



COMMERCIAL BANK OF DUBAI P.S.C.

(incorporated with limited liability in the Emirate of Dubai, United Arab Emirates)

U.S.\$600,000,000 Perpetual Additional Tier 1 Capital Securities

The U.S.\$600,000,000 Perpetual Additional Tier 1 Capital Securities (the "**Capital Securities**") shall be issued by Commercial Bank of Dubai P.S.C. (the "**Issuer**" or "**CBD**") on 21 October 2020 (the "**Issue Date**"). Interest Payment Amounts (as defined in the Conditions) shall be payable subject to and in accordance with terms and conditions set out in the "*Terms and Conditions of the Capital Securities*" (the "**Conditions**") on the Prevailing Principal Amount (as defined in the Conditions) of the Capital Securities from (and including) the Issue Date to (but excluding) 21 October 2026 (the "**First Reset Date**") at a rate of 6.000 per cent. per annum. If the Capital Securities are not redeemed in accordance with the Conditions on or prior to the First Reset Date, Interest Payment Amounts shall continue to be payable from (and including) the First Reset Date subject to and in accordance with the Conditions at a fixed rate, to be reset on the First Reset Date and every six years thereafter, equal to the Relevant Six-Year Reset Rate (as defined in the Conditions) plus a margin of 5.597 per cent. per annum. Interest Payment Amounts will (subject to the occurrence of a Non-Payment Event (as defined in, and as more particularly provided in, Condition 6.1 (*Interest Cancellation – Non-Payment Event*))) be payable semi-annually in arrear on 21 April and 21 October in each year, commencing on 21 April 2021 (each, an "**Interest Payment Date**"). Payments on the Capital Securities will be made free and clear of, without withholding or deduction for, or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature, imposed, levied, collected, withheld or assessed by or within the Tax Jurisdiction (as defined in the Conditions) (the "**Taxes**") to the extent described under Condition 12 (*Taxation*). All payments by the Issuer in respect of the Capital Securities shall be conditional upon satisfaction of the Solvency Conditions (as defined in the Conditions) and no bankruptcy order in respect of the Issuer having been issued by a court in the United Arab Emirates, as more particularly described in Condition 4 (*Status and Subordination*) (see, in particular, "*Risk Factors – Factors which are material for the purpose of assessing the risks associated with the Capital Securities – The Capital Securities are subordinated, conditional and unsecured obligations of the Issuer*").

If a Non-Viability Event (as defined in the Conditions) occurs, a Write-down (as defined in the Conditions) shall occur on the relevant Non-Viability Event Write-down Date (as defined in the Conditions), as more particularly described in Condition 10 (*Write-down at the Point of Non-Viability*). In such circumstances, the Capital Securities shall automatically be deemed to be irrevocably and unconditionally written-down by the relevant Write-down Amount (as defined in the Conditions) and, in the case of the Write-down Amount corresponding to the full Prevailing Principal Amount of the Capital Securities then outstanding, the Capital Securities shall be cancelled (see "*Risk Factors – Factors which are material for the purpose of assessing the risks associated with the Capital Securities – The right to receive repayment of the principal amount of the Capital Securities and the right for any further interest will be permanently written-down upon the occurrence of a Non-Viability Event*").

The Issuer may elect, in its sole discretion, and in certain circumstances shall be required, not to pay interest falling due on the Capital Securities. Any Interest Payment Amounts not paid as aforesaid will not accumulate and the holder of a Capital Security shall not have any claim in respect thereof.

The Capital Securities are undated and have no final maturity. Unless the Capital Securities have previously been redeemed or purchased and cancelled as provided in the Conditions, the Capital Securities may, at the option of the Issuer, subject to the prior approval of the Regulator (as defined in the Conditions), be redeemed (in whole but not in part) at the Early Redemption Amount (as defined in the Conditions) on 21 April 2026 and on any date thereafter up to and including the First Reset Date or on any Interest Payment Date following the First Reset Date. In addition, the Capital Securities may, upon the occurrence of a Tax Event or Capital Event (each as defined in the Conditions), be redeemed (in whole but not in part) at the Tax Redemption Amount or the Capital Event Redemption Amount (each as defined in the Conditions), respectively, subject to the prior approval of the Regulator and subject to the Conditions.

The payment obligations of the Issuer under the Capital Securities (i) constitute direct, unsecured, conditional (as described in Conditions 4.2(b) (*Subordination of the Capital Securities*) and 4.3 (*Solvency Conditions*)) and subordinated obligations of the Issuer that rank *pari passu* and without preference or priority amongst themselves; (ii) rank subordinate and junior to all Senior Obligations (as defined in the Conditions) (but not further or otherwise); (iii) rank *pari passu* with all *Pari Passu* Obligations (as defined in the Conditions); and (iv) rank in priority only to all Junior Obligations (as defined in the Conditions). **Notwithstanding any other provisions in the Conditions, to the extent that any of the Solvency Conditions are not satisfied at the relevant time or if a bankruptcy order in respect of the Issuer has been issued by a court in the United Arab Emirates, all claims of the holders of the Capital Securities under the Capital Securities will be extinguished and the Capital Securities will be cancelled without any further payment to be made by the Issuer under the Capital Securities.**

Upon the occurrence of an Enforcement Event (as defined in the Conditions), any holder of the Capital Securities may give written notice to the Issuer at the specified office of the Fiscal Agent (as defined in the Conditions), effective upon the date of receipt thereof by the Fiscal Agent, that such Capital Security is due and payable, whereupon the same shall, subject to Condition 10 (*Write down at the point of Non-Viability*) and Condition 11.4 (*Enforcement Events – Restrictions*) become forthwith due and payable at its Early Redemption Amount (as defined in the Conditions), without presentation, demand, protest or other notice of any kind.

An investment in the Capital Securities involves certain risks. For a discussion of these risks, see "*Risk Factors*".

The Capital Securities may only be offered, sold or transferred in registered form in minimum principal amounts of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. Delivery of the Capital Securities in book-entry form will be made on the Issue Date. The Capital Securities will be represented by interests in a global certificate in registered form (the "**Global Certificate**") deposited on or about the Issue Date with, and registered in the name of a nominee for, a common depository (the "**Common Depository**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). Interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg. Individual Certificates (as defined in the Conditions) evidencing holdings of interests in the Capital Securities will be issued in exchange for interests in the Global Certificate only in certain limited circumstances described herein.

This Prospectus has been approved by the Central Bank of Ireland (the "**CBI**") as competent authority under Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). The CBI only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer or of the quality of the Capital Securities that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Capital Securities.

Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin ("**Euronext Dublin**") for the Capital Securities to be admitted to the official list of Euronext Dublin (the "**Irish Official List**") and to trading on Euronext Dublin's regulated market (the "**Regulated Market**").

This Prospectus has been approved by the Dubai Financial Services Authority (the "**DFSA**") under Rule 2.6 of the DFSA's Markets Rules (the "**Markets Rules**") and is therefore an approved prospectus for the purposes of Article 14 of the DIFC Law No. 1 of 2012 (the "**Markets Law**"). Application has also been made to the DFSA for the Capital Securities to be admitted to the official list of securities maintained by the DFSA (the "**DFSA Official List**") and to Nasdaq Dubai for such Capital Securities to be admitted to trading on Nasdaq Dubai.

This Prospectus relates to an Exempt Offer in accordance with the Markets Rules of the DFSA. This Prospectus is intended for distribution only to persons of a type specified in the Markets Rules. It must not be delivered to, or relied on by, any other person. The DFSA does not accept any responsibility for the content of the information included in this Prospectus, including the accuracy or completeness of such information. The liability for the content of this Prospectus lies with the Issuer. The DFSA has also not assessed the suitability of the Capital Securities to which this Prospectus relates to any particular investor or type of investor. If you do not understand the contents of this Prospectus or are unsure whether the Capital Securities to which this Prospectus relates are suitable for your individual investment objectives and circumstances, you should consult an authorised financial advisor.

References in this Prospectus to Capital Securities being "**listed**" (and all related references) shall mean that such Capital Securities have been: (a) admitted to listing on the Irish Official List and the DFSA Official List; and (b) admitted to trading on the Regulated Market (which is a regulated market for the purposes of Directive 2014/65/EU, as amended ("**MiFID II**")) and on Nasdaq Dubai.

This Prospectus will be valid for a year from 19 October 2020. The obligation to supplement this Prospectus in the event of significant new factors, material mistakes or material inaccuracies will not apply when this Prospectus is no longer valid. For the purposes of this Prospectus, "**valid**" means valid for admissions to trading on a regulated market (for the purposes of MiFID II) by or with the consent of the Issuer and the obligation to supplement this Prospectus is only required within its period of validity between the time when this Prospectus is approved and the closing of the offer period for the Capital Securities or the time when trading on a regulated market begins, whichever occurs later.

Amounts payable under the Capital Securities, following the First Reset Date, will be calculated by reference to rates for U.S. Treasury securities which are published by the U.S. Federal Reserve System. As at the date of this Prospectus, the U.S. Department of Treasury does not appear on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("**ESMA**") pursuant to Article 36 of Regulation (EU) 2016/1011 (the "**Benchmarks Regulation**"). As far as the Issuer is aware, the U.S. Department of Treasury does not fall within the scope of the Benchmarks Regulation by virtue of article 2 of the Benchmarks Regulation.

The Issuer has been assigned long term issuer ratings of A- with a stable outlook by Fitch Ratings Ltd. ("**Fitch**") and Baa1 with a negative outlook by Moody's Investors Service Cyprus Ltd. ("**Moody's**"). As at the date of this Prospectus, the Capital Securities are not rated. Each of Fitch and Moody's are established in the European Union ("**EU**") or the United Kingdom (the "**UK**") and registered under Regulation (EC) No. 1060/2009 (as amended, the "**CRA Regulation**"). As such, each of Fitch and Moody's are included in the list of credit rating agencies published by ESMA on its website at <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk> in accordance with the CRA Regulation.

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Capital Securities have not been, nor will be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Capital Securities may be offered or sold solely to persons who are not U.S. Persons outside the United States in reliance on Regulation S. Each purchaser of the Capital Securities is hereby notified that the offer and sale of Capital Securities to it is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Regulation S.

Joint Structuring Agents and Joint Global Coordinators

Citigroup

Standard Chartered Bank

Joint Lead Managers and Joint Bookrunners

Barclays
Emirates NBD Capital
Nomura

Citigroup
First Abu Dhabi Bank
Standard Chartered Bank

The date of this Prospectus is 19 October 2020

IMPORTANT NOTICE

This Prospectus complies with the requirements in Part 2 of the Markets Law and Chapter 2 of the Markets Rules and comprises a prospectus for the purposes of the Prospectus Regulation.

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and this Prospectus makes no omission likely to affect its import.

Certain information contained in this Prospectus has been extracted from independent, third party sources. The Issuer confirms that all third party information contained in this Prospectus has been accurately reproduced and that, as far as it is aware and is able to ascertain from information published by the relevant third party sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information contained in this Prospectus is stated where such information appears in the Prospectus.

The accuracy or completeness of the information contained or incorporated by reference in this Prospectus has not been independently verified by Barclays Bank PLC, Citigroup Global Markets Limited, Emirates NBD Bank PJSC, First Abu Dhabi Bank PJSC, Nomura International plc and Standard Chartered Bank (together, the "**Joint Lead Managers**") or any of their respective directors, officers, affiliates, advisers or agents. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Lead Managers, their affiliates or any of their respective directors, officers, advisers or agents: (i) as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer in connection with the Capital Securities or their distribution; or (ii) for any acts or omissions of the Issuer or any other person in connection with the Prospectus or the issue and offering of the Capital Securities. The Joint Lead Managers do not accept any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection with the Capital Securities or their distribution.

No person is or has been authorised by the Issuer or the Joint Lead Managers to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the issuance of the Capital Securities and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Joint Lead Managers.

Neither this Prospectus nor any other information supplied in connection with the issuance of the Capital Securities: (a) is intended to provide the basis of any credit or other evaluation; or (b) should be considered as a recommendation by the Issuer or any of the Joint Lead Managers that any recipient of this Prospectus or any other information supplied in connection with the issuance of the Capital Securities should purchase any Capital Securities. Each investor contemplating purchasing any Capital Securities should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Prospectus nor any other information supplied in connection with the issuance of the Capital Securities constitutes an offer or invitation by or on behalf of the Issuer or any of the Joint Lead Managers to any person to subscribe for or to purchase any Capital Securities.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Capital Securities shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the issuance of the Capital Securities is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Lead Managers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the issuance or to advise any investor in the Capital Securities of any information coming to their attention.

Investors should review, *inter alia*, the information contained or incorporated by reference in this Prospectus when deciding whether or not to purchase any Capital Securities.

The Capital Securities have not been, nor will be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. Persons except pursuant to an

exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Capital Securities may be offered or sold solely to persons who are not U.S. Persons outside the United States in reliance on Regulation S.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Capital Securities in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Capital Securities may be restricted by law in certain jurisdictions. The Issuer and the Joint Lead Managers do not represent that this Prospectus may be lawfully distributed, or that any Capital Securities may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Joint Lead Managers which is intended to permit a public offering of any Capital Securities or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Capital Securities may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Capital Securities may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of any Capital Securities. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of any Capital Securities in the United States, the UK, the European Economic Area (the "EEA"), the Kingdom of Bahrain, the State of Qatar (including the Qatar International Financial Centre), the Kingdom of Saudi Arabia, the Dubai International Financial Centre, the UAE (excluding the Dubai International Financial Centre), Hong Kong, Japan, Malaysia and Singapore (see "*Subscription and Sale*").

The Capital Securities may not be a suitable investment for all investors. Each potential investor in the Capital Securities must determine the suitability of that investment in light of its own circumstances, and is advised to consult its own tax advisers, legal advisers and business advisers as to tax, legal, business and related matters (as applicable) concerning the purchase of any Capital Securities.

In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- has sufficient knowledge and experience to make a meaningful evaluation of the Capital Securities, the merits and risks of investing in the Capital Securities and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Capital Securities and the impact the Capital Securities will have on its overall investment portfolio;
- has sufficient financial resources and liquidity to bear all of the risks of an investment in the Capital Securities, including where the currency for payments of principal or interest is different from the potential investor's currency;
- understands thoroughly the terms of the Capital Securities and is familiar with the behaviour of any relevant indices and financial markets; and
- is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Capital Securities are complex financial instruments and are of high risk and are not a suitable or appropriate investment for all investors (see, in particular, "*MIFID II Product Governance / Professional Investors and ECPs only Target Market*" and "*PRIIPs Regulation / Prohibition of Sales to EEA and UK Retail Investors*" below). In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities similar to the Capital Securities. There are risks inherent in the holding of the Capital Securities, including the risks in relation to their subordination and the circumstances in which holders of the Capital Securities may suffer loss as a result of holding the Capital Securities. See "*Risk Factors*" for a discussion of certain considerations to be taken into account in connection with an investment in the Capital Securities. Sophisticated institutional investors

generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Capital Securities unless it has the expertise (either alone or with a financial adviser) to evaluate how the Capital Securities will perform under changing conditions, the resulting effects on the value of the Capital Securities and the impact this investment will have on the potential investor's overall investment portfolio.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (a) the Capital Securities are legal investments for it; (b) the Capital Securities can be used as collateral for various types of borrowing; and (c) other restrictions apply to its purchase or pledge of any Capital Securities. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Capital Securities under any applicable risk-based capital or similar rules.

FORWARD-LOOKING STATEMENTS

This Prospectus includes forward-looking statements. All statements other than statements of historical facts included in this Prospectus including, without limitation, any statements regarding the financial position of the Issuer, or the business strategy, management plans and objectives for future operations of the Issuer, may constitute forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology, such as "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "continue" or similar terminology. Although the Issuer believes that the expectations reflected in their forward-looking statements are reasonable at this time, there can be no assurance that these expectations will prove to be correct. Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Issuer's actual results, performance or achievements, or industry results, to be materially different from any expressed or implied by forward-looking statements. Forward-looking statements may be based on numerous assumptions regarding the Issuer's present, and future, business strategies and the environment in which the Issuer expects to operate in the future. Important factors that could cause the Issuer's actual results, performance or achievements to differ materially from any in the forward-looking statements are discussed in this Prospectus (see "*Risk Factors*"). Forward-looking statements speak only as at the date of this Prospectus and, subject as required by applicable law or regulation, the Issuer expressly disclaims any obligation or undertaking to publicly update or revise any forward-looking statements in this Prospectus to reflect any change in the expectations of the Issuer or any change in events, conditions or circumstances on which any forward-looking statements are based. Given the uncertainties of forward-looking statements, the Issuer cannot assure potential investors that any projected results or events will be achieved and the Issuer cautions potential investors not to place undue reliance on these statements.

MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Capital Securities has led to the conclusion that: (i) the target market for the Capital Securities is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Capital Securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Capital Securities (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Capital Securities (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

PRIIPS REGULATION / PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS

The Capital Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA or in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Capital

Securities or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Capital Securities or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

SINGAPORE SECURITIES AND FUTURES ACT PRODUCT CLASSIFICATION

Solely for the purposes of its obligations pursuant to Section 309B(1)(a) and Section 309B(1)(c) of the Securities and Futures Act, Chapter 289 of Singapore, as amended or modified from time to time (the "SFA"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309(A) of the SFA), that the Capital Securities are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

STABILISATION

In connection with the issue of the Capital Securities, Standard Chartered Bank (the "**Stabilisation Manager**") (or persons acting on behalf of the Stabilisation Manager) may over-allot Capital Securities or effect transactions with a view to supporting the market price of the Capital Securities at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Capital Securities is made and, if begun, may cease at any time, but it must end no later than the earlier of thirty (30) days after the issue date of the Capital Securities and sixty (60) days after the date of the allotment of the Capital Securities. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or persons acting on behalf of any Stabilisation Manager) in accordance with all applicable laws and rules.

NOTICE TO THE RESIDENTS OF THE KINGDOM OF SAUDI ARABIA

This document may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority.

The Capital Market Authority does not make any representation as to the accuracy or completeness of this document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. Prospective purchasers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities. If you do not understand the contents of this document, you should consult an authorised financial advisor.

NOTICE TO THE RESIDENTS OF THE KINGDOM OF BAHRAIN

In relation to investors in the Kingdom of Bahrain, Capital Securities issued in connection with this Prospectus and related offering documents may only be offered in registered form to existing accountholders and accredited investors as defined by the Central Bank of Bahrain (the "**CBB**") in the Kingdom of Bahrain where such investors make a minimum investment of at least U.S.\$100,000 or any equivalent amount in another currency or such other amount as the CBB may determine.

This Prospectus does not constitute an offer of securities in the Kingdom of Bahrain in terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Prospectus and related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no securities may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Prospectus or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase securities, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors for an offer outside the Kingdom of Bahrain.

The CBB has not reviewed, approved or registered this Prospectus or related offering documents and it has not in any way considered the merits of the Capital Securities to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this Prospectus and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the contents of this Prospectus. No offer of the Capital Securities will be made to the public in the Kingdom of Bahrain

and this Prospectus must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

NOTICE TO RESIDENTS OF THE STATE OF QATAR

The Capital Securities will not be offered or sold at any time, directly or indirectly, in the State of Qatar (including the Qatar Financial Centre) in a manner that would constitute a public offering. This Prospectus has not been and will not be reviewed or approved by, or registered with, the Qatar Financial Markets Authority, the Qatar Central Bank, the Qatar Stock Exchange or the Qatar Financial Centre Regulatory Authority in accordance with their regulations or any other regulations in the State of Qatar. The Capital Securities are not and will not be traded on the Qatar Stock Exchange. The Capital Securities and interests therein will not be offered to investors domiciled or resident in the State of Qatar and do not constitute debt financing in the State of Qatar under the Commercial Companies Law No. (11) of 2015 or otherwise under the laws of the State of Qatar.

NOTICE TO RESIDENTS OF MALAYSIA

The Capital Securities may not be offered for subscription or purchase and no invitation to subscribe for or purchase the Capital Securities in Malaysia may be made, directly or indirectly, and this Prospectus or any document or other materials in connection therewith may not be distributed in Malaysia other than to persons falling within the categories set out in Schedule 6 or Section 229(1)(b), Schedule 7 or Section 230(1)(b) and Schedule 8 or Section 257(3) of the Capital Market and Services Act 2007 of Malaysia as may be amended and/or varied from time to time (the "**CMSA**") and subject to any amendments to the applicable laws from time to time. The Securities Commission of Malaysia shall not be liable for any non-disclosure on the part of the Issuer and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus.

PRESENTATION OF FINANCIAL INFORMATION

The financial statements relating to CBD and its consolidated subsidiaries which are incorporated by reference into this document are as follows:

- unaudited condensed consolidated interim financial statements as at and for the six month period ended 30 June 2020 including comparative information as at and for the six month period ended 30 June 2019 (the "**2020 Interim Financial Statements**");
- audited consolidated financial statements as at and for the financial year ended 31 December 2019 including comparative information as at and for the financial year ended 31 December 2018 (the "**2019 Financial Statements**"); and
- audited consolidated financial statements as at and for the financial year ended 31 December 2018 including comparative information as at and for the financial year ended 31 December 2017 (the "**2018 Financial Statements**" and, together with the 2019 Financial Statements, the "**Annual Financial Statements**").

The financial information included in this Prospectus corresponding to: (i) the six month period ended and as at 30 June 2019 has been extracted from the 2020 Interim Financial Statements; (ii) the financial year ended and as at 31 December 2018 has been extracted from the 2019 Financial Statements; and (iii) the financial year ended and as at 31 December 2017 has been extracted from the 2018 Financial Statements (where, in each case, such information is presented for comparative purposes).

Each of the Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board (the "**IASB**"). The 2020 Interim Financial Statements have been prepared in accordance with IAS 34. The 2020 Interim Financial Statements have been subject to limited review by KPMG Lower Gulf Limited (Dubai Branch) ("**KPMG**") in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity", as stated in their report incorporated by reference herein (see "*Documents Incorporated by Reference*"). The 2019 and 2018 Financial Statements have been audited in accordance with the International Standards on Auditing by KPMG, as stated in their reports incorporated by reference herein. Any reference herein to a figure as at or for the six month period ended 30 June 2020 or 30 June 2019 is unaudited.

CBD publishes its financial statements in UAE dirham.

CBD's financial year ends on 31 December, and references in this Prospectus to any specific year are, unless otherwise indicated, to the 12 month period ended on 31 December of such year.

Certain figures and percentages included in this Prospectus have been subject to rounding adjustments; accordingly figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

PRESENTATION OF UAE STATISTICAL INFORMATION

The statistical information in the section titled "*Overview of the United Arab Emirates*" has been accurately reproduced from a number of different identified sources. All statistical information provided in that section may differ from that produced by other sources for a variety of reasons, including the use of different definitions and cut-off times. Gross domestic product ("**GDP**") data is not final and may be subject to revision in future periods and certain other historical GDP data set out in that section may also be subject to future adjustment.

PRESENTATION OF OTHER INFORMATION

In this document, references to:

- "**Group**" are to CBD and CBD's consolidated subsidiaries and associates taken as a whole;
- the "**UAE**" are to the United Arab Emirates; and
- the "**GCC**" are to the Cooperation Council of the Arab States of the Gulf (otherwise known as the Gulf Co-operation Council).

Any website referred to in this document does not form part of the Prospectus and has not been scrutinised or approved by the CBI.

PRESENTATION OF ALTERNATIVE PERFORMANCE MEASURES

In this Prospectus, CBD uses the following metrics in the analysis of its business and financial position, which CBD considers to constitute Alternative Performance Measures as defined in the European Securities and Markets Authority Guidelines. For further information, see "*Selected Financial Information*".

| Metric | Definition and method of calculation | Rationale for inclusion |
|----------------------------|---|--|
| Return on average assets | Net profit divided by the average balance of total assets calculated as a simple average of the opening and closing balances for the relevant period. | Performance measure. The ratio shows how many AED of earnings CBD derives from each AED of assets it controls. |
| Return on average equity | Net profit divided by the average equity calculated as a simple average of the opening and closing balances for the relevant period. | Performance measure. The ratio is a measure of the profitability of the Bank's business in relation to the book value of shareholders equity, also known as net assets or assets minus liabilities. The ratio is a measure of how well the Bank uses shareholders' equity to generate earnings growth. |
| Cost to Income ratio | Total operating expenses divided by total operating income. | Performance measure. A lower percentage indicates that operating expenses are low relative to operating income. |
| Non-performing loans ratio | Impaired loans, advances and Islamic financing divided by gross loans, advances and Islamic financing. | Asset quality measure. |
| Provision coverage ratio | Provisions for impaired loans, advances and Islamic financing divided by impaired loans, advances and Islamic financing. | Asset quality measure. The ratio shows total provisions which the Bank has built in respect of its impaired loans, advances and Islamic financing. |

| | | |
|-----------------------|---|---|
| Loan to deposit ratio | Net loans and Islamic financing divided by customer deposits and Islamic customer deposits. | Liquidity measure. The loan to deposit ratio is used to calculate the Bank's ability to make payments to customers withdrawing their deposits. A ratio of less than one implies that the Bank has relied on funds deposited by customers to make loans, advances and Islamic financing. A ratio of more than one, implies that the Bank has extended loans, advances and Islamic financing from funds borrowed by it in addition to deposits. |
|-----------------------|---|---|

These Alternative Performance Measures are not defined by, or presented in accordance with, IFRS. The Alternative Performance Measures are not measurements of CBD's operating performance under IFRS and should not be considered as alternatives to any measures of performance under IFRS or as measures of CBD's liquidity.

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RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Capital Securities. Most of these factors are contingencies which may or may not occur. In addition, factors which are material for the purpose of assessing the market risks associated with the Capital Securities are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Capital Securities, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Capital Securities may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

Words and expressions defined in "Terms and Conditions of the Capital Securities" shall have the same meanings in this section.

Factors that may affect the Issuer's ability to fulfil its obligations under the Capital Securities

Risks relating to CBD's business

In the course of its business activities, CBD is exposed to a variety of risks, as described below. Investors should note that any failure to adequately control these risks could result in adverse effects on CBD's financial condition and reputation.

CBD's business, results of operations and financial condition may be adversely affected by the impact of COVID-19

In March 2020, the World Health Organisation ("**WHO**") declared the outbreak of a new infectious disease known as 'COVID-19', caused by the severe acute respiratory syndrome coronavirus 2, to be a global pandemic. The outbreak of COVID-19 has spread rapidly globally in recent months and has disrupted various global markets and resulted in severe global economic uncertainty.

Measures implemented in response to COVID-19 by government authorities in the UAE and around the world to discourage or prohibit the movement of people have severely affected tourism and many other sectors, including retail and hospitality. These measures include lock downs, quarantine, travel restrictions, border control and the cancellation of many planned visits, flights, business and leisure events. If the spread of the COVID-19 outbreak continues to widely affect visitor numbers across major economies, there may be sizeable downside effects to the world economy, and the UAE economy, particularly Dubai, could potentially be disproportionately negatively impacted due to the high importance of tourism to the UAE and Dubai economies. There is also no certainty that the public health and other preventive measures imposed by government authorities will be sufficient to contain the spread of COVID-19 and thereby mitigate the risks posed by the outbreak. The implementation of any such measures (or their insufficiency) could have an adverse effect on CBD's operations, including its ability to perform some of its critical functions and serve its customers.

A substantial proportion of CBD's business involves providing credit and other financial services to individuals, corporations, industries or entities that may be detrimentally impacted by COVID-19 and therefore may be unable to repay their loans as they fall due and/or may have lower demand for the products and services offered by CBD. CBD may also be limited in its ability to effectively service customers due to the restricted operations in many of its offices with many employees working from home.

Furthermore, the continued impact of COVID-19 is expected to influence the recognition of credit losses in CBD's loan portfolio and result in an increase of CBD's allowance for credit losses, particularly as business operations remain limited and as more customers are expected to draw on their lines of credit or seek additional loans to help finance their businesses. Impairment allowance on loans and advances and Islamic financing increased by 27 per cent. in the six months period ended 30 June 2020 compared to the corresponding period in 2019, primarily reflecting additional loan loss provisions made to provide coverage for the likely near-term increase in loan losses related to the effects of the COVID-19 outbreak.

