2,252)	(4,892)	(285)	-	(149)	**(7,578)**
Other operating income, net	4,639	6,018	2,834	1,476	60	**15,027**
Impairment losses and provisions, net	(60,816)	(35,412)	31	-	-	**(96,197)**
General and administrative expenses excluding depreciation and amortisation	(11,303)	(29,085)	(1,236)	(1,986)	(40,178)	**(83,788)**
Depreciation and amortisation	(657)	(2,755)	(72)	(319)	(3,049)	**(6,852)**
Share of results of associates	(700)	-	-	-	-	**(700)**
Loss from discontinued operations	-	-	-	-	(29)	**(29)**
Profit/(loss) for the period	**46,279**	**10,652**	**6,183**	**(2,698)**	**(40,430)**	**19,986**
As at 31 March 2019 (unaudited)						
Assets	11,793,137	2,841,793	5,858,736	313,461	479,574	**21,286,701**
Liabilities	10,439,890	5,816,136	1,993,860	1,576	609,429	**18,860,891**

Non-current asset held for sale and associated liabilities are presented in 'Wholesale banking' segment.

24. Operating segments (continued)

	Wholesale banking AED '000	Retail banking AED '000	Treasury AED '000	Real estate AED '000	Other AED '000	Total AED '000
Three months period ended 31 March 2018 (unaudited) (restated)						
Net interest income from external customers	62,569	58,464	2,466	-	2,749	**126,248**
Inter-segmental net interest income	2,250	-	-	(2,250)	-	**-**
Fee and commission income	45,371	22,344	-	-	-	**67,715**
Fee and commission expense	(2,336)	(4,252)	(85)	-	(22)	**(6,695)**
Other operating income, net	9,199	3,336	5,115	2,338	(799)	**19,189**
Impairment losses and provisions, net	(7,611)	(48,870)	-	(5,370)	-	**(61,851)**
General and administrative expenses excluding depreciation and amortisation	(10,434)	(34,003)	(1,386)	(1,403)	(44,635)	**(91,861)**
Depreciation and amortisation	(857)	(4,150)	(90)	(1,913)	(5,139)	**(12,149)**
Share of results of associates	(749)	-	-	-	-	**(749)**
Loss from discontinued operations	-	-	-	-	(313)	**(313)**
Profit/(loss) for the period	**97,402**	**(7,131)**	**6,020**	**(8,598)**	**(48,159)**	**39,534**
As at 31 December 2018 (audited) (restated)						
Assets	12,565,201	3,166,634	6,139,359	405,460	512,506	**22,789,160**
Liabilities	11,702,705	6,160,610	1,923,487	4,003	596,727	**20,387,532**

The Group conducted all of its operation in the UAE, there is no operation outside the UAE apart from non-current asset held for sale and associated liabilities.

25. Capital management

The Group's capital management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2018.

Regulatory capital

The Bank calculates its Capital Adequacy Ratio in line with guidelines issued by the Central Bank of the UAE. The Group's regulatory capital position at the end of reporting period under Basel III is as follows:

25. Capital management (continued)

	2019 AED '000 (unaudited)	2018 AED '000 (audited) (restated)
CET1 capital	**1,766,097**	1,762,541
AT1 capital	**459,125**	459,125
T2 capital	**186,212**	197,757
Total capital base	**2,411,434**	2,419,423
Credit risk	**14,896,975**	15,820,583
Market risk	**13,338**	14,257
Operational risk	**1,494,604**	1,410,174
Total risk weighted assets	**16,404,917**	17,245,015
CET1 capital ratio	**10.77%**	10.22%
Tier 1 capital ratio	**13.56%**	12.88%
Total capital ratio	**14.70%**	14.03%

26. Approval of the condensed consolidated financial statements

The condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 21 April 2019.

Glossary of abbreviations

AED	United Arab Emirates Dirham
AKPI	Al Khaleejiah Property Investments LLC
AT1	Additional Tier 1
Basel III	Basel III: International regulatory framework for banks
CBI	Commercial Bank International PSC
CDs	Certificates of Deposit
CEO	Chief Executive Officer
CET1	Common Equity Tier 1
ECL	Expected Credit Losses
EIR	Effective Interest Rate
EPS	Earnings Per Share
FVTOCI	Fair Value Through Other Comprehensive Income
FVTPL	Fair Value Through Profit or Loss
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IASs	International Accounting Standards
IFB	International Financial Brokerage LLC
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard
IFRSs	International Financial Reporting Standards
LGD	Loss Given Default
LLC	Limited Liability Company
OCI	Other Comprehensive Income
PD	Probability of Default
POCI	Purchased or Originated Credit Impaired
SCA	Securities and Commodities Authority of the UAE
SIC	Standard Interpretations Committee
SPPI	Solely Payments of Principal and Interest on the principal amount outstanding
SPV	Special Purpose Vehicle
T2	Tier 2
TCHA	Time Crystal Hotel Apartments FZ-LLC
the UAE	the United Arab Emirates
TRE	Takamul Real Estate LLC