As at the date of this Prospectus, CBD is continuing to monitor the impact which the COVID-19 outbreak could have on its operations, the markets in which CBD operates and more broadly on the macro-economic outlook as further cases of COVID-19 emerge and government authorities and international agencies continue to impose a range of measures to deal with the outbreak and spread of COVID-19. There can be no guarantee that the effects of the current global pandemic will not increase further. The prolonged continuation or escalation of the COVID-19 pandemic could result in further adverse effects on CBD, the Capital Securities, and the position of the holders of the Capital Securities.

CBD is subject to risks relating to customer and counterparty credit quality

CBD is exposed to the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations to CBD. This exposure arises principally from CBD's loans and advances and Islamic financing, amounts due from banks and investment in debt securities.

CBD, in the ordinary course of its operations, regularly reviews its credit exposure and establishes an allowance for impairment losses that represents its estimate of expected credit losses in its loan portfolio. This process, which is fundamental to CBD's results of operations and financial condition, requires careful analysis, including projections of the manner in which changes in macroeconomic conditions may impair the ability of its customers to repay their loans or the ability of its counterparties to meet their contractual obligations. This analysis may, however, be inaccurate and result in an insufficient allowance of impairment losses. Further, a failure by CBD's customers to meet their obligations to deliver cash, securities or other assets as due may result in higher levels of impairment. Any such increase in CBD's levels of impairment or a failure to adequately provision for impairments could have a material adverse effect on CBD's business, results of operations, financial condition and prospects.

Adverse economic and political developments in recent years, including adverse changes in levels of consumer confidence, consumer spending, liquidity levels, bankruptcy rates and commercial and residential real estate prices, have historically impacted CBD's customers and counterparties and, in certain cases, have adversely affected CBD's customers' and counterparties' ability to repay their loans or meet their contractual obligations to CBD.

In order to mitigate the economic effects of the COVID-19 outbreak, the UAE Central Bank, has announced certain special temporary measures applicable to banking institutions, including, among others, the implementation of measures intended to provide debt relief to various sectors of the economy, including but not limited to payment deferrals. As part of this, CBD has offered payment holidays to its customers who have been impacted by the COVID-19 pandemic. These payment holidays have not been subject to detailed credit assessments, and therefore the levels of financial difficulty of the customers who apply for payment holidays requires estimation in a number of areas. See "*The United Arab Emirates Banking Sector and Regulations – COVID-19*" for more information.

As at 30 June 2020, impaired loans represented 7 per cent. of CBD's gross loans and advances and Islamic financing. As at 31 December 2019, impaired loans represented 6 per cent. of CBD's gross loans and advances and Islamic financing (compared to 6 per cent. as at 31 December 2018), while impairment allowances on loans and advances and Islamic financing covered 61 per cent. of CBD's impaired loans as at 30 June 2020 (compared to 83 per cent. as at 31 December 2019).

As at 30 June 2020, impairment allowances on loans and advances and Islamic financing decreased by 14 per cent. to AED 3.3 billion, compared to AED 3.9 billion as at 31 December 2019. CBD continued its prudent provisioning policy alongside the implementation of IFRS 9 Financial Instruments ("**IFRS 9**") from 1 January 2018. For more information on the impact of IFRS 9, please see Note 3 to the 2019 Financial Statements.

CBD had AED 4.6 billion of impaired loans as at 30 June 2020, AED 3.8 billion as at 31 December 2019 and AED 3.3 billion as at 31 December 2018. In accordance with IFRS, CBD is required to reflect the impairment calculated as a charge to the income statement. However, the actual loan losses could be materially different from the loan impairment allowances. CBD has assessed the impact of the crisis and changed the weightages assigned to the scenario probabilities of its ECL models. The probability of the adverse scenario was increased from 10 per cent. to 25 per cent. and the probability of the favourable scenario was reduced from 10 per cent. to 0 per cent. The probability assigned to the base case scenario accordingly decreased from 80 per cent. to 75 per cent. The impact of changing these scenario probabilities was an increase to the impairment loss allowance by AED 114 million. CBD continues to monitor and evaluate the economic impact of the COVID-19 pandemic and provided for an additional

AED 160 million of impairment loss allowance for the six month period ended 30 June 2020. As the situation is still evolving, CBD's management continues to closely monitor changes in the economic environment, however CBD's management believes that the level of impairment allowances for impaired loans and loans under stress are adequate as at 30 June 2020. Collateral held as security against impaired loans primarily relates to commercial and residential property and pledged deposits.

CBD has a portfolio of listed investment securities classified as fair value through other comprehensive income and there can be no assurance that fair valuations of its investment securities in future periods will not result in other comprehensive losses or impairments recorded in the income statement which could be material. In addition, the value that CBD ultimately realises for its investment securities may be lower than their current fair value, resulting in losses being recorded in its income statement, which losses could be material. However, when equity investments are classified as fair value through other comprehensive income, the fair value gains and losses are recognised in other comprehensive income and are not subsequently reclassified to the income statement, including on disposal. Impairment losses and reversal of impairment losses are not reported separately from other changes in fair value.

Based on CBD's management's assessment, CBD has not identified any significant impact to the fair values for the first half of 2020. CBD will consistently monitor the market and ensure that the prices it uses are an accurate representation of fair value.

Risks arising from adverse changes in the credit quality and recoverability of loans and amounts due from counterparties are inherent in a wide range of CBD's businesses, principally in its lending and investment activities. Credit risks could arise from a deterioration in the credit quality of specific borrowers, issuers and counterparties of CBD, or from a general deterioration in local or global economic conditions, or from systematic risks within the financial systems. Such credit risks could affect the recoverability and value of CBD's assets and require an increase in CBD's provisions for the impairment of loans, securities and other credit exposures. Any significant increase in impairment allowances on loans and advances and Islamic financing or a significant change in CBD's estimate of the risk of loss inherent in its portfolio of non-impaired loans, as well as the occurrence of loan losses in excess of the impairment allowances on loans and advances and Islamic financing allocated with respect to such losses, could have a material adverse effect on CBD's business, results of operations, financial condition and prospects.

CBD faces risks associated with changes in market prices

CBD is exposed to the risk that changes in market prices will affect CBD's income and/or the value of a financial instrument.

The most significant market risks to which CBD is exposed are interest rate, equity price, foreign exchange rate and credit spread risks associated with its trading, investment and asset and liability management activities. Changes in interest rate levels, yield curves and spread may affect the interest rate margin realised between CBD's lending and investment activities and its borrowing costs, and the values of assets that are sensitive to interest rate and spread changes. Changes in equity prices may affect the values of CBD's investment and trading portfolios. Changes in foreign exchange rates may affect the values of assets and liabilities denominated in foreign currencies and the income from foreign exchange dealing. Although CBD carries out regular stress tests under various anticipated scenarios, it is difficult to predict changes in economic and market conditions accurately and to anticipate the effects that such changes could have on CBD's financial performance and business operations.

The amounts of gains and losses on debt and equity investments may fluctuate considerably from period to period. The level of fluctuation depends, in part, upon the market value of securities, which in turn may vary considerably. For the six month period ended 30 June 2020, CBD's realised gains on sale of investments (classified as at fair value through profit or loss and at fair value through other comprehensive income) amounted to AED9 million compared to AED 11 million for the six month period ended 30 June 2019. CBD's realised gains on sale of investments amounted to AED 54 million and AED 7 million for the years ended 31 December 2019 and 31 December 2018, respectively. CBD's fair value reserve/deficit amounted to a reserve of AED 83 million as at 30 June 2020, a reserve of AED 48 million as at 31 December 2019, and a deficit of AED 137 million as at 31 December 2018. CBD cannot predict the amount of realised or unrealised gain or loss for any future period and variations from period to period are not indicative of future performance. Gains in CBD's investment portfolio may not continue to contribute to net income at levels consistent with those recent periods or at all.

Since 2014, the performance of global markets has been volatile, reflecting ongoing volatility in the macro-economic climate which has had, and which continues to have, a material adverse effect on the economies of the Gulf Co-operation Council ("GCC") states, including the UAE.

Between July 2014 and January 2016, international crude oil prices declined dramatically, falling by approximately 75 per cent. Notwithstanding the partial correction in global crude oil prices through 2016 and 2017, the economies of the oil-revenue dependent GCC states have continued to be adversely affected with greater budget deficits, a decrease in fiscal revenues and consequent lower public spending seen in 2016 and 2017. Government fiscal deficits have resulted in weakened net asset positions, larger external financing needs and continued lower government spending.

In the UAE, the significant fiscal reforms implemented by the federal government in response to the low oil price environment since 2015 have had, and are expected to continue to have, a positive effect on the UAE economy. The UAE Federal Government has scaled back capital transfers to government-related entities, cut government investment, raised electricity and water tariffs, introduced a value-added tax regime and removed fuel subsidies.

Furthermore, the impact of political events (such as the continuing uncertainty regarding the United Kingdom's withdrawal from the European Union and increasing trade disputes, such as those between the United States and China), coupled with the global adverse impact of the COVID-19 pandemic, has caused volatility in international financial markets and investor sentiment generally.

These extremely volatile market conditions have resulted in reduced liquidity, widening of credit spreads and lack of price transparency in credit and capital markets. Adverse market conditions have impacted investment markets both globally and in the UAE, with increased volatility in interest rates and exchange rates. Between December 2015 and December 2018, the U.S. Federal Reserve increased U.S. overnight interest rates by an aggregate 225 basis points (in nine separate increments of 25 basis points each). The U.S. Federal Reserve announced in March 2019 that it expected to maintain the U.S. overnight interest rate between 225 and 250 basis points and did not expect to raise interest rates during the remainder of 2019. Nonetheless, it cut the U.S. overnight interest rate by 25 basis points in each of July 2019, September 2019 and October 2019. In response to the COVID-19 pandemic, the U.S. Federal Reserve cut rates by 50 and 100 basis points on 3 March and 15 March 2020, taking interest rates close to zero. In response to this, on 3 March 2020 the UAE Central Bank announced that it would cut the interest rate on certificates of deposit in line with the U.S. dollar rates and on 16 March 2020, the UAE Central Bank further cut the interest rate applicable to one-week certificates of deposit by 75 basis points and reduced rates applicable to the interim margin lending facility and the collateralised murabaha facility by 50 basis points to 50 basis points above the repurchase rate for UAE Central Bank certificates of deposits. An increase in such rates will likely reduce the liquidity environment and will adversely impact CBD's net interest margins and borrowing costs, if CBD is unable to pass these increased costs on to its customers.

The business, results of operations, financial condition and prospects of CBD have been affected by these trends and may be further materially adversely affected by a continuation of the generally unfavourable economic conditions in the other countries of the GCC and emerging markets generally as well as by conditions in the United States, European and international trading markets and/or related factors.

CBD maintains its accounts, and reports its results, in UAE dirham. The UAE dirham has been pegged to the U.S. dollar since 22 November 1980 and remains pegged as at the date of this Prospectus. In response to the volatility of oil prices internationally through 2015, certain regional oil producing countries that have traditionally "pegged" their domestic currencies to the U.S. dollar have faced pressure to remove these foreign exchange "pegs". As at the date of this Prospectus, each of Kazakhstan and Azerbaijan have chosen to unwind the U.S. dollar peg of their domestic currencies. While the likelihood of the GCC states pursuing a similar course of action is unclear (the UAE Central Bank has, most recently in June 2016, re-iterated its intention to retain the UAE dirham peg against the U.S. dollar), there remains a risk that any such future de-pegging by the GCC states (in the event that the current challenging market conditions persist for a prolonged period) would pose a systemic risk to the regional banking systems by virtue of the inevitable devaluation of any such de-pegged currency against the U.S. dollar and the impact this would have on the open cross-currency positions held by regional banks, including CBD.

Given the significant impact of the COVID-19 pandemic on the global financial markets, CBD is closely monitoring whether the fair values of financial assets and liabilities represent the price that would be achieved for transactions between market participants in the current scenario. Continued and/or

significant instability in the international financial markets could have a material adverse impact on CBD's investment portfolios and its financial condition and results of operations.

Failure to manage market risks effectively could have a material adverse effect on CBD's business, results of operations, financial condition and prospects.

Liquidity Risk

Liquidity risk is the risk that CBD will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or other financial assets. It includes the risk of the inability to fund assets at appropriate maturities and rates and the ability to liquidate assets at reasonable prices and an appropriate timeframe and an inability to meet obligations as they become due.

An inability on CBD's part to access funds or to access the markets from which it raises funds may put CBD's positions in liquid assets at risk and lead to CBD being unable to finance its operations adequately. A dislocated credit environment compounds the risk that CBD will not be able to access funds at favourable rates. These and other factors could also lead creditors to form a negative view of CBD's liquidity, which could result in less favourable credit ratings, higher borrowing costs and less accessible funds. In addition, because CBD receives a significant portion of its funding from deposits, CBD is subject to the risk that depositors could withdraw their funds at a rate faster than the rate at which borrowers repay their loans, thus causing liquidity strain. Also, under certain market conditions, CBD could be unable to raise the cash required to pay the Capital Securities when due. Furthermore, in circumstances where CBD's competitors have ongoing limitations on their access to other sources of funding such as wholesale market derived funding, CBD's access to funds and its cost of funding may also be adversely affected.

In common with other banks in the United Arab Emirates, many of CBD's liabilities are demand and time deposits, whereas it has medium and long-term assets (such as loans and mortgages).

The effects of COVID-19 on the liquidity and funding risk profile of the global and UAE banking system continue to evolve and remain under evaluation by governments globally as they work towards providing relief and mitigants to the adverse effects of the crisis. The key risks on the UAE banking system include:

- sustained periods of low oil prices combined with drastically lower economic output which may lead to constraints on the UAE banking sector's funding capabilities and liquidity management;
- potential increases in the cost of funds due to reduced deposit inflows from the general public and government entities; and
- weak credit outlook which may have a negative impact on lending and which may further contribute to a slowdown in economic growth.

The UAE Central Bank has announced an AED 256 billion stimulus package in an attempt to mitigate the adverse economic impact of the COVID-19 pandemic and ease the liquidity constraints in the UAE banking sector, by providing relief to the local economy which includes the launch of the Targeted Economic Support Scheme ("**TESS**") (for more information see "*Financial Review – Significant factors affecting results of operation – The impact of COVID-19 outbreak*").

One of the measure introduced under the TESS is an AED 50 billion zero cost funding facility against eligible collateral which can be accessed by UAE banks until 31 December 2020. Under this facility, CBD is able to borrow funds from the UAE Central Bank at a zero per cent. interest rate and is expected to pass on the benefits of this funding to eligible customers. In addition to the above, other relief measures granted by the UAE Central Bank under the TESS include a reduction in the minimum LCR requirement from 100 per cent. to 70 per cent. and allowing UAE banks to tap into the capital conservation buffer up to a maximum of 60 per cent. without supervisory consequences.

If a substantial portion of CBD's depositors withdraw their demand deposits or do not roll over their time deposits upon maturity or CBD fails to refinance some of its large short medium-term borrowings, CBD may need to access more expensive sources to meet its funding requirements. No assurance can be given that CBD will be able to obtain additional funding on commercially reasonable terms as and when required, or at all.

CBD is subject to risks associated with its hedging, treasury operations and investment securities portfolio, including potential negative fair value adjustments

CBD engages in hedging transactions in the ordinary course of its operations to, for example, limit the potential adverse effect of interest rate or exchange rate fluctuations. However, CBD does not hedge all of its risk exposure and cannot guarantee that its hedging strategies will be successful due to factors such as behavioural risk, unforeseen volatility in interest rates or decreasing credit quality of hedge counterparties in times of market dislocation. If CBD's hedging strategies are not adequate, CBD may be required to record negative fair value adjustments. Losses from the fair value of financial assets could have a material adverse effect on CBD's business, results of operations, financial condition and prospects.

Through its Treasury and Investment operations, CBD holds liquid asset portfolios for its own account, exposing CBD to interest rate risk, basis risk and credit spread risk. Under volatile market conditions, the fair value of CBD's liquid asset portfolios could decrease and cause CBD to record mark-to-market losses. As at 30 June 2020, CBD held investment securities of AED 6.5 billion, compared to AED 5.6 billion as at 31 December 2019 and AED 6.8 billion as at 31 December 2018, comprising investment-grade investments issued by corporates and financial institutions. Despite the conservative nature of its investment securities portfolio, there can be no guarantee that the value of CBD's investment securities portfolio will not decrease. In a distressed economic or market environment, the fair value of certain of CBD's holdings and exposures may be volatile and more difficult to estimate because of market illiquidity. Valuations in future periods, reflecting then prevailing market conditions, may result in significant negative changes in the fair value of CBD's exposures and holdings.

A significant increase in impairment allowances could have an adverse effect on CBD

IFRS 9 was introduced for financial reporting periods commencing on 1 January 2018, replacing IAS39 Financial Instruments: Recognition and Measurement. IFRS 9 introduced an 'expected credit loss' model for the measurement of the impairment of financial assets, such that it is no longer necessary for a credit event to have occurred before a credit loss is recognised.

Any of a mandatory change to CBD's impairment calculation models imposed as a result of further accounting standards or regulatory changes, or any significant increase in impairment allowances for loan losses or a significant change in CBD's estimate of the risk of loss inherent in its portfolio of non-impaired loans and advances to customers, as well as the occurrence of loan losses in excess of the impairment allowances allocated with respect thereto, may have an adverse effect on CBD's business, results of operations and financial condition.

Concentration of credit risk could increase CBD's potential for losses

CBD's loan portfolio is concentrated, geographically, in the UAE, where certain sectors (including the real estate sector) and certain regions (including Dubai) have been more significantly affected than others by the global financial crisis that commenced in early 2008. See "*Economic, Political and Related Considerations*".

CBD's net loans and advances and Islamic financing constituted 68 per cent. of its total assets, or AED 63.4 billion as at 30 June 2020, compared to 68 per cent., AED 60.2 billion, as at 31 December 2019. CBD's loan portfolio is concentrated in particular economic sectors. As at 30 June 2020, the real estate sector accounted for 35 per cent. of CBD's total gross loans and advances and Islamic financing while each of the financial and insurance activities and trade sectors accounted for 10 per cent.

93 per cent. of CBD's gross loans and advances and Islamic financing were located in the UAE as at 31 December 2019, with 2 per cent. located in Asia, and the remaining located in other regions. CBD's 20 largest loans and advances and Islamic financing customers constituted 17 per cent. of CBD's total funded and non-funded exposures as at 30 June 2020 and 18 per cent. of CBD's total funded and non-funded exposures as at 31 December 2019.

As a result of the concentration of CBD's gross loans and advances and Islamic financing in the UAE, any deterioration in general economic conditions in the UAE or any failure of CBD to manage its risk concentrations effectively could have a material adverse effect on CBD's business, results of operations, financial condition and prospects.

Information Technology and Cybersecurity

CBD relies heavily upon its information technology systems ("IT") and operations infrastructure to conduct its business. CBD continued to invest in IT throughout 2019, pursuing a 'default digital' state (for more information, see "*Business Description – Information Technology*"). Alongside the traditional transaction-focused systems supporting CBD's vertical banking capabilities, CBD's technology assets have been enhanced with intelligent process management, customer relationship management, digital banking platforms and data analytics. CBD completed 95 major projects and 300 medium-sized initiatives and implemented more than 600 smaller changes to its IT estate.

Any failure or breach in the security of IT systems could result in failures or interruptions in CBD's risk management, general ledger, deposit servicing, loan organisation and/or other important systems. If CBD's information technology systems failed, even for a short period of time, then it could be unable to serve some or all of its customers' needs on a timely basis which could result in loss of business. In addition, a temporary shutdown of CBD's information technology systems could result in costs that are required for information retrieval and verification. CBD has developed business continuity plans, however no assurance can be given that failures or interruptions will not occur or that CBD will be able to address them adequately if they do occur.

In common with other financial institutions, cyber-security has become an increasingly important consideration. The quantity of sensitive financial and personal identifiable information stored by financial institutions globally makes them potential targets of cyber-attacks. In common with other financial institutions, CBD recognises the need to protect itself from the threat to security of its information and customer data from cyber-attacks, and CBD takes appropriate steps on an ongoing basis to combat such threats and minimise such risks by implementing cyber-security controls. However, risks to technology and information systems change rapidly and require continued focus and investment, and given the increasing sophistication and scope of potential cyber-attack, it is possible that future attacks may lead to significant breaches of security. Failure to adequately manage cyber-security risk could adversely affect CBD's reputation, business, results of operations, financial condition and prospects.

The occurrence of any failures of, or interruptions in, CBD's information technology systems and operations infrastructure, or a failure to adequately manage cyber-security risks, could have a material adverse effect on CBD's business, results of operations, financial condition and prospects.

CBD's risk management framework and policies and internal controls may not be effective

Management of standard banking risks requires substantial resources. Although CBD's management believes that CBD's IT and management information systems, policies and procedures are adequate for the purposes of measuring, monitoring and managing CBD's exposure to credit, liquidity, interest rate, foreign exchange and other market risks in the context of its existing business, as CBD's business continues to grow and develop, CBD's risk profiles are likely to change. Management continually assesses its risk management infrastructure and resources and CBD has made considerable investments in information technology. In the event that CBD's risk management systems are not developed in line with the growth in CBD's business and related shifts in its risk exposures, this could have a material adverse effect on CBD's business, results of operations, financial condition and prospects.

CBD's risk management processes may not be fully effective or consistently implemented in mitigating its exposure in all market environments or all types of risk that are unidentified or unanticipated. Some of CBD's methods of managing risk are based upon its use of historical market behaviour and stress scenarios. As evidenced by the global financial crisis, these methods may not always predict future risk exposures which could be significantly higher or lower than historical measures or stress scenarios indicate. Any material deficiency in CBD's risk management or other internal control policies or procedures may expose it to significant credit, liquidity, market or operational risk, which may in turn have a material adverse effect on CBD's business, results of operations, financial condition and prospects.

Operational Risk

Operational risk is the risk arising from inadequate or ineffective internal controls, including the risk of losses resulting from fraud, errors by employees, failure to document transactions properly or to obtain proper internal authorisation, failure to comply with regulatory requirements and conduct of business rules, systems and equipment failures, natural disasters or the failure of external systems (for example,

those of CBD's counterparties or vendors). CBD has established a series of policies and procedures to identify, assess, monitor, manage and report operational risks.

CBD will, when appropriate, insure itself against operational risks. Notwithstanding insurance against operational risks, CBD might nonetheless be subject to losses arising from operational risk as a result of inadequate insurance coverage and delays in claim settlement.

Although CBD has implemented risk controls and loss mitigation strategies, and substantial resources are devoted to developing efficient procedures and to staff training, it is not possible to eliminate entirely each of the operational risks. CBD therefore remains exposed to operational risk that could have a material adverse effect on CBD's business, results of operations, financial condition and prospects.

CBD faces risks from competition

CBD faces competition in all of its business areas from locally incorporated and foreign banks (Islamic banks and conventional banks). According to data published by the UAE Central Bank, there were a total of 48 banks (21 locally incorporated banks and 27 foreign banks) licensed to operate in the UAE as at 30 June 2020 (excluding the Dubai International Financial Centre (the "DIFC")) (*source*: UAE Central Bank). CBD's key competitors are primarily UAE banks such as Emirates NBD, Mashreq Bank, Abu Dhabi Commercial Bank, First Abu Dhabi Bank P.J.S.C., and the National Bank of Ras Al Khaimah, as well as international banks such as Citibank and HSBC.

The UAE market, historically overbanked, is increasingly characterised by the consolidation of small and medium-sized locally-incorporated banks. Specifically, mergers between National Bank of Abu Dhabi and First Gulf Bank, which was consummated on 30 March 2017, and Abu Dhabi Commercial Bank, Union National Bank and Al Hilal Bank, which was consummated on 1 May 2019, could stimulate further moves towards greater consolidation amongst UAE banks. Such mergers could in turn affect CBD's competitive environment, with a small number of large, locally-incorporated banks competing for large regional financing transactions with foreign banks, which have traditionally benefitted from more developed infrastructure and resources with which to absorb capital costs, such as information technology systems development.

As at 31 December 2019, CBD had 4 per cent. (compared to 3 per cent. as at 31 December 2018) of the UAE market share in terms of loans and advances and 3 per cent. of the UAE market share in terms of customer deposits as at 31 December 2019 and at 31 December 2018 (*source*: UAE Central Bank Monthly Banking Indicators).

The banking market in the UAE has generally been a relatively protected market with high regulatory and other barriers to entry for foreign financial institutions. However, should some of these barriers be removed or eased in the future, either voluntarily or as a result of the UAE's obligations to the World Trade Organisation (the "WTO"), the GCC or any other similar entities, it is likely to lead to a more competitive environment for CBD and other domestic financial institutions. For further information on the UAE's membership of the WTO, see "*The United Arab Emirates Banking and Regulation Sector*". In the event of increased competition and/or limited new business opportunities, CBD may face difficulties due to shrinking interest margins. This could have an adverse effect on CBD's business, results of operations, financial condition and prospects and thereby affect its ability to perform its obligations in respect of the Capital Securities.

Ownership

The Government of Dubai, through its investment entity the Investment Corporation of Dubai ("ICD"), owns 20 per cent. of the issued share capital of CBD with the remainder owned by nationals of the UAE. Neither the Government of Dubai nor the ICD have any legal obligations to provide additional funding for CBD's future operations. There can be no assurance, further, that CBD's shareholders will continue to maintain the existing levels of their ownership of the shares of CBD. CBD may not receive future support from the Dubai or UAE federal governments or it may not receive future support that is commensurate with support it has received in the past.

Risks related to CBD's Dependence on Key Personnel

Revenues of CBD will depend, in part, on CBD's ability to continue to attract, retain and motivate qualified and skilled personnel. CBD relies on its senior management for the implementation of its

strategy and its day-to-day operations. There is competition in the UAE for skilled personnel, especially at the senior management level, due to a low number of available qualified and/or experienced individuals compared to current demand. Although CBD has a long term service incentive scheme, pursues a policy of succession planning and conducts a "Leadership Program" and other initiatives for its senior and middle managers to identify their potential to move into leadership roles and develop their mentoring and management skills, if CBD were unable to retain key members of its senior management and/or hire new qualified personnel in a timely manner, this could have a material adverse effect on CBD's business, results of operations, financial condition and prospects. The loss of any member of the senior management team may result in: (i) a loss of organisational focus; (ii) poor execution of operations; and (iii) an inability to identify and execute potential strategic initiatives. These adverse results could, amongst other things, reduce potential revenue, which could have a material adverse effect on CBD's business, results of operations, financial condition and prospects.

CBD's human resource policy is guided by the UAE federal policy on Emiratisation, promulgated by UAE Cabinet Decree number 3/10/267 of 2015, dated 25 October 2015 (the "**Emiratisation Circular**"). The Emiratisation Circular has introduced a scoring system which takes into account the employment and progression of Emirati employees in an organisation. The Emiratisation Circular does not set any upper limit at which the UAE federal government's policy supporting the recruitment of UAE nationals policy would no longer be applicable. While CBD continues to hire UAE nationals and is on track to meet its Emiratisation targets, if CBD is not able to achieve its targets for recruiting and progressing UAE nationals, it may be subject to penalties to be calculated in accordance with the Emiratisation Circular.

Downgrade in Credit Ratings

CBD's credit ratings affect the cost and other terms upon which CBD is able to obtain funding. Rating agencies regularly evaluate CBD and their ratings of its long-term debt are based on a number of factors, including capital adequacy levels, quality of earnings, credit exposure, the risk management framework and funding diversification. These parameters and their possible impact on CBD's credit rating are monitored closely and incorporated into its liquidity risk management and contingency planning considerations.

As at the date of this Prospectus, CBD has been assigned long-term issuer ratings of Baa1 and A- by Moody's and Fitch, respectively.

On 13 September 2019, Moody's Investors Service Singapore Pte. Ltd. ("**Moody's Singapore**") reaffirmed the UAE's Aa2 Government bond and issuer ratings and assigned a stable outlook. A downgrade or potential downgrade of the UAE rating or a change in rating agency methodologies relating to systemic support provided by the UAE could also negatively affect the perception by rating agencies of CBD's rating.

There can also be no assurance that the rating agencies will maintain CBD's current ratings or outlooks or those of the UAE. A downgrade in CBD's credit rating or the credit rating of the UAE may limit CBD's ability to raise funding and increase its cost of borrowing, which could have a material adverse effect on CBD's business, results of operations, financial condition and prospects. Ratings are not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organisation. Each rating should be evaluated independently of any other rating.

Anti-money Laundering, Anti-terrorism Financing and Related Regulations

CBD is required to comply with applicable anti-money laundering ("**AML**"), anti-terrorism financing laws and other regulations. These laws and regulations require CBD, amongst other things, to adopt and enforce "know your customer" ("**KYC**") policies and procedures and to report suspicious and large transactions to the applicable regulatory authorities. CBD has adopted KYC and AML policies and procedures and reviews them regularly in light of any relevant regulatory and market developments. For example, CBD's staff are required to attend KYC and AML training and are made aware of CBD's policies and procedures relating to these two issues. CBD has also appointed AML reporting officers who are responsible for policy development and awareness, the detection and reporting of suspicious transactions and responding to staff queries relating to AML issues. All cash transactions are closely monitored and suspicious transactions are reported to the relevant branch AML reporting officer and, if required, to the relevant business unit head and CBD's AML manager.

To the extent CBD may fail to fully comply with applicable laws and regulations, the relevant UAE Government agencies to which it reports have the power and authority to impose fines and other penalties on CBD. In addition, CBD's business and reputation could suffer if customers use CBD for money laundering or illegal purposes. This could have a material adverse effect on CBD's business, results of operations, financial condition and prospects.

Regulatory Risks

Impact of Regulatory Changes

CBD is subject to the laws, regulations, administrative actions and policies of the UAE. These regulations may limit CBD's activities and changes in supervision and regulation could have a material adverse effect on CBD's business, the products or services offered, the value of its assets, and its financial condition. Fiscal or other policies which may materially adversely affect CBD's business, the value of its assets and its financial condition cannot be predicted and are beyond the control of CBD.

Although CBD works closely with its regulators and continuously monitors the situation, future changes in regulatory, fiscal or other policies cannot be predicted and are beyond the control of CBD. For example, see "*The United Arab Emirates Banking Sector and Regulations – Capital Management*".

CBD performs an impact assessment as and when new regulations are forthcoming or are put in place. For example, CBD has performed an impact analysis prior to the implementation of IFRS 9 in January 2018. Similarly, CBD has performed an impact assessment prior to the implementation of VAT in January 2018.

In August 2017, the UAE Ministry of Finance issued Federal Decree-Law No. (8) of 2017 on Value Added Tax ("**VAT**") which took effect from 1 January 2018. Pursuant to this, a standard rate of 5 per cent. VAT was introduced on the value of most supply or import of goods and services. In addition, Federal Law No. (14) of 2018 Regarding the Central Bank & Organization of Financial Institutions and Activities (the "**2018 Federal Law**") (Article 116) indicates that the UAE Central Bank shall establish a resolution framework for financial institutions, pursuant to which, in the case of a deficiency in an institution's financial position, the UAE Central Bank may take certain actions for the protection of the concerned institution and its depositors. These may include (without limitation) requesting a court to liquidate or declare bankrupt such institution, or prepare a plan for transfer of its assets and liabilities, in accordance with established laws. The timing and content for any such framework are uncertain. The exercise (or perceived likelihood of exercise) of any such action by the UAE Central Bank or any suggestion of such exercise could materially adversely affect the value of the Capital Securities and could lead to holders losing some or all of their investment in the Capital Securities.

No assurance can be given that the UAE Government will not implement regulations or fiscal or monetary policies, including policies or new regulations or new legal interpretations of existing regulations relating to or affecting taxation, interest rates or exchange controls or otherwise take actions which could have a material adverse effect on CBD's business, results of operations, financial condition and prospects.

Risks related to the UAE and the Middle East

Majority of Business in the UAE

CBD is a bank, headquartered in Dubai, UAE, which is primarily focused on the financial markets of the UAE. As at 31 December 2019, 90 per cent. of CBD's total assets were located within the UAE, including the majority of its loans and advances and Islamic financing, net and CBD derives the majority of its customer deposits and Islamic customer deposits from within the UAE. As at 31 December 2019, approximately 84 per cent. of CBD's total liabilities were derived from UAE sources. As CBD has its operations and the majority of its assets located in the UAE, its business is and will continue to be affected by the economic, political and related conditions prevailing from time to time in the UAE and/or the Middle East generally (see "*Economic, Political and Related Considerations*").

Investors in emerging markets should also be aware that these markets are subject to greater risks than more developed markets, including in some cases significant economic, political and related risks.

Economic, Political and Related Considerations

The UAE has enjoyed economic growth and relative political stability in recent years. There can be no assurance that such growth or stability will continue. Moreover, while the UAE Government's policies have generally resulted in improved economic performance, there can be no assurance that such level of performance can be sustained. Because CBD is headquartered in Dubai, UAE and is primarily focused on the financial markets of the UAE, political and economic developments in or affecting the UAE and the Middle East could have a material adverse effect on CBD's business, results of operations, financial condition and prospects.

Economic Developments

This is particularly so in light of significant adverse financial and economic conditions experienced worldwide commencing in early 2008. Since that time, there has been a slowdown or reversal of the high rates of growth that had been previously experienced by many countries within the GCC and the UAE, especially in Dubai. Consequently, certain sectors of the GCC economy that had benefitted from such high growth rates, such as financial institutions, could be adversely affected by the current COVID-19 pandemic and any future crisis.

Along with other banks in the GCC region, CBD suffered a deterioration in its portfolio, principally manifested in the form of increases in non-performing loan levels, as a result of such adverse economic conditions. As a consequence of having its operations in the UAE, CBD's operations have been and may in the future be affected by economic developments impacting the UAE, in particular, the level of economic activity.

While the UAE has seen significant economic growth since 2000, there is no assurance that such growth will continue particularly in light of significant adverse financial and economic conditions experienced worldwide which commenced in 2008 and more recently due to the COVID-19 pandemic. Since 2008, global credit markets, particularly in the United States and Europe, have experienced difficult conditions of varying intensity. These challenging market conditions have resulted at times in reduced liquidity, greater volatility, widening of credit spreads and lack of price transparency in credit and capital markets and there has been a slowdown or reversal of the high rates of growth that had been experienced by many countries within the GCC and the UAE. In addition, since late 2008, property and construction markets in the UAE and a number of other countries in the MENA region have been significantly adversely affected. Consequently, certain sectors of the GCC economy, such as real estate, construction and financial institutions, have been materially adversely affected by the crisis, in particular, due to the volatility of the price of oil. Moreover, while the UAE Government's policies have generally resulted in improved economic performance, there can be no assurance that such level of performance can be sustained or that the UAE Government will not implement regulations, fiscal or monetary policies, including policies, regulations, or new legal interpretations of existing regulations, relating to or affecting taxation, interest rates or exchange controls, or otherwise take actions which could have a material adverse effect on CBD's business, reputation, financial condition, results of operations or prospects and thereby affect its ability to make payments in respect of the Capital Securities.

Like many economies in the Middle East and North Africa ("MENA") region, oil and gas and related industries, as well as the prices and production quantities of these commodities, play a prominent role in the UAE economy. Oil prices have however been volatile in recent years. Between July 2014 and January 2016, international crude oil prices declined dramatically (falling by approximately 75 per cent. from a monthly average OPEC Reference Basket price per barrel of U.S.\$107.89 in July 2014, to a monthly average price of U.S.\$26.50 in January 2016). Although there was a partial correction in global crude oil prices between 2017 and 2019 (according to the OPEC website, the average price of the OPEC Reference Basket was approximately U.S.\$66.48 per barrel for the year ended 31 December 2019), 2020 has seen increased volatility in the price of oil with the average price of the OPEC Reference Basket falling from U.S.\$65.11 per barrel in January 2020 to U.S.\$17.64 per barrel in April 2020, with most countries imposing lockdowns to contain the spread of COVID-19. Since then, oil prices have recovered with major economies re-opening and international travel has resumed in most countries. The recovery in oil prices was also supported by the agreement between OPEC and Russia in April 2020 to cut production by 10 million barrels a day in May and June (approximately 23 per cent. of their production levels). As a result oil prices recovered some of the losses and increased to U.S.\$33.22 a barrel as at the end of June 2020. The volatility in the price of oil and a reduction in its demand has also recently been exacerbated by the impact of COVID-19. If this volatility persists, and results in declining economic

conditions which negatively impact CBD's borrowers and contractual counterparties, it could have a material adverse effect on the Group. See "*—Concentration of credit risk could increase CBD's potential for losses*".

Political Developments

CBD's business may be affected if there are geo-political events that prevent CBD from delivering its services. In particular, since early 2011 there has been political unrest in a range of countries in the MENA region, including Algeria, Bahrain, Egypt, Libya, Oman, Iraq, Syria, Saudi Arabia, Tunisia and Yemen. This unrest has ranged from public demonstrations to, in extreme cases, armed conflict (which is still ongoing in Syria as at the date of this Prospectus) and has given rise to increased political uncertainty across the region and, in certain cases, regime changes. Additionally, during 2014, a group operating in the name of the Islamic State of Iraq, commonly referred to as "**ISIS**", "**ISIL**" or "**DAESH**", has been mounting challenges against the governments and the population of Iraq and Syria. Regional governments are privy to the challenges created by ISIS and are working towards strengthening internal security and collaborating with other regional governments in the GCC. Further, the UAE, along with other Arab states, is currently participating in the Saudi Arabian led military intervention in Yemen which began in 2015 in response to requests for assistance from the Yemeni government. The UAE is also a member of another Saudi Arabian led military coalition formed in December 2015 to combat Islamic extremism and, in particular, Islamic State. These situations have caused significant disruption to the economies of affected countries and have had a destabilising effect on international oil and gas prices. There has also been an escalation of tension between Iran and a number of western governments in 2019 following the United States' withdrawal from the Joint Comprehensive Plan of Action, including the attack on a number of oil tankers in the Strait of Hormuz, the seizure of foreign-flagged oil tankers, the murder of Qassem Soleimani by the United States, missile strike by Iran on United States military bases in Iraq and the decision of Iran to resume uranium enrichment activities. A further deterioration, and possible conflict, between the United States and certain governments in the MENA region, such as Iran or Syria, has the potential to adversely affect regional security, as well as global oil and gas prices. Such a deterioration in relations, should it materialise, could adversely impact the UAE and broader regional security, potentially including the outbreak of a regional conflict. CBD does not have operations in any of these countries. It is not possible to predict the occurrence of events or circumstances such as, or similar to, a war or the impact of such occurrences and no assurance can be given that CBD would be able to sustain its current profit levels if such events or circumstances were to occur. A general downturn or sustained deterioration in the economy of the UAE, instability in certain sectors of the UAE or regional economy, or major political upheaval therein could have a material adverse effect on CBD's business, results of operations, financial condition and prospects.

UAE Bankruptcy Law

In the event of the insolvency of CBD, UAE bankruptcy law may adversely affect the ability of CBD to perform its obligations under the Capital Securities issued by it. There is little precedent to predict how a claim on behalf of holders of the Capital Securities against CBD would be resolved in the case of the insolvency of CBD (including the approach that would be adopted by a liquidator or analogous insolvency official in respect of any subordination agreed as a matter of contract between CBD and any of its creditors).

Factors which are material for the purpose of assessing the risks associated with the Capital Securities

The Capital Securities are subordinated, conditional and unsecured obligations of the Issuer

Prospective investors should note that the payment obligations of the Issuer under the Conditions rank (i) subordinate and junior to all Senior Obligations, (ii) *pari passu* with all *Pari Passu* Obligations and (iii) in priority only to all Junior Obligations. Accordingly, the payment obligations of the Issuer under the Conditions rank junior to all unsubordinated payment obligations of the Issuer (including payment obligations to depositors of the Issuer in respect of their due claims) and all subordinated payment obligations of the Issuer to which the payment obligations under the Conditions rank or are expressed to rank junior, and *pari passu* with all subordinated payment obligations of the Issuer which rank or are expressed to rank *pari passu* with the payment obligations under the Conditions.

Prospective investors should also note that the payment obligations of the Issuer under the Conditions are conditional upon the following conditions (together, the "**Solvency Conditions**"):

- (a) the Issuer being Solvent at all times from (and including) the first day of the relevant Interest Period (or the Issue Date in the case of the first Interest Period) to (and including) the time of payment of the relevant Obligations;
- (b) the Issuer being capable of making payment of the relevant Obligations and any other payment required to be made on the relevant date to a creditor in respect of all Senior Obligations and all *Pari Passu* Obligations and still be Solvent immediately thereafter; and
- (c) the total share capital (including, without limitation, retained earnings) of the Issuer being greater than zero at all times from (and including) the first day of the relevant Interest Period (or the Issue Date in the case of the first Interest Period) to (and including) the time of payment of the relevant Obligations.

Further, the payment obligations of the Issuer under the Capital Securities are unsecured and no collateral is or will be given by the Issuer in relation thereto.

Notwithstanding any other provisions in the Conditions, to the extent that any of the Solvency Conditions are not satisfied at the relevant time or if a bankruptcy order in respect of the Issuer has been issued by a court in the UAE, all claims of the holders of the Capital Securities under the Capital Securities will be extinguished and the Capital Securities will be cancelled without any further payment to be made by the Issuer under the Capital Securities. As a result, holders of the Capital Securities would lose the entire amount of their investment in the Capital Securities.

In addition, a holder of the Capital Securities may exercise its enforcement rights in relation to the Capital Securities only in the manner provided in Condition 11 (*Enforcement Events*). If an Enforcement Event occurs and the Issuer fails to satisfy any of the Solvency Conditions or if a bankruptcy order in respect of the Issuer has been issued by a court in the UAE, the claims of the holders of the Capital Securities under the Capital Securities will be extinguished without any further payment to be made by the Issuer under the Capital Securities.

Furthermore, any indication or perceived indication that any of the Solvency Conditions may not be satisfied or that a bankruptcy order may be issued may have a material adverse effect on the market price of the Capital Securities.

No limitation on issuing senior securities

Other than the limitations in relation to the issue of further Additional Tier 1 Capital by the Issuer as set out in Condition 4.4 (*Status and Subordination – Other Issues*) which limits the circumstances in which Additional Tier 1 Capital of the Issuer can be issued that ranks senior to the Capital Securities, there is no restriction on the Issuer incurring additional indebtedness or issuing securities or creating any guarantee or contractual support arrangement which would rank senior to the Capital Securities, and which may reduce the likelihood of the Solvency Conditions being met and/or the amount recoverable by holders of the Capital Securities on a winding-up of the Issuer.

Payments of Interest Payment Amounts are conditional upon certain events and may be cancelled and are non-cumulative

No Interest Payment Amounts are payable on the relevant Interest Payment Date if a Non-Payment Event (as more particularly provided in, Condition 6.1 (*Interest Cancellation – Non-Payment Event*)) occurs (subject to Condition 6.2 (*Interest Cancellation – Effect of Non-Payment Event*)). Each of the following events is a Non-Payment Event for the purposes of the Conditions with respect to each Interest Payment Date:

- (a) the Interest Payment Amount payable, when aggregated with any distributions or amounts payable by the Issuer on any *Pari Passu* Obligations having the same date in respect of payment of such distributions or amounts as, or otherwise due and payable on, the date for payment of the relevant Interest Payment Amount, exceeds, on the relevant date for payment of such Interest Payment Amount, the Distributable Items;

- (b) the Issuer is, on that Interest Payment Date, in breach of the Applicable Regulatory Capital Requirements (including any payment restrictions due to breach of capital buffers imposed on the Issuer by the Regulator, as appropriate) or payment of the relevant Interest Payment Amount would cause it to be in breach thereof;
- (c) the Regulator having notified the Issuer that the Interest Payment Amount due on that Interest Payment Date should not be paid for any reason the Regulator may deem necessary;
- (d) the Solvency Conditions are not satisfied (or would no longer be satisfied if the relevant Interest Payment Amount was paid); or
- (e) the Issuer, in its sole discretion, has elected that Interest Payment Amounts shall not be paid to holders of the Capital Securities on such Interest Payment Date (other than in respect of any amounts due on any date on which the Capital Securities are to be redeemed in full, in respect of which this sub-paragraph (e) does not apply), including, without limitation, if the Issuer incurs a net loss during the relevant Interest Period.

In relation to sub-paragraph (a) above, as at the Issue Date, "Distributable Items" is defined in the Conditions as "the amount of the Issuer's consolidated retained earnings and reserves, including general reserves, special reserves and statutory reserves (to the extent not restricted from distribution by applicable law) after the transfer of any amounts to non-distributable reserves, all as set out in the most recent audited or (as the case may be) auditor reviewed consolidated financial statements of the Issuer or any equivalent or successor term from time to time as prescribed by the Capital Regulations, including the applicable criteria for Tier 1 Capital instruments that do not constitute Common Equity Tier 1 Capital". As at 30 June 2020, the Issuer's Distributable Items amounted to AED 4.5 billion.

However, current guidance issued by the Regulator has indicated that the definition of "Distributable Items" may in the future be calculated by reference to the latest audited or (as the case may be) auditor reviewed non-consolidated financial statements. To the extent that this change comes into effect in the future, the level of Distributable Items as so calculated might be lower than otherwise would be the case if the change does not take effect.

In relation to sub-paragraph (b) above, payment restrictions will also apply in circumstances where the Issuer does not meet certain capital buffer requirements, namely, payment restrictions in an amount equal to the Maximum Distributable Amount (as defined below) if the combined capital buffer requirement is not satisfied pursuant to the Capital Regulations. In the event of a breach of the combined buffer requirement, under the Capital Regulations, the restrictions will be scaled according to the extent of the breach of the combined buffer requirement and calculated as a percentage of the Issuer's profits for the most recent relevant period. Such calculation will result in a maximum distributable amount (the "**Maximum Distributable Amount**") in each relevant period. As an example, the scaling is such that in the lowest quartile of the combined buffer requirement, no discretionary distributions will be permitted to be paid. As a consequence, in the event of breach of the combined buffer requirement it may be necessary to reduce payments that would, but for the breach of the combined buffer requirement, be discretionary, including Interest Payment Amounts in respect of the Capital Securities. In such circumstances, the aggregate amount of distributions which the Issuer can make on account of dividends, Interest Payment Amounts and redemption amounts on its Additional Tier 1 Capital (including the Capital Securities) and certain variable remuneration (such as bonuses) or discretionary pension benefits will be limited. Furthermore, there can be no assurance that the combined buffer requirement applicable to the Issuer will not be increased in the future, which may exacerbate the risk that discretionary distributions, including payments of Interest Payment Amounts in respect of the Capital Securities, are cancelled.

In the event of a Non-Payment Event, certain restrictions on declaration of dividends or distributions and redemption of certain securities by the Issuer will apply in accordance with Condition 6.3 (*Interest Cancellation – Dividend and Redemption Restrictions*). However, the holders of the Capital Securities shall have no claim in respect of any Interest Payment Amount not paid as a result of a Non-Payment Event and the non-payment of any Interest Payment Amount in such a circumstance shall not constitute an Enforcement Event. The Issuer shall not make or have any obligation to make any subsequent payment in respect of any such unpaid amount. Any failure to provide notice of a Non-Payment Event in accordance with the Conditions will not invalidate the cancellation of the relevant payment of the Interest Payment Amount. In the absence of notice of a Non-Payment Event having been given in accordance

with Condition 6.2 (*Interest Cancellation – Effect of Non-Payment Event*), the fact of non-payment of an Interest Payment Amount on the relevant Interest Payment Date shall be evidence of the occurrence of a Non-Payment Event.

In such case, the holders of the Capital Securities will not receive Interest Payment Amounts on their investment in the Capital Securities and shall not have any claim in respect thereof. Any non-payment of Interest Payment Amounts or perceived risk of such non-payment may have a material adverse effect on the market value of the Capital Securities.

Perpetual securities

The Capital Securities are perpetual securities which have no scheduled repayment date. Holders of the Capital Securities have no ability to require the Issuer to redeem their Capital Securities unless, and subject to the restrictions described in Condition 11 (*Enforcement Events*), an Enforcement Event occurs. The Issuer has the option to redeem the Capital Securities in certain circumstances as more particularly described in Condition 9 (*Redemption and Variation*), although there is no assurance that it will do so.

This means that the holders of the Capital Securities should be aware that they may be required to bear the financial risks of an investment in the Capital Securities and have no ability to cash-in their investment, except:

- (a) if the Issuer exercises its rights to redeem the Capital Securities in accordance with Condition 9 (*Redemption and Variation*);
- (b) upon the occurrence of an Enforcement Event, to the extent possible under the limited remedies set out in Condition 11 (*Enforcement Events*); or
- (c) by selling their Capital Securities.

The exercise of (or perceived likelihood of exercise of) any such redemption feature of the Capital Securities may limit their market value, which is unlikely to rise substantially above the price at which the Capital Securities can be redeemed.

There can be no assurance that holders of the Capital Securities will be able to reinvest the amount received upon redemption or sale at a rate that will provide the same rate of return as their investment in the Capital Securities.

The right to receive repayment of the principal amount of the Capital Securities and the right for any further interest will be permanently written-down upon the occurrence of a Non-Viability Event

If a Non-Viability Event occurs, the Prevailing Principal Amount of the Capital Securities then outstanding will be written-down in whole or, in exceptional cases, in part on a *pro rata* basis, in each case as solely determined by the Regulator. Pursuant to a Write-down, the rights of any holder of Capital Securities for payment of any amounts under or in respect of the Capital Securities (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, an Enforcement Event), in a proportion corresponding to the relevant Write-down Amount (and any related unpaid Interest Payment Amounts), shall be cancelled and not restored under any circumstances, irrespective of whether such amounts have become due and payable prior to the date of the Non-Viability Event or notice in relation thereto. In the case of a Write-down in whole, the Capital Securities shall be cancelled. As a result, upon the occurrence of a Non-Viability Event, the holders of the Capital Securities may lose the entire amount of their investment in the Capital Securities.

In the exceptional cases in which a Write-down in part is required by the Regulator, a Write-down may occur on one or more occasions as solely determined by the Regulator provided, however, that the principal amount of a Capital Security shall never be reduced to below nil.

Furthermore, upon the occurrence of any Write-down in part pursuant to Condition 10 (*Write-down at the Point of Non-Viability*), Interest Payment Amounts will accrue on the reduced principal amount of the Capital Securities (subject to the Conditions). Also, any amounts arising as a result of, or due and payable upon the occurrence of, an Enforcement Event or any redemption of the Capital Securities will be by reference to such reduced principal amount of the Capital Securities.

A "**Non-Viability Event**" means that the Regulator has notified the Issuer in writing that it has determined that the Issuer has, or will become, Non-Viable without: (a) a Write-down; or (b) a public injection of capital (or equivalent support).

The Issuer shall be "**Non-Viable**" if (a) it is insolvent, bankrupt, unable to pay a material part of its obligations as they fall due or unable to carry on its business, or (b) any other event or circumstance occurs, which is specified as constituting non-viability by the Regulator, or in the Capital Regulations.

The circumstances triggering a Write-down are unpredictable

The occurrence of a Non-Viability Event is inherently unpredictable and depends on a number of factors, many of which are outside of the Issuer's control. The occurrence of a Non-Viability Event is subject to, *inter alia*, a subjective determination by the Regulator. As a result, the Regulator may require a Write-down in circumstances that are beyond the control of the Issuer and with which the Issuer or the holder of the Capital Securities may not agree. Furthermore, although the Conditions provide that the Regulator may require a Write-down in whole or in part upon the occurrence of a Non-Viability Event, the current stated position of the Regulator is that a Write-down in whole will apply in all such cases save only in exceptional cases as determined by the Regulator in its sole discretion.

Investors should also be aware that the application of a non-viability loss absorption feature similar to Condition 10 (*Write-down at the Point of Non-Viability*) has not been tested in the UAE and therefore some degree of uncertainty exists in its application. The exercise (or perceived likelihood of exercise) of any such power by the Regulator or any suggestion of such exercise could materially adversely affect the value of the Capital Securities and could lead to holders losing some or all of their investment in the Capital Securities. As a result of a Write-down, a holder may suffer a loss in respect of its holding of the Capital Securities ahead of, or without, any loss being required to be borne by a shareholder of the Issuer in respect of its shareholding.

The financial viability of the Issuer will also depend in part on decisions made by the Issuer in relation to its business and operations, including the management of its capital position. In making such decisions, the Issuer may not have regard to the interests of the holders of the Capital Securities and, in particular, the consequences for the holders of the Capital Securities of any such decisions and there can be no assurance in any such circumstances that the interests of the Issuer, its shareholders and the Regulator will be aligned with those of the holders of the Capital Securities.

The Conditions contain limited Enforcement Events and remedies

The Enforcement Events in the Conditions are limited to: (i) a payment default by the Issuer for a period of seven Business Days in the case of any principal and 14 days in the case of interest (save in each case where such failure occurs solely as a result of the occurrence of a Non-Payment Event); (ii) a final determination is made by a court or other official body that the Issuer is insolvent or bankrupt or unable to pay its debts; (iii) an administrator is appointed, an order is made by a court of competent jurisdiction or an effective resolution passed for the winding-up or dissolution or administration of the Issuer, or the Issuer shall apply or petition for a winding-up or administration order in respect of itself or cease, or through an official action of its board of directors threaten to cease, to carry on all or substantially all of its business or operations, in each case except: (a) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution of the holders of the Capital Securities; or (b) for any step or procedure which is part of a solvent reconstruction or amalgamation approved by any court of competent jurisdiction or other competent authority; or (iv) any event occurs which under the laws of the UAE has an analogous effect to those described in (ii) and (iii) above.

Moreover, pursuant to Condition 11 (*Enforcement Events*), upon the occurrence of an Enforcement Event, limited remedies are available to a holder of the Capital Securities. A holder of the Capital Securities may give notice to the Issuer (at the specified office of the Fiscal Agent) that the Capital Securities are due and payable at the Early Redemption Amount and thereafter: (i) institute any steps, actions or proceedings for the winding-up of the Issuer and/or (ii) prove in the winding-up of the Issuer and/or (iii) claim in the liquidation of the Issuer for such payment and/or (iv) take such other steps, actions or proceedings to enforce, prove or claim for such payment which, under the laws of the United Arab Emirates, have an analogous effect to the actions referred to in (i) to (iii) above (in each case, without prejudice to Condition 4.2 (*Status and Subordination – Subordination of the Capital Securities*), which

provides (amongst other things) that if the Solvency Conditions are not satisfied or if a bankruptcy order in respect of the Issuer has been issued by a court in the United Arab Emirates, all claims of the holders of the Capital Securities under the Capital Securities will be extinguished). In addition, any holder of the Capital Securities may at its discretion institute such steps, actions or proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Conditions other than any payment obligation of the Issuer (including, without limitation, payment of any principal or satisfaction of any payments in respect of the Conditions, including any damages awarded for breach of any obligations).

Furthermore, pursuant to Condition 4.2 (*Status and Subordination – Subordination of the Capital Securities*), claims in respect of Senior Obligations of the Issuer would first have to be satisfied in any winding-up or liquidation before holders of the Capital Securities may expect to obtain any amounts in respect of the Capital Securities and, prior thereto, holders of the Capital Securities may only have limited (if any) ability to influence the conduct of such winding-up or liquidation. If an Enforcement Event occurs and the Issuer has failed to satisfy any of the Solvency Conditions or if a bankruptcy order in respect of the Issuer has been issued by a court in the United Arab Emirates, all claims of the holders of the Capital Securities under the Capital Securities will be extinguished, and the Capital Securities will be cancelled without any further payment to be made by the Issuer under the Capital Securities.

Resettable fixed rate instruments have a market risk

A holder of an instrument with a fixed interest rate that will be reset during the term of the instrument (as will be the case for the Capital Securities with effect from each Reset Date if not previously redeemed and/or purchased and cancelled) is exposed to the risk of fluctuating interest rate levels and uncertain interest income. While the expected interest rate on the Capital Securities is fixed until the First Reset Date (with a reset of the Interest Rate on the First Reset Date as set out in the Conditions and every sixth anniversary thereafter), the current investment return rate in the capital markets (the "**market return rate**") typically changes on a daily basis. As the market return rate changes, the market value of the Capital Securities may also change, but in the opposite direction. If the market return rate increases, the market value of the Capital Securities would typically decrease. If the market return rate falls, the market value of the Capital Securities would typically increase. The holders of Capital Securities should be aware that movements in these market return rates can adversely affect the market value of the Capital Securities and can lead to losses for the holders of Capital Securities if they sell the Capital Securities.

Variation upon the occurrence of a Capital Event or a Tax Event

Upon the occurrence of a Capital Event or a Tax Event, the Issuer may, subject as provided in Condition 9.1(c) (*Redemption and Variation – Redemption or Variation due to Taxation*) or 9.1(d) (*Redemption or Variation for Capital Event*) (as the case may be) and without the need for any consent of the holders of the Capital Securities, vary the terms of the Capital Securities such that they become or remain (as appropriate) Qualifying Tier 1 Instruments and, in the case of a variation upon the occurrence of a Tax Event, so that the relevant withholding or deduction otherwise arising from the relevant Tax Law Change is no longer required.

A Capital Event will arise if the Issuer is notified in writing by the Regulator to the effect that the outstanding principal amount (or the amount that qualifies as regulatory capital, if some amount of the Capital Securities is held by the Issuer or whose purchase is funded by the Issuer) of the Capital Securities would cease to be eligible to qualify, in whole or in part, for inclusion in the consolidated Additional Tier 1 Capital of the Issuer (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital), and provided that the Issuer satisfies the Regulator that such non-qualification was not reasonably foreseeable at the time of issuance of the Capital Securities.

A Tax Event will arise if, on the occasion of the next payment due under the Capital Securities, the Issuer has or will become obliged to pay Additional Amounts (whether or not a Non-Payment Event has occurred), as a result of a Tax Law Change that becomes effective on or after the Issue Date (and such requirement cannot be avoided by the Issuer taking reasonable measures available to it), and provided that the Issuer satisfies the Regulator that such Tax Law Change was not reasonably foreseeable at the time of issuance of the Capital Securities.

The tax and stamp duty consequences of holding the Capital Securities following variation as contemplated in Condition 9 (*Redemption and Variation*) could be different for certain holders of the

Capital Securities from the tax and stamp duty consequences for them of holding the Capital Securities prior to such variation and the Issuer shall not be responsible to any holder of the Capital Securities for any such consequences in connection therewith. No assurance can be given as to whether any of these changes will negatively affect any particular holder of the Capital Securities or the market value of the Capital Securities.

The Capital Securities may be subject to early redemption; redemptions conditional

Upon the occurrence of a Tax Event or a Capital Event, or at its option on the First Call Date or on any date thereafter up to and including the First Reset Date or on any Interest Payment Date following the First Reset Date, the Issuer may, having given not less than 10 nor more than 15 days' prior notice to the holders of the Capital Securities in accordance with Condition 15 (*Notices*), redeem in accordance with the Conditions all (but not some only) of the Capital Securities at the Tax Redemption Amount, Capital Event Redemption Amount or Early Redemption Amount (as applicable) (as more particularly described in Condition 9.1(b) (*Redemption and Variation – Issuer's Call Option*), Condition 9.1(c) (*Redemption and Variation – Redemption or Variation due to Taxation*) and Condition 9.1(d) (*Redemption and Variation – Redemption or Variation for Capital Event*)).

Any redemption of the Capital Securities is subject to the requirements in Condition 9.1(a) (*Redemption and Variation – No Fixed Redemption Date and Conditions for Redemption and Variation*), including (to the extent then required) obtaining the prior written consent of the Regulator. There can be no guarantee that the written consent of the Regulator will be received on time or at all.

There is no assurance that the holders of the Capital Securities will be able to reinvest the amount received upon redemption at a rate that will provide the same rate of return as their investment in the Capital Securities. Potential investors should consider re-investment risk in light of other investments available at that time.

The exercise of (or perceived likelihood of exercise of) the redemption features of the Capital Securities may limit their market value, which is unlikely to rise substantially above the price at which the Capital Securities can be redeemed.

Any purchase of the Capital Securities by the Issuer or any of its subsidiaries is subject to the requirements in Condition 9.2 (*Purchase*), including (to the extent then required by the Regulator or the Capital Regulations) obtaining the prior written consent of the Regulator. There can be no guarantee that the written consent of the Regulator will be received on time or at all, particularly as the Regulator has indicated that it will provide such written consent in exceptional cases only.

Modification

The Conditions contain provisions for calling meetings of holders of the Capital Securities to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of the Capital Securities including holders of the Capital Securities who did not attend and vote at the relevant meeting and holders of the Capital Securities who voted in a manner contrary to the majority.

The Conditions also provide that the Fiscal Agent and the Issuer may agree, without the consent of holders of the Capital Securities, to any modification of any Capital Securities, in the circumstances specified in Condition 16 (*Meetings of Holders of the Capital Securities and Modification*).

The Conditions also provide that the Issuer may, without the consent or approval of the holders of the Capital Securities, vary the Conditions so that they become or, as appropriate, remain, Qualifying Tier 1 Instruments and, in the case of a variation upon the occurrence of a Tax Event, so that the relevant withholding or deduction otherwise arising from the relevant Tax Law Change is no longer required, as provided in Condition 9.1(c) (*Redemption and Variation – Redemption or Variation due to Taxation*) and Condition 9.1(d) (*Redemption and Variation – Redemption or Variation for Capital Event*).

Credit ratings may not reflect all risks

One or more other independent credit rating agencies may assign a credit rating to the Capital Securities. Any rating may not reflect the potential impact of all risks related to the transaction structure, the market, the additional factors discussed above, or any other factors that may affect the value of the Capital

Securities. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In general, European (including UK) regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU or in the UK and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances. Such general restriction will also apply in the case of credit ratings issued by non-EU or non-UK credit rating agencies, unless the relevant credit ratings are endorsed by an EU or UK registered credit rating agency or the relevant non-EU or non-UK rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency being included in such list as there may be delays between certain supervisory measures being taken against a relevant rating agency and publication of an updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Prospectus.

Taxation risks on payments

Payments made by the Issuer in respect of the Capital Securities could become subject to taxation. Condition 12 (*Taxation*) requires the Issuer to pay additional amounts in certain circumstances in the event that any withholding or deduction is imposed by the UAE or the Emirate of Dubai in respect of any interest payments under the Capital Securities (but not in respect of principal), such that net amounts received by the holders of the Capital Securities after such withholding or deduction shall equal the respective amounts of interest which would otherwise have been receivable in respect of the Capital Securities in the absence of such withholding or deduction.

Trading in the clearing systems

As the Capital Securities have a denomination consisting of U.S.\$200,000, plus higher integral multiples of U.S.\$1,000, it is possible that such Capital Securities may be traded in amounts that are not integral multiples of U.S.\$200,000. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than U.S.\$200,000 in his account with the relevant clearing system at the relevant time may not receive an Individual Certificate in respect of such holding (should Individual Certificates be printed) and would need to purchase a principal amount of Capital Securities such that its holding amounts to at least U.S.\$200,000 in order to be eligible to receive an Individual Certificate.

If Individual Certificates are issued, holders should be aware that Individual Certificates which have a denomination that is not an integral multiple of U.S.\$200,000 may be illiquid and difficult to trade.

Risk factors relating to enforcement

Claims for specific enforcement

Without prejudice to the limited nature of the remedies set out in Condition 11 (*Enforcement Events*), in the event that the Issuer fails to perform its obligations under the Capital Securities, the potential remedies available to the holders of the Capital Securities may include obtaining an order for specific enforcement of the relevant obligations or a claim for damages. An order for specific enforcement is at the discretion of the court and there is no assurance that a court will provide such an order. The amount of damages which a court may award in respect of a breach may depend upon a number of factors including Condition 11 (*Enforcement Events*) and an obligation on the holders of the Capital Securities to mitigate any loss arising as a result of the breach. No assurance is provided as to the extent to which a court may award damages in the event of a failure by the Issuer to perform its obligations as set out in the Capital Securities.

Investors may experience difficulty in enforcing arbitration awards and foreign judgments in Dubai

Any payments due under the Capital Securities are dependent upon the Issuer making payments in the manner contemplated under the Capital Securities. If the Issuer fails to do so, it may be necessary for an investor to bring an action against the Issuer to enforce its obligations (subject to the provisions of the Conditions), which may be costly and time consuming.

Furthermore, to the extent that the enforcement of remedies must be pursued in the UAE, it should be borne in mind that there is limited scope for self-help remedies under UAE law and that generally enforcement of remedies in the UAE must be pursued through the courts.

The Issuer has irrevocably agreed to the Capital Securities, the Agency Agreement and the Deed of Covenant being governed by English law and that any dispute arising from the Capital Securities, the Agency Agreement and the Deed of Covenant will, unless the option to litigate is exercised, be referred to arbitration under the Rules with an arbitral tribunal with its seat in London.

The New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the "**New York Convention**") entered into force in the UAE on 19 November 2006. In the absence of any other multilateral or bilateral enforcement convention, an arbitration award rendered in London should be enforceable in the UAE in accordance with the terms of the New York Convention. Under the New York Convention, the UAE has an obligation to recognise and enforce foreign arbitration awards, unless the party opposing enforcement can prove one of the grounds under Article V of the New York Convention to refuse enforcement, or the UAE courts find that the subject matter of the dispute is not capable of settlement by arbitration or enforcement would be contrary to the public policy of the UAE.

How the New York Convention provisions would be interpreted and applied by the UAE courts in practice and whether the UAE courts will enforce a foreign arbitration award in accordance with the New York Convention (or any other multilateral or bilateral enforcement convention), remains largely untested. This is reinforced by the lack of a system of binding judicial precedent in the UAE and the independent existence of different Emirates within the UAE, some with their own court systems, whose rulings may have no more than persuasive force cross border. Although there are examples of foreign arbitral awards being enforced in the UAE under the New York Convention, there are other cases where the enforcement of foreign arbitral awards have been refused, with, for example, the relevant judge confusing the requirements for the enforcement of domestic awards with the requirements for the enforcement of foreign court judgments under the UAE. Federal Law No. 1 of 1992 as amended, or ignoring the provisions of Article 238 of Federal Law No. 11 of 1992 (as amended by Federal Law No. 30 of 2005) (the "**Law of Civil Procedure**"). Federal Cabinet Resolution No. 57 of 2018 (the "**Resolution**") governs the enforcement of foreign arbitral awards. The Resolution confirms that arbitral awards issued in a foreign state may be enforced in the UAE and that the conditions for enforcement of foreign arbitral awards set out in the New York Convention take precedence over the Resolution. There remains a risk that notwithstanding the Resolution or the terms of an applicable multilateral or bilateral enforcement convention, the UAE courts may in practice still consider and apply the grounds set out in Federal Law No. 6 of 2018 (the "**UAE Arbitration Law**") related to the enforcement of non-UAE seated arbitral awards (as provided in Articles 52 to 57 of the UAE Arbitration Law) to the enforcement of any non-UAE arbitral award. The UAE Arbitration Law and the Resolution are both new and it is unclear how they will be applied by the UAE courts in practice. Accordingly, there is a risk that a non-UAE arbitral award will be refused enforcement by the UAE courts.

Under the Capital Securities, the Agency Agreement and the Deed of Covenant, any dispute may, at the option of the relevant holder of the Capital Securities or (in the case of the Agency Agreement) the relevant Agent, also be referred to the courts of England (or such other court of competent jurisdiction as such party may elect).

Where an English judgment has been obtained, there is no assurance that the Issuer has, or would at the relevant time have, assets in the UK against which such a judgment could be enforced. The Issuer is incorporated in and has its operations and the majority of its assets located in the UAE. Under current UAE federal law, the courts in the UAE are unlikely to enforce an English court judgment without re-examining the merits of the claim and may not observe the parties' choice of English law as the governing law of the transaction. In the UAE, foreign law is required to be established as a question of fact and the interpretation of English law by a court in the UAE may not accord with the interpretation of an English court. In principle, courts in the UAE recognise the choice of foreign law if they are satisfied that an appropriate connection exists between the relevant transaction agreement and the foreign law which has been chosen. In addition, even if English law is accepted as the governing law, this will only be applied to the extent that it is compatible with the laws of Dubai and the UAE, and public policy, order or morals in the UAE. This may mean that the UAE courts may seek to interpret English law governed documents as if they were governed by UAE law and there can therefore be no certainty that in those circumstances the UAE courts would give effect to such documents in the same manner as the parties may intend.

As the UAE is a civil law jurisdiction, judicial precedents in the UAE have no binding effect on subsequent decisions. In addition, there is no formal system of reporting court decisions in the UAE. These factors create greater judicial uncertainty. The enforcement of a foreign judgment or arbitral award may be a lengthy process in the UAE.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk and exchange rate risk:

Absence of secondary market/limited liquidity

There is no assurance that a secondary market for the Capital Securities will develop or, if it does develop, that it will provide the holders of the Capital Securities with liquidity of investment or that it will continue for the life of the Capital Securities. The Capital Securities generally may have a more limited secondary market liquidity and may be subject to greater price volatility than conventional debt securities as they are perpetual securities (see "*Risk Factors – Factors which are material for the purpose of assessing the risks associated with the Capital Securities – Perpetual securities*"), are subordinated (see "*Risk Factors – Factors which are material for the purpose of assessing the risks associated with the Capital Securities – The Capital Securities are subordinated, conditional and unsecured obligations of the Issuer*") and payments of Interest Payment Amounts may be restricted in certain circumstances (see "*Risk Factors – Factors which are material for the purpose of assessing the risks associated with the Capital Securities – Payments of Interest Payment Amounts are conditional upon certain events and may be cancelled and are non-cumulative*").

Application has been made for the Capital Securities to be admitted to: (i) listing on the Irish Official List and trading on the Regulated Market; and (ii) listing on the DFSA Official List and trading on Nasdaq Dubai. However, there can be no assurance that any such listing will occur or will enhance the liquidity of the Capital Securities.

Illiquidity may have an adverse effect on the market value of the Capital Securities. Accordingly, a holder of the Capital Securities may not be able to find a buyer to buy its Capital Securities readily or at prices that will enable the holder of the Capital Securities to realise a desired yield. The market value of the Capital Securities may fluctuate and a lack of liquidity, in particular, can have a material adverse effect on the market value of the Capital Securities. Accordingly, the purchase of Capital Securities is suitable only for investors who can bear the risks associated with a lack of liquidity in the Capital Securities and the financial and other risks associated with an investment in the Capital Securities.

Exchange rate risks and exchange controls

The Issuer will pay any principal and interest payable on the Capital Securities in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than U.S. dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of U.S. dollars or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to U.S. dollars would decrease: (a) the Investor's Currency-equivalent yield on the Capital Securities; (b) the Investor's Currency-equivalent value of the principal payable on the Capital Securities; and (c) the Investor's Currency-equivalent market value of the Capital Securities.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

OVERVIEW OF THE ISSUANCE

The following description does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus. Any decision to invest in the Capital Securities should be based on a consideration of this Prospectus as a whole.

Words and expressions defined in "Terms and Conditions of the Capital Securities" shall have the same meanings in the following description.

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| Issuer: | Commercial Bank of Dubai P.S.C. |
| Description: | U.S.\$600,000,000 Perpetual Additional Tier 1 Capital Securities. |
| Joint Structuring Agents and Joint Global Coordinators: | Citigroup Global Markets Limited and Standard Chartered Bank. |
| Joint Lead Managers and Joint Bookrunners: | Barclays Bank PLC, Citigroup Global Markets Limited, Emirates NBD Bank PJSC, First Abu Dhabi Bank PJSC, Nomura International plc and Standard Chartered Bank. |
| Fiscal Agent, Transfer Agent and Calculation Agent: | Citibank N.A., London Branch. |
| Registrar: | Citigroup Global Markets Europe AG. |
| Issue Date: | 21 October 2020. |
| Issue Price: | 100 per cent. |
| Interest Payment Dates: | Subject to Condition 6 (<i>Interest Cancellation</i>), 21 April and 21 October in every year, commencing on 21 April 2021. |
| Interest Payment Amounts: | <p>Subject to Condition 6 (<i>Interest Cancellation</i>), the Capital Securities shall, during the Initial Period, bear interest at a rate of 6.000 per cent. per annum (the "Initial Interest Rate") on the Prevailing Principal Amount of the Capital Securities (being the aggregate of a margin of 5.597 per cent. per annum (the "Margin") and the Relevant Six-Year Reset Rate). The Interest Payment Amount payable on each Interest Payment Date during the Initial Period shall be U.S.\$30.00 per U.S.\$1,000 in principal amount of the Capital Securities. For the purpose of calculating payments of interest following the Initial Period, the Interest Rate will be reset on each Reset Date on the basis of the aggregate of the Margin and the Relevant Six-Year Reset Rate on the relevant U.S. Securities Determination Date, as determined by the Calculation Agent (see Condition 5 (<i>Interest</i>)).</p> <p>If a Non-Payment Event occurs, the Issuer shall not pay the corresponding Interest Payment Amount and the Issuer shall not make or have any obligation to make any subsequent payment in respect of any unpaid Interest Payment Amount as more particularly described in Condition 6 (<i>Interest Cancellation</i>). In such circumstances, interest will not be cumulative and any interest which is not paid will not accumulate or compound and holders of the Capital Securities will have no right to receive such interest at any time, even if interest is paid in the future.</p> |
| Form of Capital Securities, Clearance and Settlement: | The Capital Securities will be issued in registered form. The Capital Securities will be represented on issue by a Global Certificate that will be deposited with a common depository for Euroclear and Clearstream, Luxembourg (together, the " ICSDs "). Holders of the Capital Securities must hold their interest in the Global Certificate in book-entry form |

through the ICSDs. Except in the circumstances described in the Global Certificate, investors will not be entitled to receive Individual Certificates. The ICSDs and their respective direct and indirect participants will maintain records of the beneficial interests in the Global Certificate. While the Capital Securities are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the ICSDs and their respective participants. Transfers within and between the ICSDs will be in accordance with the usual rules and operating procedures of the relevant clearing systems. While Capital Securities are represented by the Global Certificate, the Issuer will discharge its payment obligation under such Capital Security by making payments through the relevant clearing systems. A holder of a beneficial interest in the Global Certificate must rely on the procedures of the relevant clearing system and its participants to receive payments under the relevant Capital Securities. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Capital Securities so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

Denomination: The Capital Securities will be issued in denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

Status of the Capital Securities: Each Capital Security will rank *pari passu* without preference or priority, with all other Capital Securities.

Subordination of the Capital Securities: The payment obligations of the Issuer under the Capital Securities (the "**Obligations**") will: (a) constitute Additional Tier 1 Capital of the Issuer; (b) constitute direct, unsecured, conditional (as described below) and subordinated obligations of the Issuer that rank *pari passu* and without preference or priority amongst themselves; (c) rank subordinated and junior to all Senior Obligations; (d) rank *pari passu* with all *Pari Passu* Obligations; and (e) rank in priority only to all Junior Obligations.

Notwithstanding any other provision in the Conditions, to the extent that any of the Solvency Conditions are not satisfied at the relevant time or if a bankruptcy order in respect of the Issuer has been issued by a court in the UAE, all claims of the holders of the Capital Securities under the Capital Securities will be extinguished and the Capital Securities will be cancelled without any further payment to be made by the Issuer under the Capital Securities.

Solvency Conditions: Payments in respect of the Obligations by the Issuer are conditional upon the following conditions (together, the "**Solvency Conditions**"):

- (i) the Issuer being Solvent at all times from (and including) the first day of the relevant Interest Period (or the Issue Date in the case of the first Interest Period) to (and including) the time of payment of the relevant Obligations;
- (ii) the Issuer being capable of making payment of the relevant Obligations and any other payment required to be made on the relevant date to a creditor in respect of all Senior Obligations and all *Pari Passu* Obligations and still be Solvent immediately thereafter; and

- (iii) the total share capital (including, without limitation, retained earnings) of the Issuer being greater than zero at all times from (and including) the first day of the relevant Interest Period (or the Issue Date in the case of the first Interest Period) to (and including) the time of payment of the relevant Obligations.

Redemption and Variation:

The Capital Securities are perpetual securities in respect of which there is no fixed or final redemption date. The Capital Securities may be redeemed in whole but not in part, or the terms thereof may be varied by the Issuer only in accordance with the provisions of Condition 9 (*Redemption and Variation*).

Pursuant to Condition 9.1(b) (*Redemption and Variation – Issuer's Call Option*), the Issuer may, only on a Call Date, redeem all, but not some only, of the Capital Securities at the Early Redemption Amount.

In addition (on any date on or after the Issue Date, whether or not an Interest Payment Date), upon the occurrence of a Tax Event or a Capital Event, all but not some only, of the Capital Securities may be redeemed or the terms of the Capital Securities may be varied, in each case in accordance with Conditions 9.1(c) (*Redemption and Variation – Redemption or Variation due to Taxation*) and 9.1(d) (*Redemption and Variation – Redemption or Variation for Capital Event*).

Any redemption of the Capital Securities is subject to the conditions described in Condition 9.1 (*Redemption and Variation - No Fixed Redemption Date and Conditions for Redemption and Variation*).

Write-down at the point of Non-Viability:

If a Non-Viability Event occurs, a Write-down will take place in accordance with Condition 10.2 (*Write-down at the Point of Non-Viability – Non-Viability Notice*).

"**Write-down**" means:

- (i) the holders' rights under the Capital Securities shall automatically be deemed to be irrevocably, unconditionally and permanently written-down in a proportion corresponding to the relevant Write-down Amount;
- (ii) in the case of the Write-down Amount corresponding to the full Prevailing Principal Amount of the Capital Securities then outstanding, the Capital Securities shall be cancelled; and
- (iii) all rights of any holder for payment or any amounts under or in respect of the Capital Securities, in a proportion corresponding to the relevant Write-down Amount (and any corresponding Interest Payment Amounts), shall be cancelled and not restored under any circumstances, irrespective of whether such amounts have become due and payable prior to the date of the Non-Viability Notice or the Non-Viability Event Write-down Date.

Purchase:

Subject to the Issuer (to the extent then required by the Regulator or the Capital Regulations): (i) having obtained the prior written consent of the Regulator; (ii) being in compliance with the Applicable Regulatory Capital Requirements immediately following such purchase; and (iii) being Solvent at the time of purchase, the Issuer or any of its subsidiaries may, after the First Call Date, purchase the Capital Securities in the open market or otherwise at such price(s) and upon such other conditions as may be agreed upon between the Issuer or the relevant subsidiary (as the case may be) and the relevant holders of Capital Securities. Upon any

such purchase, the Issuer may deliver such Capital Securities for cancellation.

Enforcement Events: Upon the occurrence of an Enforcement Event, any holder of the Capital Securities may give written notice to the Issuer at the specified office of the Fiscal Agent, effective upon the date of receipt thereof by the Fiscal Agent, that such Capital Security is due and payable, whereupon the same shall, subject to Condition 11.4 (*Restrictions*), become forthwith due and payable at its Early Redemption Amount, without presentation, demand, protest or other notice of any kind.

Withholding Tax: All payments in respect of the Capital Securities will be made free and clear of, without withholding or deduction for, or on account of, withholding taxes imposed by the relevant Tax Jurisdiction, subject as provided in Condition 12 (*Taxation*). In the event that any such deduction is made, the Issuer will, in respect of interest (but not in respect of principal), save in certain limited circumstances provided in Condition 12 (*Taxation*), be required to pay additional amounts to cover the amounts so deducted.

Listing and Admission to Trading: Application has been made: (i) to Euronext Dublin for the Capital Securities to be admitted to listing on the Irish Official List and to trading on the Regulated Market; and (ii) to the DFSA for the Capital Securities to be admitted to listing on the DFSA Official List and to Nasdaq Dubai for such Capital Securities to be admitted to trading on Nasdaq Dubai.

Governing Law and Dispute Resolution: The Capital Securities and any non-contractual obligations arising out of or in connection with the Capital Securities will be governed by, and shall be construed in accordance with, English law.

The Agency Agreement, the Deed of Covenant and any non-contractual obligations arising out of, relating to or having any connection with the Agency Agreement and the Deed of Covenant will be governed by, and shall be construed in accordance with, English law. In respect of any dispute, claim, difference or controversy under the Capital Securities, the Agency Agreement or the Deed of Covenant, the Issuer has consented to arbitration in accordance with the LCIA Arbitration Rules unless any holder of Capital Securities (in the case of the Capital Securities or the Deed of Covenant) or Agent (in the case of the Agency Agreement) elects to have the dispute, claim, difference or controversy resolved by a court, in which case the English courts will have exclusive jurisdiction to settle such dispute (or such other court of competent jurisdiction as such party may elect).

Selling Restrictions: There are restrictions on the offer, sale and transfer of the Capital Securities in the United States (Regulation S Category 2), the UK, the EEA, the Kingdom of Bahrain, the State of Qatar (including the Qatar International Financial Centre), the Kingdom of Saudi Arabia, the Dubai International Financial Centre, the UAE (excluding the Dubai International Financial Centre), Hong Kong, Japan, Malaysia and Singapore and such other restrictions as may be required in connection with the offering and sale of the Capital Securities (see "*Subscription and Sale*").

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published and have been filed with the CBI shall be incorporated in, and form part of, this Prospectus:

- (a) the unaudited condensed consolidated interim financial statements of the Issuer as at and for the six month period ended 30 June 2020 and the review report thereon (https://www.cbd.ae/docs/librariesprovider2/financial-results/cbd-financial-statements-q2-2020.pdf?Status=Temp&sfvrsn=32917b6b_2) including the information set out at the following pages in particular:

| | |
|--|------------|
| Independent auditors' report on review of condensed consolidated interim financial statements..... | Pages 1-2 |
| Condensed consolidated interim statement of financial position..... | Page 3 |
| Condensed consolidated interim statement of profit or loss | Page 4 |
| Condensed consolidated interim statement of other comprehensive income..... | Page 5 |
| Condensed consolidated interim statement of changes in equity..... | Page 6 |
| Condensed consolidated interim statement of cash flows..... | Page 7 |
| Notes to the condensed consolidated interim financial statements | Pages 8-29 |

- (b) the audited consolidated financial statements of the Issuer as at and for the financial year ended 31 December 2019 and the auditors' report thereon (<https://www.cbd.ae/docs/librariesprovider2/financial-results/financial-statements-31-december-2019.pdf>) including the information set out at the following pages in particular:

| | |
|--|---------------|
| Report of the independent auditors | Pages 2 - 8 |
| Consolidated statement of financial position | Page 9 |
| Consolidated statement of profit or loss..... | Page 10 |
| Consolidated statement of profit or loss and other comprehensive income..... | Page 11 |
| Consolidated statement of changes in equity | Page 12 |
| Consolidated statement of cash flows | Page 13 |
| Notes to the consolidated financial statements | Pages 14 – 90 |

- (c) the audited consolidated financial statements of the Issuer as at and for the financial year ended 31 December 2018 and the auditors' report thereon (<https://www.cbd.ae/docs/librariesprovider2/financial-results/cbd-financial-statements-31-december-2018---english.pdf>) including the information set out at the following pages in particular:

| | |
|--|---------------|
| Report of the independent auditors | Pages 1 - 8 |
| Consolidated statement of financial position | Page 9 |
| Consolidated statement of profit or loss..... | Page 10 |
| Consolidated statement of profit or loss and other comprehensive income..... | Page 11 |
| Consolidated statement of changes in equity | Page 12 |
| Consolidated statement of cash flows | Page 13 |
| Notes to the consolidated financial statements | Pages 14 - 96 |

Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

Copies of documents incorporated by reference in this Prospectus can be obtained upon request, free of charge, from the registered office of the Issuer and from the specified office of the Fiscal Agent.

Any non-incorporated parts of a document referred to herein are either not relevant for an investor or are otherwise covered elsewhere in this Prospectus.

TERMS AND CONDITIONS OF THE CAPITAL SECURITIES

The following are the Terms and Conditions of the Capital Securities which will be incorporated by reference into the Global Certificate (as defined below) and endorsed on each Individual Certificate (if issued) in respect of the Capital Securities:

Each of the U.S.\$600,000,000 Perpetual Additional Tier 1 Capital Securities (the "**Capital Securities**") is issued by Commercial Bank of Dubai P.S.C. in its capacity as issuer (the "**Issuer**") pursuant to the Deed of Covenant and the Agency Agreement (each as defined below).

Payments relating to the Capital Securities will be made pursuant to an agency agreement dated the Issue Date (as amended or supplemented from time to time, the "**Agency Agreement**") made between the Issuer, Citibank N.A., London Branch as fiscal agent (in such capacity, the "**Fiscal Agent**" and together with any further or other paying agents appointed from time to time in respect of the Capital Securities, the "**Paying Agents**") and as transfer agent (in such capacity, the "**Transfer Agent**" and, together with any further or other transfer agents appointed from time to time in respect of the Capital Securities, the "**Transfer Agents**"), Citigroup Global Markets Europe AG as registrar (the "**Registrar**") and Citibank N.A., London Branch as calculation agent (the "**Calculation Agent**", which expression includes any other calculation agent appointed from time to time in respect of the Capital Securities). The Paying Agents, the Calculation Agent and the Transfer Agents are together referred to in these terms and conditions (the "**Conditions**") as the "**Agents**". References to the Agents or any of them shall include their successors. The Capital Securities are constituted by a deed of covenant dated the Issue Date (as amended or supplemented from time to time, the "**Deed of Covenant**") entered into by the Issuer.

Any reference to "**holders**" in relation to any Capital Securities shall mean the persons in whose name the Capital Securities are registered and shall, in relation to any Capital Securities represented by a Global Certificate, be construed as provided below.

Copies of the Agency Agreement and the Deed of Covenant are obtainable during normal business hours at the specified office of the Agents. The holders of the Capital Securities are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement and the Deed of Covenant. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement and the Deed of Covenant.

1. INTERPRETATION

Words and expressions defined in the Agency Agreement shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and **provided that**, in the event of any inconsistency between any such document and these Conditions, these Conditions will prevail. In addition, in these Conditions, the following expressions have the following meanings:

"**Additional Amounts**" has the meaning given to it in Condition 12 (*Taxation*);

"**Additional Tier 1 Capital**" means capital qualifying as, and approved by the Regulator as, additional tier 1 capital in accordance with the Capital Regulations;

"**Applicable Regulatory Capital Requirements**" means any requirements contained in the Capital Regulations for the maintenance of capital from time to time applicable to the Issuer, including transitional rules and waivers granted in respect of the foregoing;

"**Assets**" means the consolidated gross assets of the Issuer as shown in the latest audited or (as the case may be) auditor reviewed consolidated balance sheet of the Issuer, but adjusted for subsequent events in such manner as the Directors, the auditors of the Issuer or (if a bankruptcy trustee (or any equivalent insolvency practitioner) has been appointed in respect of the Issuer) a bankruptcy trustee (or such equivalent insolvency practitioner) may determine;

"Authorised Denomination" has the meaning given to it in Condition 2.1 (*Form, Denomination and Title – Form and Denomination*);

"Authorised Signatory" means any person who is duly authorised by the Issuer to sign documents on its behalf and whose specimen signature has been provided to the Fiscal Agent;

"Basel III Documents" means the Basel Committee on Banking Supervision document "A global regulatory framework for more resilient banks and banking systems" released by the Basel Committee on Banking Supervision on 16 December 2010 and revised in June 2011 and the Annex contained in its document "Basel Committee issues final elements of the reforms to raise the quality of regulatory capital" on 13 January 2011;

"Business Day" means a day, other than a Friday, Saturday, Sunday or public holiday, on which registered banks settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in Dubai, London and New York City;

"Call Date" means the First Call Date and any date thereafter up to and including the First Reset Date and any Interest Payment Date following the First Reset Date;

"Capital Event" is deemed to have occurred if the Issuer is notified in writing by the Regulator to the effect that the outstanding principal amount (or the amount that qualifies as regulatory capital, if some amount of the Capital Securities is held by the Issuer or whose purchase is funded by the Issuer) of the Capital Securities would cease to be eligible to qualify, in whole or in part, for inclusion in the consolidated Additional Tier 1 Capital of the Issuer (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital), and provided that the Issuer satisfies the Regulator that such non-qualification was not reasonably foreseeable at the time of issuance of the Capital Securities;

"Capital Event Redemption Amount" in relation to a Capital Security means (i) in the case of a redemption date which occurs prior to the First Call Date, 101 per cent. of its Prevailing Principal Amount together with any Outstanding Payments, and (ii) in the case of a redemption date which occurs on or after the First Call Date, 100 per cent. of its Prevailing Principal Amount together with any Outstanding Payments;

"Capital Regulations" means, at any time, the regulations, requirements, standards, guidelines and policies relating to the maintenance of capital and/or capital adequacy then in effect in the United Arab Emirates, including those of the Regulator;

"Central Bank" means the Central Bank of the United Arab Emirates or any successor thereto;

"Certificate" means the Global Certificate or an Individual Certificate, as the case may be;

"Clearstream, Luxembourg" has the meaning given to it in Condition 2.1 (*Form, Denomination and Title – Form and Denomination*);

"Code" has the meaning given to it in Condition 7.3 (*Payments – Payments Subject to Laws*);

"Common Equity Tier 1 Capital" means capital qualifying as, and approved by the Regulator as common equity tier 1 capital in accordance with the Capital Regulations;

"Day-count Fraction" means the actual number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months and, in the case of an incomplete month, the number of days elapsed of the Interest Period in which the relevant period falls (including the first such day but excluding the last));

"Designated Account" has the meaning given to it in Condition 7.1 (*Payments – Payments in respect of Individual Certificates*);

"Designated Bank" has the meaning given to it in Condition 7.1 (*Payments – Payments in respect of Individual Certificates*);

"**Directors**" means the executive and non-executive directors of the Issuer who make up its board of directors;

"**Dispute**" has the meaning given to it in Condition 18.2 (*Governing Law and Dispute Resolution – Arbitration*);

"**Distributable Items**" means the amount of the Issuer's consolidated retained earnings and reserves, including general reserves, special reserves and statutory reserves (to the extent not restricted from distribution by applicable law) after the transfer of any amounts to non-distributable reserves, all as set out in the most recent audited or (as the case may be) auditor reviewed consolidated financial statements of the Issuer or any equivalent or successor term from time to time as prescribed by the Capital Regulations, including the applicable criteria for Tier 1 Capital instruments that do not constitute Common Equity Tier 1 Capital;

"**Dividend Stopper Date**" has the meaning given to it in Condition 6.3 (*Interest Cancellation - Dividend and Redemption Restrictions*);

"**Early Redemption Amount**" in relation to a Capital Security, means 100 per cent. of its Prevailing Principal Amount together with any Outstanding Payments;

"**Enforcement Event**" means:

- (a) **Non-payment:** the Issuer fails to pay an amount in the nature of principal or interest due and payable by it pursuant to the Conditions and the failure continues for a period of seven Business Days in the case of principal and 14 days in the case of interest (save in each case where such failure occurs solely as a result of the occurrence of a Non-Payment Event); or
- (b) **Insolvency:** a final determination is made by a court or other official body that the Issuer is insolvent or bankrupt or unable to pay its debts as they fall due; or
- (c) **Winding-up:** an administrator is appointed, an order is made by a court of competent jurisdiction or an effective resolution passed for the winding-up or dissolution or administration of the Issuer or the Issuer shall apply or petition for a winding-up or administration order in respect of itself or cease, or through an official action of its board of directors threaten to cease, to carry on all or substantially all of its business or operations, in each case except: (i) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution of the holders of the Capital Securities; or (ii) for any step or procedure which is part of a solvent reconstruction or amalgamation approved by any court of competent jurisdiction or other competent authority; or
- (d) **Analogous Event:** any event occurs which under the laws of the United Arab Emirates has an analogous effect to any of the events referred to in paragraph (b) or (c) above;

"**Euroclear**" has the meaning given to it in Condition 2.1 (*Form, Denomination and Title – Form and Denomination*);

"**Exchange Event**" has the meaning given to it in Condition 3.4 (*Transfers of Capital Securities and Exchange for Individual Certificates – Exchange for Individual Certificates*);

"**Extraordinary Resolution**" has the meaning given to it in the Agency Agreement;

"**First Call Date**" means 21 April 2026;

"**First Interest Payment Date**" means 21 April 2021;

"**First Reset Date**" means 21 October 2026;

"**Global Certificate**" means the global registered certificate;

"**Individual Certificate**" means a registered certificate in definitive form;

"Initial Interest Rate" has the meaning given to it in Condition 5.1 (*Interest – Initial Interest Rate and Interest Payment Dates*);

"Initial Period" means the period (from and including) the Issue Date to (but excluding) the First Reset Date;

"Interest Payment Amount" means, subject to Condition 6 (*Interest Cancellation*) and Condition 7 (*Payments*), the interest payable on each Interest Payment Date;

"Interest Payment Date" means each of 21 April and 21 October in every year, commencing on the First Interest Payment Date;

"Interest Period" means, in the case of the first Interest Period, the period from (and including) the Issue Date to (but excluding) the First Interest Payment Date and, subsequently, the period from (and including) an Interest Payment Date to (but excluding) the succeeding Interest Payment Date;

"Interest Rate" means, in respect of the Initial Period, the Initial Interest Rate, and, in respect of each Reset Period thereafter, the rate calculated in accordance with the provisions of Condition 5.2 (*Interest – Interest Rate following the Initial Period*);

"Issue Date" means 21 October 2020;

"Junior Obligations" means all claims of the holders of Ordinary Shares, all payment obligations of the Issuer in respect of its Other Common Equity Tier 1 Instruments and any other payment obligations that rank or are expressed to rank junior to the Capital Securities;

"H.15 (519)" means the weekly statistical release designated as such, or any successor or replacement publication, published by the Board of Governors of the United States Federal Reserve System and **"most recent H.15 (519)"** means the H.15 (519) published closest in time but prior to the applicable Interest Rate determination date. The H.15 (519) may be currently obtained at the following website: <https://www.federalreserve.gov/releases/h15/>;

"LCIA" means the London Court of International Arbitration;

"Liabilities" means the consolidated gross liabilities of the Issuer as shown in the latest audited or (as the case may be) auditor reviewed consolidated balance sheet of the Issuer, but adjusted for contingent liabilities and for subsequent events in such manner as the Directors, the auditors of the Issuer or (if a bankruptcy trustee (or any equivalent insolvency practitioner) has been appointed in respect of the Issuer) a bankruptcy trustee (or such equivalent insolvency practitioner) may determine;

"Margin" has the meaning given to it in Condition 5.1 (*Interest – Initial Interest Rate and Interest Payment Dates*);

"Non-Payment Event" has the meaning given to it in Condition 6.1 (*Interest Cancellation – Non-Payment Event*);

"Non-Viability Event" means that the Regulator has notified the Issuer in writing that it has determined that the Issuer has, or will, become Non-Viable without:

- (a) a Write-down; or
- (b) a public injection of capital (or equivalent support);

"Non-Viability Event Write-down Date" shall be the date on which a Write-down will take place as specified in a relevant Non-Viability Notice, which date shall be as determined by the Regulator;

"Non-Viability Notice" has the meaning given to it in Condition 10.1 (*Write-down at the Point of Non-Viability – Non-Viability Notice*);

"**Non-Viable**" means: (a) insolvent, bankrupt, unable to pay a material part of its obligations as they fall due or unable to carry on its business; or (b) any other event or circumstance occurs, which is specified as constituting non-viability by the Regulator or in the Capital Regulations;

"**Obligations**" has the meaning given to it in Condition 4.2 (*Status and Subordination – Subordination of the Capital Securities*);

"**Ordinary Shares**" means ordinary shares of the Issuer;

"**Other Common Equity Tier 1 Instruments**" means securities issued by the Issuer that qualify as Common Equity Tier 1 Capital of the Issuer other than Ordinary Shares;

"**Outstanding Payments**" means, in relation to any amounts payable on redemption of the Capital Securities, an amount representing any accrued and unpaid interest for the Interest Period during which redemption occurs to the date of redemption;

"**Pari Passu Obligations**" means the Issuer's payment obligations under all subordinated payment obligations of the Issuer which rank, or are expressed to rank, *pari passu* with the Obligations;

"**Payment Day**" has the meaning given to it in Condition 7.4 (*Payments – Payment Day*);

"**Prevailing Principal Amount**" means, in respect of a Capital Security, the initial principal amount of such Capital Security as reduced by any Write-down of such Capital Security (on one or more occasions) pursuant to Condition 10 (*Write-down at the Point of Non-Viability*);

"**Proceedings**" has the meaning given to it in Condition 18.4 (*Governing Law and Dispute Resolution – Effect of Exercise of Option to Litigate*);

"**Qualifying Tier 1 Instruments**" means instruments (whether securities, trust certificates, interests in limited partnerships or otherwise) other than Ordinary Shares or Other Common Equity Tier 1 Instruments, issued directly or indirectly by the Issuer that:

- (a) will be eligible to constitute (or would, but for any applicable limitation on the amount of such capital, constitute) Additional Tier 1 Capital;
- (b) have terms and conditions not materially less favourable to a holder of the Capital Securities than the terms and conditions of the Capital Securities (as reasonably determined by the Issuer (**provided that** in making this determination the Issuer is not required to take into account the tax treatment of the varied instrument in the hands of all or any holders of the Capital Securities, or any transfer or similar taxes that may apply on the acquisition of the new instrument) **provided that** a certification to such effect of two Authorised Signatories shall have been delivered to the Fiscal Agent prior to the variation of the terms of the Capital Securities);
- (c) continue to be direct or indirect obligations of the Issuer;
- (d) rank on a winding up at least *pari passu* with the Obligations;
- (e) have the same outstanding principal amount and interest payment dates as the Capital Securities and at least equal interest or distribution rate or rate of return as the Capital Securities;
- (f) (where the instruments are varied prior to the First Call Date) have a first call date no earlier than the First Call Date and otherwise have the same optional redemption dates as the Capital Securities (as originally issued); and
- (g) if, immediately prior to the variation of the terms of the Capital Securities in accordance with Condition 9.1(c) (*Redemption and Variation – Redemption or Variation due to Taxation*) or Condition 9.1(d) (*Redemption and Variation – Redemption or Variation for Capital Event*) (as applicable): (A) the Capital Securities were listed or admitted to trading on a Regulated Market, have been listed or admitted to trading on a Regulated Market; or (B) the Capital Securities were only listed or admitted to trading on a recognised stock

exchange other than a Regulated Market, have been listed or admitted to trading on any internationally recognised stock exchange (including, without limitation, a Regulated Market), in each case as selected by the Issuer and notified to the holders of the Capital Securities in accordance with Condition 15 (*Notices*),

and which may include such technical changes as necessary to reflect the requirements of Additional Tier 1 Capital under the Capital Regulations then applicable to the Issuer (including, without limitation, such technical changes as may be required in the adoption and implementation of the Basel III Documents);

"Record Date" means, in the case of any Interest Payment Amount, the date falling on the 15th day before the relevant Interest Payment Date and, in the case of the payment of a Redemption Amount, the date falling two Payment Days before the date for payment of the relevant Redemption Amount (as the case may be);

"Redemption Amount" means the Early Redemption Amount, the Tax Redemption Amount or the Capital Event Redemption Amount (as the case may be);

"Register" has the meaning given to it in Condition 2.1 (*Form, Denomination and Title – Form and Denomination*);

"Regulated Market" means a regulated market for the purposes of Directive 2014/65/EU (as amended);

"Regulator" means the Central Bank or any successor entity having primary bank supervisory authority with respect to the Issuer in the United Arab Emirates;

"Relevant Date" has the meaning given to it in Condition 12 (*Taxation*);

"Relevant Period" has the meaning given to it in Condition 5.1 (*Interest - Initial Interest Rate and Interest Payment Dates*);

"Relevant Six-Year Reset Rate" means: (i) the per annum rate (expressed as a decimal) equal to the weekly average yield to maturity for U.S. Treasury securities with a maturity of six years and trading in the public securities markets; or (ii) in respect of any Reset Period, if there is no such published U.S. Treasury security with a maturity of six years and trading in the public securities markets, then the rate will be determined on the relevant U.S. Securities Determination Date by interpolation between the most recent weekly average yield to maturity for two series of U.S. Treasury securities trading in the public securities market: (A) one maturing as close as possible to, but earlier than, the immediately following Reset Date; and (B) the other maturing as close as possible to, but later than, the immediately following Reset Date, in each case as published in the most recent H.15 (519). In respect of any Reset Period, if the Issuer cannot procure the determination of the Relevant Six-Year Reset Rate on the relevant U.S. Securities Determination Date pursuant to the methods described in (i) and (ii) above, then the Relevant Six-Year Reset Rate will be: (a) equal to the rate applicable to the immediately preceding Reset Period; or (b) in the case of the Reset Period commencing on the First Reset Date, 0.403 per cent.;

"Replacement Agent" means the Registrar and the Transfer Agents;

"Reset Date" means the First Reset Date and every sixth anniversary thereafter;

"Reset Period" means the period from and including the First Reset Date to but excluding the following Reset Date, and each successive period thereafter from and including such Reset Date to but excluding the next succeeding Reset Date;

"Rules" has the meaning given to it in Condition 18.2 (*Governing Law and Dispute Resolution – Arbitration*);

"Senior Obligations" means all unsubordinated payment obligations of the Issuer (including payment obligations to the Issuer's depositors in respect of their due claims) and all subordinated payment obligations (if any) of the Issuer except Junior Obligations or *Pari Passu* Obligations;

"Solvency Conditions" has the meaning given to it in Condition 4.3 (*Status and Subordination – Solvency Conditions*);

"Solvent" means that: (i) the Issuer is able to pay its debts as they fall due; and (ii) the Issuer's Assets exceed its Liabilities;

"Tax Event" means on the occasion of the next payment due under the Capital Securities, the Issuer has or will become obliged to pay Additional Amounts (whether or not a Non-Payment Event has occurred), as a result of any change in, or amendment to or interpretation of, the laws, published practice or regulations of a Tax Jurisdiction, or any change in the application or official interpretation of such laws or regulations (each, a **"Tax Law Change"**), which Tax Law Change becomes effective on or after the Issue Date (and such requirement cannot be avoided by the Issuer taking reasonable measures available to it), and provided that the Issuer satisfies the Regulator that such Tax Law Change was not reasonably foreseeable at the time of issuance of the Capital Securities;

"Tax Jurisdiction" has the meaning given to it in Condition 12 (*Taxation*);

"Tax Law Change" has the meaning given to it in the definition of "Tax Event";

"Tax Redemption Amount" in relation to a Capital Security, means 100 per cent. of its Prevailing Principal Amount together with any Outstanding Payments;

"Taxes" has the meaning given to it in Condition 12 (*Taxation*);

"Tier 1 Capital" means capital qualifying as, and approved by the Regulator as, tier 1 capital in accordance with the Capital Regulations;

"U.S. Government Securities Business Day" means any day except for a Saturday, Sunday or a day on which the U.S. Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities;

"U.S. Securities Determination Date" means the second U.S. Government Securities Business Day before the commencement of the Reset Period for which the rate will apply;

"Write-down" means:

- (a) the holders' rights under the Capital Securities shall automatically be deemed to be irrevocably, unconditionally and permanently written-down in a proportion corresponding to the relevant Write-down Amount;
- (b) in the case of the Write-down Amount corresponding to the full Prevailing Principal Amount of the Capital Securities then outstanding, the Capital Securities shall be cancelled; and
- (c) all rights of any holder for payment of any amounts under or in respect of the Capital Securities (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, an Enforcement Event), in a proportion corresponding to the relevant Write-down Amount (and any corresponding Interest Payment Amounts), shall be cancelled and not restored under any circumstances, irrespective of whether such amounts have become due and payable prior to the date of the Non-Viability Notice or the Non-Viability Event Write-down Date,

and all references to **"Written-down"** shall be construed accordingly; and

"Write-down Amount" means, in relation to any Non-Viability Event Write-down Date, the amount as determined by the Regulator by which the aggregate Prevailing Principal Amount of the Capital Securities then outstanding is to be Written-down on a *pro rata* basis and shall be calculated per Capital Security by reference to the Prevailing Principal Amount of each Capital Security then outstanding which is to be Written-down.

All references in these Conditions to "U.S. dollars", "U.S.\$" and "\$" are to the lawful currency of the United States of America.

2. **FORM, DENOMINATION AND TITLE**

2.1 **Form and Denomination**

The Capital Securities are issued in registered form in nominal amounts of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (each an "**Authorised Denomination**"). An Individual Certificate will be issued to each holder of the Capital Securities in respect of its registered holding of Capital Securities. Each Individual Certificate will be numbered serially with an identifying number which will be recorded on the relevant Individual Certificate and in the register of holders of the Capital Securities (the "**Register**").

Upon issue, the Capital Securities will be represented by the Global Certificate which will be deposited with, and registered in the name of a nominee for, a common depository for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). Ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear and Clearstream, Luxembourg (as applicable), and their respective participants. The Conditions are supplemented by certain provisions contained in the Global Certificate.

2.2 **Title**

The holder of any Capital Security will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the certificate issued in respect of it) and no person will be liable for so treating the holder.

For so long as any of the Capital Securities is represented by the Global Certificate held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Capital Securities (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Capital Securities standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by each of the Issuer and the Agents as the holder of such nominal amount of such Capital Securities for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Capital Securities, for which purpose the registered holder of the Global Certificate shall be treated by each of the Issuer and any Agent as the holder of such nominal amount of such Capital Securities in accordance with and subject to the terms of the Global Certificate.

3. **TRANSFERS OF CAPITAL SECURITIES AND EXCHANGE FOR INDIVIDUAL CERTIFICATES**

3.1 **Transfers of interests in the Global Certificate**

Capital Securities which are represented by the Global Certificate will be transferable only in accordance with the rules and procedures for the time being of Euroclear and/or Clearstream, Luxembourg (as the case may be).

3.2 **Transfer of Individual Certificates**

Subject to the conditions set forth in the Agency Agreement, Capital Securities represented by Individual Certificates may be transferred in whole or in part (in Authorised Denominations). In order to effect any such transfer: (a) the holder or holders must (i) surrender the relevant Individual Certificate(s) for registration of the transfer of the Capital Security (or the relevant part of the Capital Security) at the specified office of any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (ii) complete and deposit such other certifications as may be required by the relevant Transfer Agent; and (b) the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer

will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 4 to the Agency Agreement). Subject as provided above, the relevant Transfer Agent will, within five business days (being for this purpose a day on which commercial banks are open for business (including dealings in foreign currencies) in the cities where the specified office of the Registrar and (if applicable) the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Individual Certificate of a like aggregate nominal amount to the Capital Security (or the relevant part of the Capital Security) transferred. In the case of the transfer of part only of a Capital Security represented by an Individual Certificate, a new Individual Certificate in respect of the balance of the Capital Security not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

3.3 **Costs of registration**

Holders of the Capital Securities will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

3.4 **Exchange for Individual Certificates**

Interests in the Global Certificate will be exchangeable (free of charge), in whole but not in part, for Individual Certificates only upon the occurrence of an Exchange Event (as defined below). The Issuer will give notice to holders of the Capital Securities in accordance with Condition 15 (*Notices*) if an Exchange Event occurs as soon as practicable thereafter. For these purposes, an "Exchange Event" shall occur if: (a) an Enforcement Event has occurred; or (b) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of legal holiday) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system satisfactory to the Issuer is available.

In such circumstances, the Global Certificate shall be exchanged in full for Individual Certificates and the Issuer will, at the cost of the Issuer, cause sufficient Individual Certificates to be executed and delivered to the Registrar within 10 days following the request for exchange for completion and dispatch to the holders of the Capital Securities.

3.5 **Closed Periods**

No holder of Capital Securities may require the transfer of a Capital Security to be registered during the period of 15 calendar days ending on the due date for any payment of principal or interest in respect of such Capital Security.

3.6 **Other**

References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system as shall have been approved by the Issuer and the Fiscal Agent.

4. **STATUS AND SUBORDINATION**

4.1 **Status of the Capital Securities**

Each Capital Security will rank *pari passu*, without preference or priority, with all other Capital Securities.

4.2 Subordination of the Capital Securities

- (a) The payment obligations of the Issuer under the Capital Securities (the "**Obligations**") will: (i) constitute Additional Tier 1 Capital of the Issuer; (ii) constitute direct, unsecured, conditional (as described in Conditions 4.2(b) (*Status and Subordination – Subordination of the Capital Securities*) and 4.3 (*Status and Subordination – Solvency Conditions*)) and subordinated obligations of the Issuer that rank *pari passu* and without preference or priority amongst themselves; (iii) rank subordinate and junior to all Senior Obligations (but not further or otherwise); (iv) rank *pari passu* with all *Pari Passu* Obligations; and (v) rank in priority only to all Junior Obligations.
- (b) Notwithstanding any other provisions in these Conditions, to the extent that any of the Solvency Conditions are not satisfied at the relevant time or if a bankruptcy order in respect of the Issuer has been issued by a court in the United Arab Emirates, all claims of the holders of the Capital Securities under the Capital Securities will be extinguished and the Capital Securities will be cancelled without any further payment to be made by the Issuer under the Capital Securities.
- (c) Subject to applicable law, each holder of the Capital Securities unconditionally and irrevocably waives any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of the Obligations. No collateral is or will be given for the Obligations and any collateral that may have been or may in the future be given in connection with other obligations of the Issuer shall not secure the Obligations.

4.3 Solvency Conditions

Payments in respect of the Obligations by the Issuer are conditional upon the following conditions (together, the "**Solvency Conditions**"):

- (a) the Issuer being Solvent at all times from (and including) the first day of the relevant Interest Period (or the Issue Date in the case of the first Interest Period) to (and including) the time of payment of the relevant Obligations;
- (b) the Issuer being capable of making payment of the relevant Obligations and any other payment required to be made on the relevant date to a creditor in respect of all Senior Obligations and all *Pari Passu* Obligations and still be Solvent immediately thereafter; and
- (c) the total share capital (including, without limitation, retained earnings) of the Issuer being greater than zero at all times from (and including) the first day of the relevant Interest Period (or the Issue Date in the case of the first Interest Period) to (and including) the time of payment of the relevant Obligations.

4.4 Other Issues

So long as any of the Capital Securities remain outstanding, the Issuer will not issue any securities (regardless of name or designation) or create any guarantee of, or provide any contractual support arrangement in respect of, the obligations of any other entity which in each case constitutes (whether on a solo, or a solo consolidated or a consolidated basis) Additional Tier 1 Capital of the Issuer if claims in respect of such securities, guarantee or contractual support arrangement would rank (as regards distributions on a return of assets on a winding-up or in respect of distribution or payment of dividends and/or any other amounts thereunder) senior to the Obligations. This prohibition will not apply if at the same time or prior thereto: (a) these Conditions are amended to ensure that the holders obtain and/or (b) the Obligations have the benefit of such of those rights and entitlements as are contained in or attached to such securities or under such guarantee or contractual support arrangement as are required so as to ensure that claims in respect of the Obligations rank *pari passu* with, and contain substantially equivalent rights of priority as to distributions or payments on, such securities or under such guarantee or contractual support arrangement.

5. INTEREST

5.1 Initial Interest Rate and Interest Payment Dates

Subject to Condition 6 (*Interest Cancellation*), the Capital Securities shall, during the Initial Period, bear interest at a rate of 6.000 per cent. per annum (the "**Initial Interest Rate**") on the Prevailing Principal Amount of the Capital Securities (being the aggregate of a margin of 5.597 per cent. per annum (the "**Margin**") and the Relevant Six-Year Reset Rate) in accordance with the provisions of this Condition 5 (*Interest*). The Interest Payment Amount payable on each Interest Payment Date during the Initial Period shall be U.S.\$30.00 per U.S.\$1,000 in principal amount of the Capital Securities.

Subject to Condition 6 (*Interest Cancellation*), interest shall be payable on the Capital Securities semi-annually in arrear on each Interest Payment Date, in each case as provided in this Condition 5 (*Interest*). Interest is discretionary, will not be cumulative and any interest which is not paid will not accumulate or compound and holders of the Capital Securities will have no right to receive such interest at any time, even if interest is paid in the future.

If interest is required to be calculated in respect of a period of less than a full Interest Period (the "**Relevant Period**"), it shall be calculated as an amount equal to the product of: (a) the applicable Interest Rate; (b) the Prevailing Principal Amount of the relevant Capital Security then outstanding; and (c) the applicable Day-count Fraction for the Relevant Period, rounding the resultant figure to the nearest cent (half a cent being rounded upwards).

5.2 Interest Rate following the Initial Period

For the purpose of calculating payments of interest following the Initial Period, the Interest Rate will be reset on each Reset Date on the basis of the aggregate of the Margin and the Relevant Six-Year Reset Rate on the relevant U.S. Securities Determination Date, as determined by the Calculation Agent.

The Calculation Agent will, as soon as practicable upon determination of the Interest Rate which shall apply to the Reset Period commencing on the relevant Reset Date, cause the applicable Interest Rate and the corresponding Interest Payment Amount to be notified to each of the Paying Agents and the holders of the Capital Securities in accordance with Condition 15 (*Notices*) as soon as possible after their determination but in no event later than the second Business Day thereafter.

5.3 Determinations of Calculation Agent Binding

All notifications, opinions, determinations, certificates, calculations, quotations and decisions by the Calculation Agent given, expressed, made or obtained for the purposes of this Condition 5 (*Interest*), shall (in the absence of manifest error) be binding on the other Agents and the holders of the Capital Securities and (in the absence of manifest error) no liability to the holders of the Capital Securities shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

6. INTEREST CANCELLATION

6.1 Non-Payment Event

Notwithstanding Condition 5.1 (*Interest – Initial Interest Rate and Interest Payment Dates*), subject to Condition 6.2 (*Interest Cancellation – Effect of Non-Payment Event*), if any of the following events occurs (each, a "**Non-Payment Event**"), Interest Payment Amounts shall not be paid on the corresponding Interest Payment Date:

- (a) the Interest Payment Amount payable, when aggregated with any distributions or amounts payable by the Issuer on any *Pari Passu* Obligations having the same date in respect of payment of such distributions or amounts as, or otherwise due and payable on, the date for payment of Interest Payment Amounts, exceeds, on the relevant date for payment of such Interest Payment Amount, the Distributable Items;

- (b) the Issuer is, on that Interest Payment Date, in breach of the Applicable Regulatory Capital Requirements (including any payment restrictions due to breach of capital buffers imposed on the Issuer by the Regulator, as appropriate) or payment of the relevant Interest Payment Amount would cause it to be in breach thereof;
- (c) the Regulator having notified the Issuer that the Interest Payment Amount due on that Interest Payment Date should not be paid for any reason the Regulator may deem necessary;
- (d) the Solvency Conditions are not satisfied (or would no longer be satisfied if the relevant Interest Payment Amount was paid); or
- (e) the Issuer, in its sole discretion, has elected that Interest Payment Amounts shall not be paid to holders of the Capital Securities on such Interest Payment Date (other than in respect of any amounts due on any date on which the Capital Securities are to be redeemed in full, in respect of which this Condition 6.1(e) does not apply), including, without limitation, if the Issuer incurs a net loss during the relevant Interest Period.

6.2 **Effect of Non-Payment Event**

If a Non-Payment Event occurs, then the Issuer shall give notice to the Fiscal Agent and the holders of the Capital Securities (in accordance with Condition 15 (*Notices*)) (which notice shall be revocable) providing details of the Non-Payment Event as soon as practicable (or, in the case of a Non-Payment Event pursuant to Condition 6.1(e), no later than five Business Days prior to such event). However, any failure to provide such notice will not invalidate the cancellation of the relevant payment of the Interest Payment Amount. In the absence of notice of a Non-Payment Event having been given in accordance with this Condition 6.2 (*Interest Cancellation – Effect of Non-Payment Event*), the fact of non-payment of an Interest Payment Amount on the relevant Interest Payment Date shall be evidence of the occurrence of a Non-Payment Event.

Holders of the Capital Securities shall have no claim in respect of any Interest Payment Amount not paid as a result of a Non-Payment Event (whether or not notice of such Non-Payment Event has been given in accordance with this Condition 6.2 (*Interest Cancellation – Effect of Non-Payment Event*)) and any non-payment of an Interest Payment Amount in such circumstances shall not constitute an Enforcement Event. The Issuer shall not make or shall not have any obligation to make any subsequent payment in respect of any such unpaid Interest Payment Amount.

6.3 **Dividend and Redemption Restrictions**

If any Interest Payment Amount is not paid as a consequence of a Non-Payment Event pursuant to Condition 6.1 (*Interest Cancellation - Non-Payment Event*), then, from the date of such Non-Payment Event (the "**Dividend Stopper Date**"), the Issuer will not, so long as any of the Capital Securities are outstanding:

- (a) declare or pay any distribution or dividend or make any other payment on, and will procure that no distribution or dividend or other payment is made on, Ordinary Shares (other than to the extent that any such distribution, dividend or other payment is declared before such Dividend Stopper Date); or
- (b) declare or pay profit or any other distribution on any of its Other Common Equity Tier 1 Instruments or securities ranking, as to the right of payment of dividend, distributions or similar payments, *pari passu* with or junior to the Obligations (excluding securities the terms of which do not at the relevant time enable the Issuer to defer or otherwise not to make such payment), only to the extent such restriction on payment or distribution is permitted under the Capital Regulations for Tier 1 Capital applicable from time to time; or
- (c) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire Ordinary Shares; or
- (d) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire Other Common Equity Tier 1 Instruments or any securities issued by the Issuer ranking, as to

the right of repayment of capital, *pari passu* with or junior to the Obligations (excluding securities the terms of which stipulate a mandatory redemption or conversion into equity), only to the extent such restriction on redemption, purchase, cancellation, reduction or acquisition is permitted under the Capital Regulations for Tier 1 Capital applicable from time to time,

in each case unless or until one Interest Payment Amount following the Dividend Stopper Date has been made in full (or an amount equal to the same has been duly set aside or provided for in full for the benefit of the holders of the Capital Securities).

7. PAYMENTS

7.1 Payments in respect of Individual Certificates

Subject as provided below, payments will be made by credit or transfer to an account maintained by the payee with, or, at the option of the payee, by a cheque drawn on, a bank in New York City.

Payments of principal in respect of each Capital Security will be made against presentation and surrender of the Individual Certificate at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Capital Security appearing in the Register at the close of business in the place of the Registrar's specified office on the Record Date. Notwithstanding the previous sentence, if: (a) a holder does not have a Designated Account; or (b) the principal amount of the Capital Securities held by a holder is less than U.S.\$200,000, payment will instead be made by a cheque in U.S. dollars drawn on a Designated Bank (as defined below). For these purposes, "**Designated Account**" means the account maintained by a holder with a Designated Bank and identified as such in the Register and "**Designated Bank**" means a bank in New York City.

Payments of interest in respect of each Capital Security will be made by a cheque in U.S. dollars drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Capital Security appearing in the Register at the close of business in the place of the Registrar's specified office on the Record Date at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Capital Security, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Capital Securities which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payments of interest due in respect of each Capital Security on redemption will be made in the same manner as payment of the principal amount of such Capital Security.

Holders of Capital Securities will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Capital Security as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Capital Securities.

7.2 Payments in respect of the Global Certificate

The holder of the Global Certificate shall be the only person entitled to receive payments in respect of Capital Securities represented by the Global Certificate and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Certificate in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Capital Securities represented by such Global Certificate must look solely to Euroclear or Clearstream, Luxembourg (as the case may be), for his share of each payment so made by the Issuer, or to the order of, the holder of such Global Certificate. Each payment made in respect of the Global Certificate will be made to the person

shown as the holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment, where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Certificate is being held is open for business.

7.3 **Payments Subject to Laws**

All payments are subject in all cases to: (a) any applicable laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*); and (b) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law in any jurisdiction implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the holders of the Capital Securities in respect of such payments.

7.4 **Payment Day**

If the date for payment of any amount in respect of the Capital Securities is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 13 (*Prescription*)) is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in New York City and London.

7.5 **Interpretation of principal and interest**

Any reference in the Conditions to principal in respect of the Capital Securities shall be deemed to include, as applicable:

- (a) the Early Redemption Amount of the Capital Securities;
- (b) the Capital Event Redemption Amount of the Capital Securities; and
- (c) the Tax Redemption Amount of the Capital Securities.

Any reference in the Conditions to interest or Interest Payment Amounts in respect of the Capital Securities shall be deemed to include, as applicable, any Additional Amounts which may be payable with respect to interest under Condition 12 (*Taxation*).

8. **AGENTS**

The names of the initial Agents are set out above and their initial specified offices are set out in the Agency Agreement.

The Issuer is entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, **provided that:**

- (a) there will at all times be a Fiscal Agent and a Registrar; and
- (b) with effect from the U.S. Securities Determination Date prior to the First Reset Date, and so long as any Capital Securities remain outstanding thereafter, there will be a Calculation Agent; and
- (c) so long as the Capital Securities are listed on any stock exchange or admitted to listing, trading and/or quotation by any other relevant authority, there will at all times be a Paying Agent and a Transfer Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and

- (d) there will at all times be a Paying Agent and a Transfer Agent with a specified office in Europe.

Subject to the Agency Agreement, any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the holders of the Capital Securities in accordance with Condition 15 (*Notices*).

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any holders of the Capital Securities. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

9. REDEMPTION AND VARIATION

9.1 Redemption and Variation

(a) *No Fixed Redemption Date and Conditions for Redemption and Variation*

The Capital Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (subject to the provisions of Condition 4 (*Status and Subordination*), Condition 10 (*Write-down at the Point of Non-Viability*) and Condition 11 (*Enforcement Events*) and without prejudice to the provisions of Condition 13 (*Prescription*)) only have the right to redeem the Capital Securities or vary the terms thereof upon satisfaction of and in accordance with the following provisions of this Condition 9 (*Redemption and Variation*).

The redemption of the Capital Securities or variation of the Conditions, in each case pursuant to this Condition 9 (*Redemption and Variation*), is subject to the following conditions (to the extent then required by the Regulator or the Capital Regulations):

- (i) the prior written consent of the Regulator;
- (ii) the requirement that both at the time when the relevant notice of redemption or variation is given and immediately following such redemption or variation (as applicable), the Issuer is or will be (as the case may be) in compliance with the Applicable Regulatory Capital Requirements; and
- (iii) the Solvency Conditions being satisfied.

(b) *Issuer's Call Option*

Subject to Condition 9.1(a) (*No Fixed Redemption Date and Conditions for Redemption and Variation*), the Issuer may (acting in its sole discretion), by giving not less than 10 nor more than 15 days' prior written notice to the Fiscal Agent and the Registrar, and to the holders of the Capital Securities in accordance with Condition 15 (*Notices*) (which notice shall specify the date fixed for redemption), redeem all, but not some only, of the Capital Securities at the Early Redemption Amount (provided such notice has not been revoked by the Issuer giving notice of such revocation to the Fiscal Agent and the Registrar, and to the holders of the Capital Securities in accordance with Condition 15 (*Notices*) (prior to the redemption date specified in the initial notice)).

Redemption of the Capital Securities pursuant to this Condition 9.1(b) (*Issuer's Call Option*) may only occur on a Call Date.

(c) *Redemption or Variation due to Taxation*

- (i) Subject to Condition 9.1(a) (*No Fixed Redemption Date and Conditions for Redemption and Variation*), upon the occurrence of a Tax Event, the Issuer may (acting in its sole discretion), by giving not less than 10 nor more than 15 days' prior written notice to the Fiscal Agent and the Registrar, and to the holders of the

Capital Securities in accordance with Condition 15 (*Notices*): (A) redeem all, but not some only, of the Capital Securities at the Tax Redemption Amount; or (B) vary the terms of the Capital Securities provided that they become or, as appropriate, remain, Qualifying Tier 1 Instruments and so that the relevant withholding or deduction otherwise arising from the relevant Tax Law Change is no longer required, in each case without any requirement for consent or approval of the holders of the Capital Securities.

- (ii) Redemption of the Capital Securities, or variation of the Conditions, in each case pursuant to this Condition 9.1(c) (*Redemption or Variation due to Taxation*) may occur on any date after the Issue Date (whether or not such date is an Interest Payment Date).
- (iii) At the same time as the publication of any notice of redemption or variation (as the case may be) pursuant to this Condition 9.1(c) (*Redemption or Variation due to Taxation*), the Issuer shall give to the Fiscal Agent: (A) a certificate signed by two Authorised Signatories of the Issuer stating that: (I) the relevant conditions set out in Condition 9.1(a) (*No Fixed Redemption Date and Conditions for Redemption and Variation*) have been satisfied; (II) a Tax Event has occurred; and (III) in the case of a variation only, the varied Capital Securities will be Qualifying Tier 1 Instruments and that the Regulator has confirmed that the varied Capital Securities will satisfy limb (a) of the definition of Qualifying Tier 1 Instruments; and (B) an opinion of independent legal advisors of recognised standing to the effect that the Issuer has or will become obliged to pay Additional Amounts as a result of the Tax Event. Such certificate delivered in accordance with this Condition shall be conclusive and binding evidence of the satisfaction of the conditions precedent set out in (A)(I) to (III) above. Upon expiry of such notice, the Issuer shall redeem or vary the terms of the Capital Securities (as the case may be) (provided such notice has not been revoked by the Issuer giving notice of such revocation to the Fiscal Agent and the Registrar, and to the holders of the Capital Securities in accordance with Condition 15 (*Notices*) (prior to the redemption date specified in the initial notice)).

(d) ***Redemption or Variation for Capital Event***

- (i) Subject to Condition 9.1(a) (*No Fixed Redemption Date and Conditions for Redemption and Variation*), upon the occurrence of a Capital Event, the Issuer may (acting in its sole discretion), by giving not less than 10 nor more than 15 days' prior written notice to the Fiscal Agent and the Registrar, and to the holders of the Capital Securities in accordance with Condition 15 (*Notices*): (A) redeem all, but not some only, of the Capital Securities at the Capital Event Redemption Amount; or (B) solely for the purpose of ensuring compliance with Applicable Regulatory Capital Requirements vary the terms of the Capital Securities so that they become or, as appropriate, remain, Qualifying Tier 1 Instruments, in each case without any requirement for consent or approval of the holders of the Capital Securities.
- (ii) Redemption of the Capital Securities, or variation of the Conditions, pursuant to this Condition 9.1(d) (*Redemption or Variation for Capital Event*) may occur on any date after the Issue Date (whether or not an Interest Payment Date).
- (iii) At the same time as the delivery of any notice of redemption or variation (as the case may be) pursuant to this Condition 9.1(d) (*Redemption or Variation for Capital Event*), the Issuer shall give to the Fiscal Agent a certificate signed by two Authorised Signatories stating that: (A) the relevant conditions set out in Condition 9.1(a) (*No Fixed Redemption Date and Conditions for Redemption and Variation*) have been satisfied; (B) a Capital Event has occurred; and (C) in the case of a variation only, the varied Capital Securities will be Qualifying Tier 1 Instruments and that the Regulator has confirmed that the varied Capital Securities will satisfy limb (a) of the definition of Qualifying Tier 1 Instruments. Such certificate shall be conclusive and binding evidence of the satisfaction of the

conditions precedent set out above. Upon expiry of such notice, the Issuer shall redeem or vary the terms of the Capital Securities (as the case may be) (provided such notice has not been revoked by the Issuer giving notice of such revocation to the Fiscal Agent and the Registrar, and to the holders of the Capital Securities in accordance with Condition 15 (*Notices*) (prior to the redemption date specified in the initial notice)).

(e) ***Taxes upon Variation***

In the event of a variation in accordance with Conditions 9.1(c) (*Redemption or Variation due to Taxation*) or 9.1(d) (*Redemption or Variation for Capital Event*), the Issuer will not be obliged to pay and will not pay any liability of any holder of the Capital Securities to corporation tax, corporate income tax or tax on profits or gains or any similar tax arising in respect of the variation of the terms of the Capital Securities **provided that** (in the case of a Tax Event) or so that (in the case of a Capital Event) they become or, as appropriate, remain, Qualifying Tier 1 Instruments, including in respect of any stamp duty or similar other taxes arising on any subsequent transfer, disposal or deemed disposal of the Qualifying Tier 1 Instruments by such holder of the Capital Securities.

(f) ***No redemption in the case of a Non-Viability Notice being delivered***

The Issuer may not give a notice of redemption under this Condition 9 (*Redemption and Variation*) if a Non-Viability Notice has been given in respect of the Capital Securities. If a Non-Viability Notice is given after a notice of redemption has been given by the Issuer under this Condition 9 (*Redemption and Variation*) but before the relevant date fixed for redemption, such notice of redemption shall be deemed not to have been given and the Capital Securities shall not be redeemed.

9.2 **Purchase**

Subject to the Issuer (to the extent then required by the Regulator or the Capital Regulations): (a) obtaining the prior written consent of the Regulator; (b) being in compliance with the Applicable Regulatory Capital Requirements immediately following such purchase; and (c) being Solvent at the time of purchase, the Issuer or any of its subsidiaries may, after the First Call Date, purchase the Capital Securities in the open market or otherwise at such price(s) and upon such other conditions as may be agreed upon between the Issuer or the relevant subsidiary (as the case may be) and the relevant holders of Capital Securities. Upon any such purchase, the Issuer may deliver such Capital Securities for cancellation.

9.3 **Cancellation**

All Capital Securities which are redeemed will forthwith be cancelled. All Capital Securities so cancelled and any Capital Securities purchased and cancelled pursuant to Condition 9.2 (*Purchase*) cannot be reissued or resold.

10. **WRITE-DOWN AT THE POINT OF NON-VIABILITY**

10.1 **Non-Viability Event**

If a Non-Viability Event occurs, a Write-down will take place in accordance with Condition 10.2 (*Non-Viability Notice*).

10.2 **Non-Viability Notice**

On the third Business Day following the date on which a Non-Viability Event occurs (or on such earlier date as determined by the Regulator), the Issuer will notify the Fiscal Agent, the Registrar and the holders of the Capital Securities thereof (in accordance with Condition 15 (*Notices*)) (such notice, a "**Non-Viability Notice**"). A Write-down will occur on the Non-Viability Event Write-down Date. In the case of a Write-down resulting in the reduction of the Prevailing Principal Amount of each Capital Security then outstanding to nil, with effect from the Non-Viability Event Write-down Date, the Capital Securities will be automatically cancelled and the holders shall not be entitled to any claim for any amount in connection with the Capital Securities.

11. ENFORCEMENT EVENTS

11.1 Enforcement Event

Upon the occurrence of an Enforcement Event, any holder of the Capital Securities may give written notice to the Issuer at the specified office of the Fiscal Agent, effective upon the date of receipt thereof by the Fiscal Agent, that such Capital Security is due and payable, whereupon the same shall, subject to Condition 10 (*Write down at the point of Non-Viability*) and Condition 11.4 (*Enforcement Events – Restrictions*) become forthwith due and payable at its Early Redemption Amount, without presentation, demand, protest or other notice of any kind.

11.2 Dissolution Remedies

To the extent permitted by applicable law and by these Conditions, any holder of the Capital Securities may at its discretion (i) institute any steps, actions or proceedings for the winding-up of the Issuer and/or (ii) prove in the winding-up of the Issuer and/or (iii) claim in the liquidation of the Issuer and/or (iv) take such other steps, actions or proceedings which, under the laws of the United Arab Emirates, have an analogous effect to the actions referred to in (i) to (iii) above (in each case, without prejudice to Condition 4.2 (*Status and Subordination – Subordination of the Capital Securities*)), for such payment referred to in Condition 11.1 (*Enforcement Events – Enforcement Event*), but the institution of any such steps, actions or proceedings shall not have the effect that the Issuer shall be obliged to pay any sum or sums sooner than would otherwise have been payable by it. Subject to Condition 11.3 (*Enforcement Events – Performance Obligations*), no remedy against the Issuer, other than the steps, actions or proceedings to enforce, prove or claim referred to in this Condition 11 (*Enforcement Events*), and the proving or claiming in any dissolution/winding-up or liquidation of the Issuer, shall be available to the holders of the Capital Securities, whether for the recovering of amounts owing in respect of the Capital Securities or in respect of any breach by the Issuer of any other obligation, condition or provision binding on it under the Capital Securities.

11.3 Performance Obligations

Without prejudice to the other provisions of this Condition 11 (*Enforcement Events*), any holder of the Capital Securities may at its discretion institute such steps, actions or proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under these Conditions, in each case, other than any payment obligation of the Issuer (including, without limitation, payment of any principal or satisfaction of any payments in respect of the Conditions, including any damages awarded for breach of any obligations). However, in no event shall the Issuer, by virtue of the institution of any such steps, actions or proceedings, be obliged to pay any sum or sums sooner than would otherwise have been payable by it.

11.4 Restrictions

All claims by any holder of the Capital Securities against the Issuer (including, without limitation, any claim in relation to any unsatisfied payment obligation of the Issuer under the Capital Securities) shall be subject to, and shall be superseded by: (i) the provisions of Condition 10 (*Write-down at the Point of Non-Viability*), irrespective of whether the relevant Non-Viability Event occurs prior to or after the event which is the subject matter of the claim and (ii) the provisions of Condition 4 (*Status and Subordination*), irrespective of whether the breach of a Solvency Condition at the relevant time or the issue of a bankruptcy order in respect of the Issuer occurs prior to or after the event which is the subject matter of the claim.

12. TAXATION

All payments of principal and interest in respect of the Capital Securities by the Issuer will be made free and clear of, without withholding or deduction for, or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Tax Jurisdiction ("**Taxes**") unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts in respect of Interest Payment Amounts (but not in respect of principal) as shall be necessary in order that the net amounts received by the holders of the Capital Securities after such withholding or deduction

shall equal the respective Interest Payment Amount(s) which would otherwise have been receivable in respect of the Capital Securities (as the case may be), in the absence of such withholding or deduction ("**Additional Amounts**"); except that no such Additional Amounts shall be payable with respect to any Capital Security:

- (a) presented for payment (where presentation is required) by or on behalf of a holder who is liable for such taxes, duties, assessments or governmental charges in respect of such Capital Security by reason of his having some connection with the Tax Jurisdiction other than the mere holding of such Capital Security; or
- (b) presented for payment (where presentation is required) more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an Additional Amount on presenting the same for payment on such 30th day assuming that day to have been a Payment Day; or
- (c) presented for payment in a Tax Jurisdiction.

As used in these Conditions:

- (i) "**Tax Jurisdiction**" means the United Arab Emirates or the Emirate of Dubai or, in each case, any political sub division or any authority thereof or therein having power to tax; and
- (ii) the "**Relevant Date**" means the date on which such payment first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the holders of the Capital Securities in accordance with Condition 15 (*Notices*) that, upon further presentation of the Capital Security in accordance with the Conditions, such payment will be made, **provided that** payment is in fact made upon such presentation.

Notwithstanding any other provision in these Conditions, in no event will the Issuer be required to pay any additional amounts in respect of the Capital Securities for, or on account of, any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, or any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

13. **PRESCRIPTION**

Subject to applicable law, claims for payment in respect of the Capital Securities will become void unless made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date therefor.

14. **REPLACEMENT OF INDIVIDUAL CERTIFICATES**

Should any Individual Certificate be lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Replacement Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Individual Certificate is subsequently presented for payment, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Individual Certificate) and otherwise as the Issuer and the Replacement Agent may require. Mutilated or defaced Individual Certificates must be surrendered before replacements will be issued.

15. **NOTICES**

All notices to the holders of the Capital Securities will be valid if mailed to them at their respective addresses in the register of the holders of the Capital Securities maintained by the Registrar. The Issuer shall also ensure that notices are duly given or published in a manner which complies with

the rules and regulations of any stock exchange or other relevant authority on which the Capital Securities are for the time being admitted to listing, trading and/or quotation. Any notice shall be deemed to have been given on the second day after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

For so long as all the Capital Securities are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, notices may be given by delivery of the relevant notice to those clearing systems for communication to the holders rather than by mailing as provided for in the paragraph above except that, so long as the Capital Securities are listed on any stock exchange and/or admitted to listing, trading and/or quotation by any other relevant authority, notices shall also be published in accordance with the rules of such stock exchange or other relevant authority on which the Capital Securities are admitted to listing, trading and/or quotation. Any such notice shall be deemed to have been given on the day on which such notice is delivered to the relevant clearing systems.

Notices to be given by any holder of the Capital Securities shall be in writing and given by lodging the same, together (in the case of any Individual Certificate) with the relevant Individual Certificate(s), with the Registrar. Whilst any of the Capital Securities are represented by a Global Certificate, such notice may be given by any holder of a Capital Security to the Registrar through Euroclear and/or Clearstream, Luxembourg (as the case may be), in such manner as the Registrar, and Euroclear and/or Clearstream, Luxembourg (as the case may be) may approve for this purpose.

16. **MEETINGS OF HOLDERS OF THE CAPITAL SECURITIES AND MODIFICATION**

The Agency Agreement contains provisions for convening meetings of the holders of the Capital Securities to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Capital Securities or any of the provisions of the Agency Agreement or the Deed of Covenant. Such a meeting may be convened by the Issuer and shall be convened by the Issuer if required in writing by holders of the Capital Securities holding not less than 10 per cent. in nominal amount of the Capital Securities for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing in aggregate not less than 50 per cent. in nominal amount of the Capital Securities for the time being outstanding, or at any adjourned meeting one or more persons being or representing holders of the Capital Securities whatever the nominal amount of the Capital Securities so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Capital Securities (as specified in the Agency Agreement, and including (without limitation) modifying any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Capital Securities, altering the currency of payment of the Capital Securities or modifying the provisions concerning the quorum required at any meeting of holders of the Capital Securities or the majority required to pass the Extraordinary Resolution), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Capital Securities for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Capital Securities for the time being outstanding. An Extraordinary Resolution passed at any meeting of the holders of the Capital Securities shall be binding on all the holders of the Capital Securities, whether or not they are present at the meeting, and whether or not they voted on the resolution.

The Agency Agreement provides that a written resolution signed by or on behalf of all the holders of Capital Securities shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of holders of the Capital Securities duly convened and held. Such a written resolution may be contained in one document or several documents in the same form, each signed by or on behalf of one or more of the holders of the Capital Securities. Such a written resolution will be binding on all holders of the Capital Securities whether or not they participated in such written resolution.

The Fiscal Agent and the Issuer may agree, without the consent of the holders of the Capital Securities, to:

- (a) any modification (except as mentioned above) of the Capital Securities, the Agency Agreement or the Deed of Covenant which is not prejudicial to the interests of the holders of the Capital Securities (as determined by the Issuer in its sole opinion); or
- (b) any modification of the Capital Securities, the Agency Agreement or the Deed of Covenant which is of a formal, minor or technical nature or is made to correct a manifest or proven error or to comply with mandatory provisions of the law.

In addition, the Fiscal Agent shall be obliged to agree to such modifications of the Capital Securities, the Agency Agreement or the Deed of Covenant as may be required in order to give effect to Condition 9.1(c) (*Redemption and Variation – Redemption or Variation due to Taxation*) or Condition 9.1(d) (*Redemption and Variation – Redemption or Variation for Capital Event*) in connection with any variation of the Capital Securities upon the occurrence of a Tax Event or a Capital Event (as applicable).

Any such modification shall be binding on the holders of the Capital Securities and any such modification shall be notified to the holders of the Capital Securities in accordance with Condition 15 (*Notices*) as soon as practicable thereafter.

17. **CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of these Conditions, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

18. **GOVERNING LAW AND DISPUTE RESOLUTION**

18.1 **Governing law**

The Agency Agreement, the Deed of Covenant and the Capital Securities, and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Deed of Covenant and the Capital Securities, are governed by, and shall be construed in accordance with, English law.

18.2 **Arbitration**

Subject to Condition 18.3 (*Option to Litigate*), any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Capital Securities (including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute, claim, difference or controversy relating to any non-contractual obligations arising out of or in connection with the Capital Securities) (a "**Dispute**") shall be referred to and finally resolved by arbitration in accordance with the LCIA Arbitration Rules (the "**Rules**"), which Rules (as amended from time to time) are incorporated by reference into this Condition 18.2 (*Arbitration*). For these purposes:

- (a) the seat, or legal place of arbitration will be London, England;
- (b) the language of the arbitration shall be English; and
- (c) there shall be three arbitrators, each of whom shall have no connection with any party thereto and shall be an attorney experienced in international securities transactions. The parties to the Dispute shall each nominate one arbitrator and both arbitrators in turn shall appoint a further arbitrator who shall be the chairman of the tribunal. In cases where there are multiple claimants and/or multiple respondents, the class of claimants jointly, and the class of respondents jointly shall each nominate one arbitrator. If one party or both fails to nominate an arbitrator within the time limits specified by the Rules, such arbitrator(s) shall be appointed by the LCIA. If the party-nominated arbitrators fail to nominate the third arbitrator within 15 days of the appointment of the second arbitrator, such arbitrator shall be appointed by the LCIA.

18.3 **Option to Litigate**

Notwithstanding Condition 18.2 (*Arbitration*) above, any holder of the Capital Securities may, in the alternative, and at its sole discretion, by notice in writing to the Issuer:

- (a) within 28 days of service of a Request for Arbitration (as defined in the Rules); or
- (b) in the event no arbitration is commenced,

require that a Dispute be heard by a court of law. If any holder of the Capital Securities gives such notice, the Dispute to which such notice refers shall be determined in accordance with Condition 18.4 (*Effect of Exercise of Option to Litigate*) and any arbitration commenced under Condition 18.2 (*Arbitration*) in respect of that Dispute will be terminated. Each person who gives such notice and the recipient of that notice will bear its own costs in relation to such terminated arbitration.

18.4 **Effect of Exercise of Option to Litigate**

If a notice pursuant to Condition 18.3 (*Option to Litigate*) is issued, the following provisions shall apply:

- (a) subject to Condition 18.4(c) below, the courts of England shall have exclusive jurisdiction to settle any Dispute and the Issuer irrevocably submits to the exclusive jurisdiction of such courts;
- (b) the Issuer waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute; and
- (c) this Condition 18.4 (*Effect of Exercise of Option to Litigate*) is for the benefit of the holders of the Capital Securities only. As a result, and notwithstanding paragraph (a) above, any holder of the Capital Securities may take proceedings relating to a Dispute ("**Proceedings**") in any other court with jurisdiction. To the extent allowed by law, any holder of the Capital Securities may take concurrent Proceedings in any number of jurisdictions.

18.5 **Service of Process**

The Issuer appoints Process Servers Ltd at its registered office at 4 Marylebone High Street, London W1U 4NQ, United Kingdom as its agent for service of process in any Proceedings before the courts of England and agrees that, in the event of Process Servers Ltd ceasing so to act or ceasing to be registered in England, it will immediately (and in any event within 30 days of the event taking place) appoint another person as its agent for service of process in England in respect of any Proceedings or Disputes. Failure by a process agent to notify the person that appointed it of any process will not invalidate the relevant proceedings. Nothing herein shall affect the right to serve process in any other manner permitted by law.

18.6 **Waiver of Immunity**

The Issuer hereby irrevocably and unconditionally waives, with respect to the Capital Securities, any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence and irrevocably and unconditionally consents to the giving of any relief or the issue of any process, including without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings or Disputes.

USE OF PROCEEDS

The proceeds from the issue of the Capital Securities will be U.S.\$600,000,000, the estimated commissions will be U.S.\$2,000,000 and the proceeds will be applied by the Issuer for its general corporate purposes and to further strengthen its capital base.

DESCRIPTION OF CBD

Overview

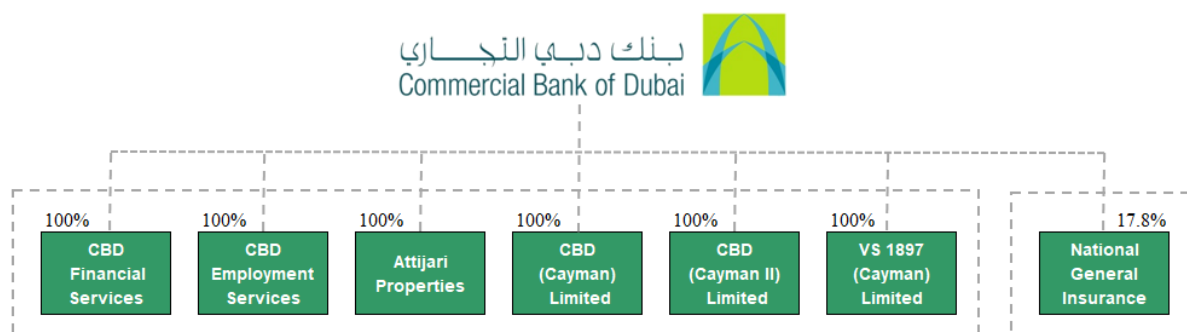
CBD was incorporated in Dubai, UAE, on 4 July 1969 pursuant to an Emiri Decree. CBD is registered as a public shareholding company in accordance with Federal Law No. 2 of 2015. CBD's commercial registration number is 1010121, its registered office is Al Ittihad Street, P.O. Box 2668, Dubai, United Arab Emirates and its telephone number is +971 4 2121000 and its website is www.cbd.ae.

CBD offers a range of banking products and services in the UAE primarily to institutional and corporate customers, including loans, working capital financing, trade finance products and deposit accounts. CBD also offers personal banking products, including deposit accounts, personal loans and mortgage products to retail customers. Since 2008, CBD has provided Shari'a compliant financial services to corporate and retail customers through its "CBD Al Islami" finance division. As at the date of this Prospectus, CBD has six wholly owned subsidiaries:

- CBD Financial Services LLC ("**CBD Financial Services**"), which provides brokerage facilities for local shares and bonds;
- CBD Employment Services One Person Company LLC ("**CBD Employment Services**"), which provides human resource services;
- Attijari Properties LLC ("**Attijari Properties**"), which provides self-owned property management services;
- CBD (Cayman) Limited ("**CBD Cayman Issuer**"), a special purpose vehicle incorporated in May 2015, which may, amongst other things, issue notes under CBD's Euro Medium Term Note programme (the "**Programme**");
- CBD (Cayman II) Limited, a special purpose entity established and registered in the British Virgin Islands in 2016 in order to transact and negotiate derivative agreements; and
- VS 1897 (Cayman) Limited, a special purpose entity established and registered in the Cayman Islands in 2019 to manage investments acquired in the settlement of debt.

CBD also has one associate, National General Insurance Co. PSC ("**NGI**") in which CBD holds a 17.8 per cent. shareholding. NGI underwrites life and general insurance business as well as certain reinsurance business. CBD, CBD Financial Services, CBD Employment Services, Attijari Properties, the Cayman Issuer, CBD (Cayman II) Limited, VS 1897 (Cayman) Limited and NGI are collectively referred to herein as the "**Group**".

The following diagram summarises CBD's Group structure:



CBD categorises its business into four business segments: Institutional Banking, Corporate Banking, Personal Banking, and Trading and Other. As at 30 June 2020, the assets of the Institutional Banking and Corporate Banking segments together accounted for AED 62.9 billion, or 67 per cent. of CBD's total assets

and their combined total liabilities amounted to AED 51.3 billion, or 61 per cent. of CBD's total liabilities. As at 31 December 2019, the assets of the Institutional Banking segment and Corporate Banking segment together accounted for AED 58.8 billion, or 67 per cent. of CBD's total assets and their combined total liabilities amounted to AED 51.2 billion, or 66 per cent. of CBD's total liabilities.

CBD operates across the UAE through a network of 15 branches (of which nine are in Dubai). CBD offers conventional as well as Shari'a compliant Islamic products through these branches. CBD also operates one sales office as well as 153 automated teller machines ("ATMs") and cash deposit machines ("CDMs"). As at 30 June 2020, CBD employed 1,383 staff. As at 31 December 2019, CBD employed 1,469 staff.

As at and for the six month period ended 30 June 2020, CBD's net profit was AED 530 million (a decrease of 24 per cent. compared to the six month period ended 30 June 2019). Its total assets amounted to AED 93.7 billion (an increase of 6 per cent. compared to total assets as at 31 December 2019) and its total equity amounted to AED 10.2 billion, compared to AED 10.2 billion as at 31 December 2019. CBD's net profit was AED 1.4 billion and AED 1.2 billion for the years ended 31 December 2019 and 31 December 2018, respectively. As at 31 December 2019, CBD's total assets amounted to AED 88.1 billion, an increase of 19 per cent. compared to AED 74.1 billion as at 31 December 2018. CBD's total equity was AED 10.2 billion as at 31 December 2019, an increase of 11 per cent. from AED 9.2 billion as at 31 December 2018.

CBD's ordinary shares are listed on the Dubai Financial Market ("DFM"). As at the date of the Prospectus, the authorised, issued and fully paid-up ordinary share capital of CBD comprised 2,802,733,968 ordinary shares of AED 1 each (compared to 2,802,733,968 ordinary shares of AED 1 each as at 31 December 2019 and as at 31 December 2018). For further information, see "*Share Capital and Shareholders*".

CBD has a long term issuer rating of A- from Fitch and Baa1 from Moody's. Each of Fitch and Moody's is established in the European Union and registered under the CRA Regulations.

History and Development

Upon its incorporation, Chase Manhattan Bank N.A. ("**Chase Manhattan**"), Commerzbank Aktiengesellschaft ("**Commerzbank**") and the Commercial Bank of Kuwait S.A.K. ("**CBK**") each held 26 per cent. of the issued share capital of CBD, with the balance being held by a number of UAE shareholders. Chase Manhattan managed CBD from its incorporation until July 1977. In 1980, Chase Manhattan sold its shareholding to CBK. Shortly afterwards, Commerzbank sold its shareholding to Pearl Investment Co., a registered company in Bahrain controlled by CBK, thereby giving CBK a controlling interest of 78 per cent. of CBD's issued share capital. Following the introduction of restrictions on the foreign ownership of banking institutions in the UAE in 1982, CBK sold all of its shareholding in CBD to UAE nationals and to the Government of Dubai. The Government of Dubai's shareholding is currently registered in the name of its wholly owned investment entity, the Investment Corporation of Dubai ("**ICD**").

Strategy

In December 2017, following a detailed review of its business, CBD approved a new three year strategic plan for the period 2018 to 2020. The strategic plan sets out CBD's growth and profitability aspirations for the period from 2018 to 2020 and the initiatives required to achieve them.

CBD's strategy is to diversify its income sources by selectively expanding the range of products and services it offers in its core business areas of Institutional Banking and Corporate Banking, while seeking selective and measured growth in the Personal Banking segment and Islamic Banking.

Strengthening CBD's Institutional Banking and Corporate Banking portfolios

The Institutional Banking and Corporate Banking segments continue to support areas of key economic activity, specifically real estate, trade, education, hospitality, healthcare, services, and manufacturing sectors, and have seen growth from both existing and new clients in these sectors. CBD will seek to acquire new customers and strengthen existing client relationships with the aim of becoming its clients' primary banking partner.

As part of its strategic plan, CBD aims to increase fee and commission income from existing Institutional Banking and Corporate Banking clients, so that the fee and commission revenues received from a client

represent at least the same proportion as CBD's share of the client's total lending across banks. CBD intends to achieve this objective by focusing on the following initiatives:

- *Selectively expanding the range of Institutional Banking and Corporate Banking products and services offered to Institutional Banking and Corporate Banking customers.* In particular, CBD plans to expand its fee-generating products and services, by leveraging its existing portfolio of trade, treasury and transaction banking products and services to position CBD as banking partner for all client requirements. CBD continues to invest in iBusiness, an innovative corporate online banking platform that aims to provide corporate clients with a user-friendly online banking platform. iBusiness allows clients to view account balances, initiate online payments, apply for various trade products and manage daily liquidity positions.
- *Deepening client relationships.* CBD will seek to deepen existing client relationships by institutionalising within CBD client specific service teams. The members of each client service team will be drawn from various departments and levels of seniority within CBD and they will interact with the clients across different levels of client management.
- *Target the expatriate owned business market.* CBD will target businesses owned by expatriates with an established track record of operating in the UAE, particularly corporate and commercial entities operating in the UAE free zones and multinational corporations.

Measured growth in CBD's Personal Banking segment

CBD's strategic plan sets out growth in the Personal Banking segment as a strategic priority. CBD aims to accelerate revenue growth in the medium-term and have a positive impact on CBD's overall risk-return profile.

A separate comprehensive operational plan has been developed and approved by the Board with the intention of making CBD a leading financial services provider in the UAE for high net worth individuals ("HNWIs") and "affluent" customers. CBD will seek to compete in this market by offering products and services specifically tailored to its target market segments and, by providing a comprehensive and personalised service to its Personal Banking customers.

CBD believes that the continued development and refinement of its data analytics and intelligence capabilities will be critical in order to enable CBD to maximise its ability to cross sell products and services to its Personal Banking clients, to enhance its credit decision making models and to comply with regulatory requirements.

Develop CBD's Islamic banking business

In light of increased demand for Islamic banking products, CBD plans to continue to grow its existing Islamic banking business by strengthening management and sales capabilities and investing in new products and services. CBD's Islamic banking business, managed under the CBD Al Islami brand, offers a range of banking products and services for both commercial and personal banking clients including deposit accounts, investment deposits (Mudaraba short term, Wakalah and Commodity Murabaha), Mustaqbali Al Islami Wealth Builder (an investment-linked savings plan), Al Dana Al Islami Al Malaki (which offer customers bundled banking products and services with banking and lifestyle related advantages) and Al Dana Al Islami Sundus, Ijarah Home Lease, Absher Personal Finance Tawarruq through Equity Shares and Mudaraba Tasdeer Finance.

During the six month period ended 30 June 2020, the Islamic financing portfolio of CBD Al Islami increased by 6 per cent. when compared with 31 December 2019, accounting for 18 per cent. of CBD's gross loans and advances and Islamic financing, while Islamic customer deposits decreased by 14 per cent. when compared with 31 December 2019, accounting for 19 per cent. of CBD's customer deposits and Islamic customer deposits.

As at 31 December 2019, the Islamic financing portfolio of CBD Al Islami increased by 48 per cent. when compared with 31 December 2018, accounting for 18 per cent. of CBD's gross loans and advances and Islamic financing, while Islamic customer deposits increased by 19 per cent. when compared with 31 December 2018, accounting for 23 per cent. of CBD's customer deposits and Islamic customer deposits.

Default Digital

A pillar of CBD's strategy is 'Default Digital', which envisions providing digital solutions by default for all customer services and back end processes. CBD has upgraded its technology platform to allow IT to work closely with the Institutional Banking, Corporate Banking and Personal Banking businesses. In 2019, CBD continued to deliver outcomes and milestones on a number of transformation programmes focused on Default Digital including 'Direct from Customer' ("**DFC**"), 'Cardless Cash Withdrawals' and 'Tokenisation' amongst others, and developed a clear cross-organisational agenda leveraging investments made in IT and physical customer sites. 'Tokenisation' is required to enable token-based digital contactless payments and third party wallets like Apple Pay, Google Pay and Samsung Pay by substituting a sensitive data element with a non-sensitive equivalent, referred to as a 'token'. As part of the Default Digital strategy, CBD launched Phase I of the DFC initiative, which is aimed at enhancing the banking experience for existing customers by providing existing customers with the ability to access CBD's Personal Banking products such as pre-approved personal loan top-ups and pre-approved salary advance directly from their app. Phase II, which launched in June 2020, extends digital on-boarding capabilities for new-to-bank customers. At the end of 2019, 65 per cent. of Personal Banking customers had subscribed to digital channels, with 95 per cent. of bill payments and money transfers conducted digitally. CBD established the "Eureka" innovation framework to effectively navigate an expanding landscape of technology solutions, aligned to the digital strategy. As a result of this programme, tailored solutions provided by FinTech organisations were initially piloted and selected ones were implemented. Monthly updates to the award-winning CBD mobile app also provided multiple new features for retail customers.

To be recognised as an employer of choice

CBD aims to be recognised as an employer of choice in the UAE by fostering a motivational environment which rewards superior performance. CBD's performance management framework has recently been restructured with a reward and development programme that supports CBD's ambition to build a high performance culture across its network.

CBD pro-actively implements the Emiratisation initiative to recruit, train, develop and retain Emirati staff at all levels of the organisation. The appraisal process is transparent both in terms of setting of objectives as well as evaluation of performance and career progression is based on merit. CBD's incentive and reward programs are geared to recognise high performers. Employee welfare is addressed through various channels including a periodic anonymously conducted Employee Engagement Survey, which is undertaken by an independent survey agency. The findings are presented to management who may elect to set up focus groups to discuss solutions to any issues that become apparent from the survey.

Competition

Banks conducting business in the UAE face competition from the large number of both conventional and Islamic, UAE and foreign banks that are licensed to operate in the UAE. According to data published by the UAE Central Bank there were a total of 48 banks (21 locally incorporated banks and 27 foreign banks) licensed to operate in the UAE as at 30 June 2020 (excluding the DIFC) (*source: UAE Central Bank*). See "*United Arab Emirates Banking Sector and Regulations*" for further information.

In relation to commercial banking, CBD has established a long-standing customer base of leading companies comprising of private corporate and government customers. CBD's key competitors are primarily UAE banks such as Emirates NBD, Mashreq Bank, Abu Dhabi Commercial Bank, First Abu Dhabi Bank P.J.S.C., and the National Bank of Ras Al Khaimah, as well as international banks such as Citibank and HSBC.

Competitive Strengths

CBD believes that it has a strong market position which is based on competitive advantages such as:

Stable and low cost funding base: CBD's management believe that it benefits from a consistently lower cost of funds than many of its competitors as a result of the high proportion of CBD's total customer deposits which consist of stable current and savings accounts. As at 30 June 2020, current and savings accounts constituted 42 per cent. of total customer deposits and Islamic customer deposits compared to 39 per cent. as at 31 December 2019 and 39 per cent. as at 31 December 2018. CBD's low cost funding has allowed it to achieve higher net interest margins.

Strong capital base: CBD calculates its risk asset ratio in accordance with capital adequacy guidelines established by the UAE Central Bank and the Basel Committee Guidelines in accordance with the Basel III accord. The current Tier 1 capital adequacy ratio stipulated by the UAE Central Bank is 11 per cent. CBD has consistently maintained a capital adequacy ratio and Tier 1 ratio in excess of the minimum requirements required by the UAE Central Bank. As at 30 June 2020, CBD had a Tier 1 capital adequacy ratio of 12.87 per cent. compared to 13.02 per cent. as at 31 December 2019 and 13.41 per cent. as at 31 December 2018.

Consistent profitability and returns: CBD has been consistently profitable, with levels of net profit, amounting to AED 530 million for the six month period ended 30 June 2020, and AED 701 million for the six month period ended 30 June 2019. During the six month period ended 30 June 2020, CBD's underlying performance was adversely impacted by the unprecedented market disruption due to the COVID-19 pandemic and low interest rates. See "Risk Factors – Risks related to CBD's business – CBD's business, results of operations and financial condition may be adversely affected by the impact of COVID-19 for further information", "Risk Factors – Risks related to CBD's business – CBD is subject to risks relating to customer and counterparty credit quality", "Risk Factors – Risks related to CBD's business – CBD faces risks associated with changes in market prices" and "Risk Factors – Risks related to CBD's business – Liquidity Risk". CBD's net profit amounted to AED 1,400 million, AED 1,162 million, and AED 1,002 million for the years ended 31 December 2019, 2018 and 2017, respectively. CBD has also maintained returns on average equity of 14 per cent., 13 per cent., and 11 per cent. for the years ended 31 December 2019, 2018 and 2017, respectively. CBD's return on average equity was 10.4 per cent. for the six month period ended 30 June 2020. Management estimates that CBD has one of the highest total returns to shareholders of UAE banks in the period from 2005 to 2019 (based on CBD's periodic analysis of UAE banks).

Fast growing Islamic financing banking franchise: The Islamic Banking business at CBD was launched in 2008 and is managed under the CBD Al Islami brand, offering Shari'a compliant financial solutions to retail banking, institutional and corporate customers. CBD rebranded its Islamic finance offering in 2015 and introduced a range of innovative Islamic products, including Sukuk custody and leverage on Sukuk products, as well as partnering with SALAMA Insurance to offer a diverse range of Takaful products. Gross Islamic financing increased by 48 per cent. to AED 11.4 billion as at 31 December 2019 from AED 7.7 billion as at 31 December 2018, while Islamic customer deposits increased by 19 per cent. to AED 14.5 billion as at 31 December 2019 from AED 12.2 billion as at 31 December 2018.

Strength of brand: CBD has a strong brand in the UAE, with a loyal customer base consisting primarily of Emirati owned businesses and customers with whom it has long standing relationships. A customer engagement survey carried by an external market research agency in 2019 revealed that 71 per cent. of CBD's Institutional Banking customers, 64 per cent. of Corporate Banking customers, 64 per cent. of Personal Banking customers, and 60 per cent. of Islamic Personal Banking customers surveyed reported that they felt engaged by CBD. These customers reported that they were satisfied with their banking relationship and were willing to continue with CBD and willing to recommend CBD.

Shareholder support: The main shareholders and directors are eminent local businessmen who are able to provide management with genuine commercial insights which assist CBD in meeting the needs of its customers. The shareholding structure of the top five shareholders has remained stable since 2007.

Quality of management: CBD's strategy is supported by the senior management's broad expertise in international, regional and national banks. Senior management have extensive experience in the banking sector in Dubai, the region and internationally.

Distribution network: CBD is able to distribute its products through a variety of channels, which include its distribution network of 15 branches, one sales office, 153 ATMs and CDMs, a direct sales force, supported by a 24/7 call centre as well as internet and mobile banking services.

Innovation and Digitisation: CBD's commitment to innovation and digitisation is recognised externally and as a result CBD received the "Best Customer Oriented Transformation" award in 2020 from the Transformers Awards and various awards in 2019, such as the "Most Innovative Digital Bank" by International Finance Magazine, the "Most Innovative Card" by Seamless, the "Best Digital Service" from the Union of Arab Banks, the "Best Mobile Banking App" from Global Finance, and the "Best Digital Transformation Services" from Banker Middle East.

Share Capital and Shareholders

As at the date of this Prospectus, the authorised, issued and fully paid-up ordinary share capital of CBD comprises 2,802,733,968 ordinary shares of AED 1 each (compared to 2,802,733,968 ordinary shares of AED 1 each as at 31 December 2019 and at 31 December 2018).

From 2013 to 2019, CBD has distributed between 41 per cent. to 93 per cent. of its annual profits to its shareholders as dividends.

As at 30 June 2020, 20 per cent. of the issued share capital of CBD was registered in the name of the ICD on behalf of the Government of Dubai. Of the balance of 80 per cent., which constitutes the free float of CBD's equity, there are six shareholders with a total holding of 44 per cent. of the issued share capital, each holding in 5 per cent. or more of CBD's share capital. These shareholders are Al Futtaim Private Co. (10.51 per cent.), Orient Insurance PJSC (8.84 per cent.), Abdulla Hamad Al Futtaim (6.95 per cent.), Ghobash Trading & Investment (6.37 per cent.), A.W. Rostamani Group (6.61 per cent.), and Al Majid Investments (5 per cent.).

At CBD's annual general meeting held on 11 March 2020, it was resolved that 60 per cent. of the shares of CBD shall be owned by, and may only be acquired by, natural persons having UAE nationality or legal persons or corporations fully owned by UAE nationals and the company secretary was authorised to implement this amendment with the relevant authorities.

Business Overview

CBD categorises its business into four business segments: Institutional Banking, Corporate Banking, Personal Banking, and Trading and Other. As at 30 June 2020, the assets of the Institutional Banking and Corporate Banking segments together accounted for AED 62.9 billion, or 67 per cent. of CBD's total assets and their combined total liabilities amounted to AED 51.3 billion, or 61 per cent. of CBD's total liabilities. As at 31 December 2019, the assets of the Institutional Banking and Corporate Banking segment together accounted for AED 58.8 billion, or 67 per cent. of CBD's total assets and their combined total liabilities amounted to AED 51.2 billion, or 66 per cent. of CBD's total liabilities.

CBD has six wholly owned subsidiaries: CBD Financial Services, which provides brokerage facilities for local shares and bonds; CBD Employment Services, which provides human resource services; Attijari Properties, which provides self-owned property management services; CBD (Cayman) Limited, which was incorporated in the Cayman Islands in 2015 to facilitate funding for CBD; CBD (Cayman II) Limited, which was incorporated in the British Virgin Islands in 2016 to negotiate and transact derivative agreements; and VS 1897 (Cayman) Limited which was established to manage investments acquired in the settlement of debt. CBD also has one associate, NGI, which underwrites life and general insurance business as well as certain reinsurance business. In addition, CBD provides Shari'a compliant financial services to corporate and retail customers through its "CBD Al Islami" finance division which it launched in 2008.

For each of the four business segments, the following tables set out assets and liabilities as at 30 June 2020, as at 31 December 2019 and as at 31 December 2018, and total operating income for the six month periods ended 30 June 2020 and 30 June 2019.

Business Segments

| | Assets | | Liabilities | |
|-------------------------------------|---------------|--------------|---------------|--------------|
| | (AED million) | (%) | (AED million) | (%) |
| 30 June 2020 | | | | |
| Institutional Banking..... | 35,762 | 38.2 | 38,522 | 46.1 |
| Corporate Banking..... | 27,180 | 29.0 | 12,740 | 15.3 |
| Personal Banking..... | 7,364 | 7.9 | 20,449 | 24.5 |
| Trading and Other..... | 23,376 | 25.0 | 11,785 | 14.1 |
| | 93,682 | 100.0 | 83,496 | 100.0 |
| 31 December 2019¹ | | | | |
| Institutional Banking..... | 33,546 | 38.1 | 40,262 | 51.7 |
| Corporate Banking..... | 25,289 | 28.7 | 10,906 | 14.0 |
| Personal Banking..... | 7,767 | 8.8 | 18,741 | 24.1 |
| Trading and Other..... | 21,467 | 24.4 | 7,943 | 10.2 |
| | 88,069 | 100.0 | 77,852 | 100.0 |

| | Assets | | Liabilities | |
|-------------------------------------|----------------------|--------------|----------------------|--------------|
| | <i>(AED million)</i> | <i>(%)</i> | <i>(AED million)</i> | <i>(%)</i> |
| 31 December 2018³ | | | | |
| Corporate Banking | 37,727 | 50.9 | 34,703 | 53.5 |
| Commercial Banking | 12,662 | 17.1 | 10,624 | 16.4 |
| Personal Banking | 7,299 | 9.8 | 14,103 | 21.7 |
| Treasury and Investments | 16,415 | 22.2 | 5,453 | 8.4 |
| | 74,102 | 100.0 | 64,883 | 100.0 |

| | 30 June 2020 | | 30 June 2019 | |
|-----------------------------|-------------------------------|--------------|-------------------------------|--------------|
| | <i>(AED million)</i> | <i>(%)</i> | <i>(AED million)</i> | <i>(%)</i> |
| | Total Operating Income | | Total Operating Income | |
| Institutional Banking | 465 | 32.9 | 417 | 27.6 |
| Corporate Banking | 473 | 33.5 | 406 | 26.9 |
| Personal Banking | 494 | 35.0 | 494 | 32.7 |
| Trading and Other | (20) | (1.4) | 193 | 12.8 |
| | 1,412 | 100.0 | 1,510 | 100.0 |

| | 31 December 2019 | |
|-----------------------------|---|--------------|
| | <i>(AED million)</i> | <i>(%)</i> |
| | Total Operating Income² | |
| Institutional Banking | 832 | 27.4 |
| Corporate Banking | 792 | 26.1 |
| Personal Banking | 1,023 | 33.7 |
| Trading and Other | 386 | 12.7 |
| | 3,033 | 100.0 |

| | 31 December 2018 | |
|--------------------------------|---|--------------|
| | <i>(AED million)</i> | <i>(%)</i> |
| | Total Operating Income^{2,3} | |
| Corporate Banking | 945 | 34.7 |
| Commercial Banking | 787 | 28.9 |
| Personal Banking | 635 | 23.3 |
| Treasury and Investments | 359 | 13.2 |
| | 2,725 | 100.0 |

¹ During the current fiscal year, CBD re-aligned its segments and business lines. Therefore, certain numbers reflected above have been reclassified, where necessary, to conform with the current segmentation. The 'Assets' and 'Liabilities' referenced for 31 December 2019 were taken from the 2020 Interim Financial Statements for comparative purposes.

² 'Total Operating Income' as at 31 December 2019 has been reclassified and has been taken from CBD's internal management accounts. 'Total Operating Income' as at 31 December 2018 has been extracted from the 2019 Financial Statements. 'Total Operating Income' as at 31 December 2018 has not been revised and therefore is not comparable to the figures as at 30 June 2020 and 31 December 2019 (each as included in the tables above).

³ The segmentation of 'Assets', 'Liabilities' and 'Total Operating Income' as at 31 December 2018 (as disclosed in the 2019 Financial Statements) differs to the segmentation included in the tables above in respect of the same figures as at 30 June 2020, 30 June 2019 and 31 December 2019.

Institutional Banking

As at and for the six month period ended 30 June 2020, the Institutional Banking segment accounted for AED 35.8 billion or 38 per cent. of CBD's total assets (compared to AED 33.5 billion or 38 per cent. as at 31 December 2019) and AED 465 million, or 33 per cent., of CBD's total operating income (compared to AED 417 million, or 28 per cent., for the six month period ended 30 June 2019).

Institutional Banking provides a range of credit and non-credit banking products and services to large corporate clients (including government related entities). Institutional Banking clients have annual sales/turn-over greater than AED 750 million. Products offered to CBD's corporate clients include a wide range of traditional trade finance products which are designed to service their purchase procurement and export related credit requirements.

Institutional Banking also offers purchase financing products such as letters of credit, letters of credit refinancing, open account trade financing (including pre-shipment, post-shipment and advance payments) and loans against collection documents, trade bills discounting, avalisation (where CBD guarantees the

obligations of a buyer to a seller in accordance with the relevant contractual terms) and bankers' acceptances. Export financing products such as Tasdeer Finance (involving pre/post shipment finance against export letters of credit and the negotiation of other export trade documents) are also offered to corporate customers and non-customers through a programme which is managed by CBD's Trade Sales Team. CBD also provides payables and receivables financing solutions to support the working capital needs of its clients.

Non-credit related products include payment services which enable corporate customers to transfer funds between accounts, initiate payments to government entities, initiate single or bulk third party payments and initiate trade transactions (such as letters of credit and guarantees). Institutional Banking customers are also offered receivables management services, including cash and cheque collection services, as well as providing 24/7 cash and cheque deposit machines to deposit funds at the customer's convenience. CBD's liquidity management services assist customers in managing account balances across their organisations to consolidate cash flows and order to improve interest efficiency. CBD can also invest funds overnight or pay down revolving lines of credit. CBD also offers escrow services to corporate customers. CBD is a registered escrow agent with the Real Estate Regulatory Authority for developers who require an escrow account when launching new projects.

As part of its commitment to digitalisation, CBD continues to invest in iBusiness, an innovative corporate online banking platform that aims to provide corporate clients with a user-friendly online banking platform. iBusiness allows clients to view account balances, initiate online payments, apply for various trade products and manage daily liquidity positions. Continued investment by CBD in bespoke payments and cash management solutions resulted in over 92 per cent. of Institutional Banking customers and 78 per cent. of Corporate Banking customers using iBusiness during 2018. In 2019, CBD launched several new payment and cash management capabilities for its wholesale banking customers. Development on these capabilities will continue throughout 2020.

CBD's Payments and Cash Management team has received the "Best Cash Management Bank" award by Bankers Middle East for three consecutive years (2017 to 2019), the "Best Cash and Liquidity Management in ME/Africa" from Treasury Management International in 2020, the "2019 Best Bank for Cash and Liquidity Management for the MENA region" from Treasury Management International Awards for Innovation and Excellence, the "2019 Best Payments Bank in the UAE" and the "2019 Best ERP Integration application" by The Asian Banker and the "2019 Excellence in Payments" by Finnovex Awards.

Institutional Banking also offers a range of treasury products and services which can be tailored to suit a company's specific treasury needs. Some of the products offered by the treasury team are: foreign exchange and FX derivatives, interest rate hedging, commodity hedging, investment products and structured investment products.

A centralised team of experienced relationship managers, based at CBD's Head Office, is responsible for large corporations located in Dubai and the Northern Emirates. Abu Dhabi-based large corporate clientele are managed through a team based in Abu Dhabi.

In 2018, CBD identified the need for, and recognised the growth opportunity of, establishing a specialised relationship team with a specific mandate to cover and manage the contracting industry in Abu Dhabi, Dubai, and the Northern Emirates. This initiative aims to mitigate risks by having a more comprehensive understanding of the contracting industry, grow and develop CBD's contracting portfolio, and provide technical support and market knowledge to CBD's customers.

CBD has also established a fully-fledged commodity finance team, with the aim to provide regional and international companies with comprehensive solutions for the financing of their local and international businesses, including a full range of standard and/or bespoke products.

Despite an increasingly competitive environment, CBD continues to expand and consolidate its relationships with clients from both the public and private sectors. The result has been an increased level of business volume across all of those customer segments (for both local and international companies) and products. CBD's Institutional Banking unit further expanded its relationships with existing clients and acquired new creditworthy clients within the UAE, in both the public and private sector.

The Debt Capital Markets Unit assists large corporate customers with issuing securities in the domestic debt capital markets.

Across the Trade Finance Sales Unit and the Advisory Unit, higher levels of customer satisfaction were recorded in 2019, supporting a significant increase in trade finance income. Other milestones in 2019 included the launch of a Supply Chain Finance ("SCF") proposition and the ongoing development of a digital SCF platform.

CBD continues to invest in fully scalable technology to cater to wholesale banking customers by providing them with a high quality experience based on integrated digital channels across different platforms. As a result, in 2019 CBD won over 200 key cash management mandates which resulted in a 58 per cent. increase in transactions volume and an 18.8 per cent. increase in CASA, compared to the previous year.

Corporate Banking

As at and for the six month period ended 30 June 2020, the Corporate Banking segment accounted for AED 27.2 billion or 29 per cent. of CBD's total assets (compared to AED 25.3 billion or 29 per cent. as at 31 December 2019), and AED 473 million, or 34 per cent., of CBD's total operating income (compared to AED 406 million, or 27 per cent., for the six month period ended 30 June 2019).

Corporate Banking provides overdrafts, loans, working capital finance, trade finance, deposit products, payments and cash management products, and treasury products and services to commercial (mid-sized) clients with annual sales ranging between AED 100 million to AED 750 million.

Corporate Banking clients are managed by relationship managers strategically located at commercial centres in the UAE. Clients are also serviced from CBD's branch network across the UAE. Product specialists from Treasury, Trade Finance and Payments and Cash Management teams work closely with relationship managers to propose tailor-made products to meet clients' needs.

Corporate Banking also seeks to expand its customer base by leveraging its Trade Finance, Cash Management and Treasury expertise. It has a dedicated Cash Management, Treasury, and Trade Sales staff to provide product expertise and advice to corporate customers. CBD believes that this coordinated approach has enabled it to strengthen its relationships with its Corporate Banking customers, generate and increase business and offer additional channels of engagement through CBD's network of experienced product professionals.

The Corporate Banking segment offers a wide range of trade finance products to service the purchase/procurement related financial requirements of its corporate customers as well as their export-related credit requirements. It also offers purchase financing products such as letters of credit, letters of credit refinancing, open account trade financing (including pre-shipment, post-shipment and advance payments) and loans against collection documents.

As with Institutional Banking customers, export financing related products such as 'Tasdeer' finance are also offered to Corporate Banking customers and non-customers. Supply chain financing is also available to Corporate Banking clients.

Corporate Banking offers the same range of treasury products and services which are available to institutional clients. Relationship managers and dedicated Payments and Cash Management specialists design and provide customised cash management solutions that meet client needs and address future strategic opportunities. Some of the products offered through Cash Management are: Wages Protection System (WPS), Escrow Services, Payments, Receivables and Liquidity Management, E-Commerce Solutions and Corporate Cards.

In addition to the above products and services, Corporate Banking also provides Syndication, Asset Management and Investment Advisory services to its customers.

Personal Banking

As at and for the six month period ended 30 June 2020, the Personal Banking segment accounted for AED 7.4 billion or 8 per cent. of CBD's total assets (compared to AED 7.8 billion or 9 per cent. as at 31 December 2019) and AED 494 million, or 35 per cent., of CBD's total operating income (compared to AED 494 million, or 33 per cent., for the six month period ended 30 June 2019).

CBD's Personal Banking clients are divided into the following segments based on income and wealth:

- private banking clients with AUM of USD 1 million;
- affluent clients with monthly salaries of more than AED 40,000, or assets under management ("AUM") of AED 400,000;
- mid-tier clients (Personal), with monthly salaries of between AED 5,000 to 40,000;
- modest income clients (Direct), with monthly salaries of less than AED 5,000; and
- small business clients with less than AED 100 million annual sales turnover.

CBD offers a range of products and services to its Personal Banking clients. It offers current and savings and e-Saving (digital) accounts to eligible customers with free debit cards, as well as standing instruction, direct debit and safe deposit locker facilities. The 'Smartkidz' savings program includes three recurring deposits, 'Mustaqbali' (child savings) plan and 'Bonus Booster' and 'Premium Saver', enabling parents and children to save and plan for the future. These savings plans have a term ranging from 18 months to five years and allow for monthly contributions. Principal amount is guaranteed for the term of the plans which also offer customers additional features. Personal loans are offered to eligible Personal Banking customers at competitive interest rates. 'Tasaheel' is an overdraft facility that allows customers to overdraw their account up to a pre-approved limit at competitive interest rates. Tamweel is a car finance scheme that offers customers the car of their choice at competitive interest rates with repayment periods up to 60 months. CBD also offers mortgage finance to eligible customers for longer terms at competitive interest rates. An extensive range of card products are offered to Personal Banking customers with features designed to meet the needs of specific customer segments. CBD launched a range of bancassurance products in 2014 which have catered to the requirements of Personal Banking customers.

CBD also provides wealth management services to its high net worth personal customers through its Elite Management Centres and Private Banking Centre in Dubai.

CBD's strategic plan has identified growth in Personal Banking operations as a strategic priority for itself. CBD believes that expanding Personal Banking has the potential to accelerate growth in its revenues in the medium-term, to diversify balance sheet asset concentration risk away from institutional and corporate segments and to have a positive impact on CBD's overall risk-return profile, for example, by reducing CBD's overall cost funding and increasing its yield on its portfolio of loans and advances. CBD continues its focus on growing its Personal Banking customer base by investing in its digital banking frameworks to enhance customers' experience by using state of the art technology, expanded distribution channels, new products and a relationship-driven approach. CBD continues to pursue its strategy of becoming 'Default Digital' and it saw increasing numbers of customers using CBD's new mobile channels and digitally enabled services such as online transfers and bill payments (for more information, see "*Information Technology ("IT")*"). CBD successfully implemented the integration of multiple apps into a single app, extending mobile app access to Islamic banking credit card customers.

Improving customer experience online has allowed CBD to engage with customers better and provide a simple, fast and user-friendly banking experience. This helped CBD significantly expand its Personal Banking customer base since 2015, as well as the division's contribution to overall revenues. Total assets within Personal Banking decreased by 5 per cent. as at 30 June 2020 compared to 31 December 2019, and operating income of AED 494 million for the six month period ended 30 June 2020, is at the same level when compared with the six month period ended 30 June 2019. Personal Banking income constituted 35 per cent. of CBD's total operating income for the six month period ended 30 June 2020 (compared to 33 per cent. for the six month period ended 30 June 2019).

CBD provides back-end system and process support to a significant number of public sector payments in the UAE which has helped it to acquire new business from public sector entities. These are now serviced with CBD's cash online and e-commerce solutions.

CBD has assisted in fast-tracking the UAE's shift to cashless transactions through the launch of a range of solutions designed to meet the financial requirements of organisations and institutions in all sectors. CBD expanded its portfolio of cashless solutions by launching co-branded cards with local institutions like the Al-Ahli Football Club as well as the Bait Al-Khair Society. In addition, CBD also developed a pre-paid card for the Community Development Authority to disburse financial benefits in a cashless method.

In 2019, the credit card business witnessed growth in spend of 20 per cent. CBD also launched a series of new cards, including 'CBD Smiles', co-branded with Etisalat; the 'CBD One' credit card, aimed at millennials; and the exclusive, invitation-only 'Emirati Metal' card, which offers hand-crafted packages to the top-tier Emirati Private Banking customers. For further information, see "*Default Digital*".

CBD is actively involved in domestic private banking and wealth management and is able to offer its clients access to international private banking advice and products through its relationship with Julius Baer, a Swiss private bank. Fixed income investments continued to be the asset of choice for the wealth management client base.

In 2019, the Personal Banking segment won several awards demonstrating CBD's continued commitment to offering innovative products and services, such as:

- Most Improved Bank (Ethos Integrated Solutions);
- Most Innovative Card of the Year (Seamless Awards);
- Best Digital Bank (New Age Banking Awards);
- Best Digital Service (Union of Arab Banks);
- Best Mobile Banking App (Global Finance Awards);
- Best Digital Transformation Services (Banker Middle East Product Awards); and
- Best Call Centre (Banker Middle East Product Awards).

Trading and Other

As at and for the six month period ended 30 June 2020, the Trading and Other segment accounted for AED 23.4 billion of CBD's total assets (compared to AED 21.5 billion as at 31 December 2019) and an AED 20 million operating loss (compared to AED 193 million operating income for the six month period ended 30 June 2019). The asset balances represent investments and balance sheet positions associated with funding CBD. The operating loss in the Trading and Other segment was primarily on account of the drop in inter-bank interest rates in the UAE, in response to the reduction in the interest rates announced by the U.S. Federal Reserve. For further information, see "*CBD faces risks associated with changes in market prices*".

A key role of the trading business is to ensure proactive balance sheet management, adequate funding and prudent liquidity management to support CBD's asset growth. This is carried out in line with the policies and limits set by the Board and overseen by CBD's Group Asset and Liability Committee ("**ALCO**"). The unit also manages CBD's proprietary fixed income portfolio.

Islamic Banking

The Islamic banking business at CBD was launched in 2008 and is managed under the "CBD Al Islami" brand, offering a wide range of Shari'a-compliant products to retail, corporate and commercial customers.

CBD Al Islami has its own Shari'a supervisory committee ("**ISSC**"), comprising of three leading scholars in the field of Islamic banking, that governs the operations and the development of the Islamic products offered by CBD Al Islami and assures compliance with Shari'a principles.

CBD Al Islami has successfully developed a range of Islamic products and services offered to customers through its 14 centres and one dedicated units across the UAE, and currently offers the following Islamic products and services:

- Mudarabah Investment (investment deposits, saving accounts and E-Saver);
- Wakala - Investment (normal, flexi, notice, step up and children's savings);
- Current Account – Qard Hassan;

- Ijarah (property (purchase & refinance), farm and land finance);
- Forward Ijarah;
- Personal Finance – Tawarruq (Murabaha DMCC, Murabaha LME);
- Murabaha Trade Finance;
- Vehicle Murabaha;
- Treasury products (FX, PRS, TARF and Sukuk Murabaha (purchase & refinance)); and
- Islamic Credit Card (Infinite, Signature and Platinum).

During 2019, CBD Al Islami continued to innovate and support customers through the launch of a range of banking products and solutions such as 'Covered Drawing', 'Islamic Super Saver Credit Card' and digitisation of personal finance top-ups through its mobile app all of which are in compliance with the regulations and standards of the Central Bank Higher Sharia Authority ("HSA") and the Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI").

For the six month period ended and as at 30 June 2020, the Islamic financing portfolio of CBD Al Islami increased by 6 per cent., accounting for 18 per cent. of CBD's gross loans and advances and Islamic financing, as compared to 31 December 2019, whereas Islamic customer deposits decreased by 14 per cent., accounting for 19 per cent. of CBD's customer deposits and Islamic customer deposits, as compared to 31 December 2019.

As at 31 December 2019, CBD Al Islami saw a 48 per cent. increase in Islamic financing assets and a 19 per cent. increase in Islamic customers' deposits when compared with the position as at 31 December 2018.

Branch Network and Product Distribution

CBD operates across the UAE through a network of 15 branches. CBD offers conventional as well as Shari'a compliant Islamic products through these branches. CBD also operates one sales office as well as 153 ATMs and CDMs. Nine branches are located in prominent locations in Dubai, two branches are located in Abu Dhabi, and one branch is located in each of the Emirates of Sharjah, Ajman, Fujairah, and Ras Al Khaimah.

Institutional Banking customers are served by a centrally located team of relationship managers. All credit decisions are made by a central credit department located in CBD's head office and credit risk is closely monitored by the Risk department which is also located in Dubai.

CBD provides its customers with secure on-line banking services as well as e-payment services which permit customers to facilitate payment to a range of government, semi-government and utility companies. CBD promotes the culture of service excellence and the adoption of innovative digital technologies which has been evidenced by the ranking of CBD by wholesale banking customers as the leading domestic payment and cash management bank in the UAE. As a testament to this, CBD won several awards from industry leaders, including:

- Best Bank for Cash and Liquidity Management for the MENA region from Treasury Management International (TMI) Awards for Innovation and Excellence, 2019;
- Best Payments Bank in the UAE by The Asian Banker, 2019;
- Best ERP Integration application, by The Asian Banker, 2019;
- Best Cash Management Bank in the UAE, by Banker Middle East Product Awards for 2019, 2018 and 2017; and
- Excellence in Payments by Finnovex Awards, 2019.

In 2019, CBD launched several new payment and cash management capabilities for its wholesale banking customers, including:

- a mobile application;
- online approvals using QR Code technology for mobile application users;
- an e-invoicing platform;
- smart cash deposit machines ("SCDM") at all our branches for bulk cash deposits; and
- card-less cash withdrawals through ATMs.

CBD intends to continue developing on these capabilities during 2020.

Human Resources and Employees

The focus of the Human Resources Department is to attract and retain talented employees and continue CBD's investment in organisational capability and culture. In 2017, CBD introduced a reward and development programme that linked key employee performance indicators to CBD's annual operating plan. The implementation and strengthening of this programme has enhanced CBD's ability to identify and reward performance, which has allowed CBD to align employee rewards specifically and appropriately to commercial and functional achievements.

The Central Bank guidelines on Emiratisation were achieved in 2019 and a new long term employee loyalty scheme was introduced under the branding of "Idikhar". The Central Bank guidelines require that banks submit bi-annual data for all employees, identifying metrics including nationality, gender, work location and employment category. The purpose of the guidelines is to focus on job opportunities, growth and development for Emirati employees. CBD's new graduate recruitment programme, Tumoo7, was expanded to UAE national management trainees in 2018. CBD employed approximately 1,383 staff of 43 nationalities as at 30 June 2020, and employed 1,469 staff of 43 nationalities as at 31 December 2019.

Information Technology

IT is a key element of CBD's strategy. A full spectrum of IT services ranging from enterprise architecture and governance, strategic planning and innovation to solutions delivery and operations is provided by CBD's IT Department. CBD's IT Department renewed its three-year program to embed the technology foundations for the Default Digital vision, allowing CBD to deliver more than 600 small-scale changes, 300 medium-scale improvements and 95 major releases of new capabilities, including Phase I of the DFC initiative, 'Tokenisation' and 'RM Workbench' among others. 'RM Workbench' is an integrated portal designed for wholesale banking relationship managers. The portal provides all necessary financial and other information about a customer to the respective relationship manager. In total, skilled technicians invested more than 16,000 days to promote CBD's digitisation and deliver quality customer experiences.

CBD also established the 'Eureka' innovation framework to effectively navigate the expanding landscape of technology solutions, aligned to its digital strategy. As a result of this program, tailored solutions provided by FinTech organisations were initially piloted and certain were implemented within CBD. In 2019, monthly updates to CBD's mobile application also provided multiple new features for retail customers. In 2019, CBD also completed the fastest implementation of the SWIFT Global Payment Initiative ("GPI") requirements in the region.

CBD's IT function maintained the certification of its operations under ISO 9001 and ISO 10002 standards for quality management and customer service, respectively. Systems availability was of the highest standard, core systems of CBD were updated to ascertain maintainability and two comprehensive disaster recovery simulation drills were successfully performed in 2019. In 2019 security threats to CBD were effectively addressed through a cycle of proactive system management and multiple layers of defence.

In 2019, CBD's IT workforce focused on sourcing new talent. In addition, the entire IT workforce participated in training programs in new technologies, including Cloud, Artificial Intelligence and Blockchain.

CBD also conducted an independent review of its IT architecture and updated its technology strategy. CBD renewed its three-year transformation to enable CBD to continuously deliver engaging customer experiences with superior performance and scalability, reduced time to market and optimised cost. The

transformation roadmap comprises 49 initiatives grouped into seven strategic programs that provide a holistic, risk-controlled strategy for CBD.

Property

CBD owns 42 properties, of which eight are used for its operations and the remaining were acquired by way of settlement of customer debts (which are classified as available for sale investment properties). In addition, CBD leases 10 properties across the UAE, which are used for CBD's operations. As at 31 December 2019, the net book value of freehold land and buildings amounted to AED 165 million; investment properties at AED 199 million; and AED 352 million for properties acquired in settlement of debt.

Litigation

In the ordinary course of business, CBD may be subject to governmental, legal and arbitration proceedings. No material provision has been made as at the date of this Prospectus regarding any outstanding legal proceedings against CBD. Quarterly reviews are conducted by CBD in order to ascertain whether provisioning is required and, if necessary, the estimated amount.

Insurance

CBD maintains insurance cover in respect of various insurable risks under a range of insurance policies. These include Bankers Blanket Bond, Terrorism and Sabotage and Property All Risks. Assets are covered on a replacement cost basis. CBD also has in place customer related insurance cover such as credit life insurance, credit card insurance, travel insurance, mortgage property insurance and mortgage life insurance.

The level of insurance cover proposed by management is reviewed by CBD's Audit and Compliance Committee.

Risk Management

The Board has overall responsibility for the establishment and oversight of CBD's risk management framework, compliance with which is monitored by the Board's Audit and Compliance Committee, Risk Committee and Credit and Investment Committee ("**CRIC**"). CBD's senior management is responsible for developing and monitoring CBD's risk management policies. The primary responsibility of fulfilling this role lies with the ALCO, the Credit Committee and the Executive Committee which meet frequently to appraise CBD's risk profile and various risk issues see "*Corporate Governance – Management Committees*".

CBD faces a range of risks in its business and operations. These include credit, market, settlement, liquidity, operational, reputational and legal risks. Each of these risks is described in further detail below. Efficient and timely management of these risks is critical to CBD's financial stability and profitability. Risk management involves identifying, measuring, monitoring and managing these risks on a regular basis with the objective of increasing shareholder value and achieving a return on equity that is commensurate with the risks assumed.

CBD has acquired and implemented systems for credit origination, analysis, rating, pricing and approval in order to control credit, market, liquidity and asset and liability management risks. For treasury-based risks, CBD has systems for front, mid and back offices to manage market, liquidity and asset and liability management risks efficiently. CBD has developed tools that facilitate the analysis, quantification and reporting of operational risk events or losses, measured to a high degree of detail, and which produce a variety of comprehensive reports that are delivered to senior management at prescribed intervals by designated officers.

CBD is also exposed to a number of other risks (such as interest rate, concentration, strategic, business and legal and compliance risks) which are managed, quantified, monitored and reported as part of CBD's internal capital adequacy assessment policy ("**ICAAP**") framework.

Credit Risk

Credit risk is the risk of financial loss to CBD if a client or counterparty to a financial instrument fails to meet its contractual obligations. CBD's exposure to credit risks arises mainly through its loans and

advances, Islamic financing, due from banks and investment in debt securities. The Board has established the CRIC to oversee the quality of CBD's credit and investment portfolio and effectiveness of its credit policies and to approve loans and investment above management limits. The Board has also delegated the responsibility for the management of credit risk to the Credit Committee. The Credit Committee formulates credit policies, develops authorisation structures and limits for the approval and renewal of credit facilities, establishes exposure limits and monitors actual exposures, monitors and limits industry, geographic and counterparty exposures, develops, maintains and monitors compliance with CBD's risk grading systems, designs credit review processes and ensures acceptable diversification within established limits.

CBD uses credit risk grades as a primary input into the determination of the term structure of the probability of default ("PD") for exposures. CBD collects performance and default information about its credit risk exposures, analysed by jurisdiction or region, by type of product and borrower, as well as by credit risk grading. The Group credit risk rating methodology has 22 grades, whereby:

| Classification | Grades | Risk significance |
|-----------------------|---------------|--|
| Performing | 1 - 19 | Good performing assets and debt securities with External Credit Assessment (ECA) of better than "B-" to "AAA". |
| Non-performing | 20 - 22 | Impaired financial assets (i.e. substandard, doubtful and loss). |

CBD analyses all data collected using statistical models and estimates the remaining lifetime PD of exposures and how these are expected to change over time. The factors taken into account in this process include macro-economic data such as GDP growth, unemployment, benchmark interest rates and house prices. CBD generates a 'base case' scenario of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. CBD then uses these forecasts, which are probability-weighted, to adjust its estimates of PDs.

CBD uses different criteria to determine whether credit risk has increased significantly for each obligor. The criteria used are both quantitative changes in PDs as well as qualitative.

Irrespective of the outcome of the above assessment, CBD presumes that the credit risk of a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless CBD has reasonable and supportable information that demonstrates otherwise.

CBD has monitoring procedures in place to make sure that the criteria used to identify a significant increase in credit risk are effective, meaning that such increase is identified before the exposure is defaulted. CBD performs periodic back-testing of its ratings to consider whether the drivers of credit risk that led to default were accurately reflected in the rating in a timely manner.

CBD's credit application workflow covers the origination, financial analysis, credit rating, pricing, collateral management and approval processes. Proposals are prepared and recommended by the relevant business area and are then separately reviewed, using a range of analytical techniques, in a two-stage process by the Credit and Risk Management Group. Proposals are thereafter submitted for consideration to the Credit Committee. Additional approvals may be required from the CRIC, and in certain cases the Board, depending on the size of proposal or overall exposure proposed.

The Credit Control Unit, which is independent of the above-mentioned credit committee, monitors compliance of the transaction documentation, and the security required for the proposal (if any), with the terms of the Credit Committee's approval. Following execution of the transaction documentation, the security (if any) is regularly valued and the facilities are regularly reviewed for compliance by the borrower with the terms of the facility. In certain circumstances, CBD may have the right to subsequently amend a facility based on the borrower's circumstances or on the market conditions.

CBD holds collateral against gross loans and advances and Islamic financing in the form of cash, guarantees, mortgages and liens over properties or other security over assets. As at 31 December 2019, approximately 55 per cent. of CBD's loan portfolio was collateralised. 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 debt securities and amounts due from banks, and no such collateral was held as at 31 December 2019.

COVID-19

In light of the COVID-19 pandemic, CBD's Corporate Credit Risk department has identified, and continues to review on a frequent basis, the most vulnerable sectors to the economic uncertainty and volatility arising from the COVID-19 pandemic. These include:

- tourism and hospitality; aviation and airlines; retail and automotive;
- oil and gas; Trading; logistics; and
- manufacturing; real estate; contracting.

CBD continues to apply robust underwriting standards to companies in the above sectors, especially for any new-to-bank customers. Extra measures, such as requiring additional approvals for disbursements of facilities, have been implemented to ensure a high level of scrutiny over the credit management process. In particular, CBD aims to demonstrate a prudential and thorough approach to underwriting across the retail sector while also supporting customers and businesses across the UAE.

On a case by case basis in the Institutional, Corporate and Retail segments, CBD has approved payment holidays to certain customers, ranging from 3 to 6 month deferrals. CBD has extensively reviewed the past account conduct and payment history of borrowers requesting payment holidays, prior to granting approvals. Considered judgment is applied by CBD when assessing whether the cash flow and liquidity issues faced by the applicant customer are temporary or long term in nature.

CBD is conducting frequent reviews of Loan to Value ("**LTV**") ratios on the securities held against facilities, specifically securities which are illiquid in nature.

CBD exercises considered judgement in assessing and estimating areas such as Expected Credit Losses ("**ECL**"). Given the uncertainty and limited forward looking information available, CBD has adopted an approach of implementing a judgmental overlay to its ECL model by changing its macroeconomic weightages and stressing the economic inputs to the IFRS 9 model. Going forward, CBD will continue to monitor and evaluate the impact of the COVID-19 pandemic and will consider adjusting its ECL model in subsequent quarters if required.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads, will affect CBD's income or the value of a financial instrument.

The Board sets the risk appetite pertaining to market risk which translates into risk limits which are closely monitored by Group Risk Management, reported daily to senior management and discussed monthly by the ALCO.

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

Settlement Risk

CBD'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 counterparty to honour its obligations to deliver cash, securities or other assets as contractually due. Any delays in settlement are rare and are monitored and quantified as part of CBD's ICAAP framework and Operational Risk Management.

For certain types of transactions, CBD 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 the Group Risk Management Department.

Liquidity Risk

Liquidity risk is the risk that CBD will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or other financial assets. It includes the risk of the inability to fund assets at appropriate maturities and rates and the inability to liquidate assets at reasonable prices and in an appropriate timeframe 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.

In order to ensure that liquidity risk remains within prudent levels, the Board and senior management have laid down the following key parameters which are operated on a regular basis:

| Parameter | Monitored by | Frequency |
|---|----------------------|-----------|
| Advances to Stable Resources ¹ | Management | Daily |
| Loan to Deposit ² | Management | Daily |
| Eligible Liquid Asset Ratio ³ | Board and Management | Weekly |
| Liquidity Coverage Ratio ⁴ | Board and Management | Monthly |
| Net Stable Funding Resources Ratio ⁵ | Board and Management | Monthly |

¹ Advances to Stable Resources Ratio is defined by the UAE Central Bank. The net loans and short-term placements with banks are calculated as a ratio to the stable funds namely shareholders' equity and term funding with residual maturity over six months with a 15 per cent. haircut for deposits maturing within six months;

² Loan to Deposit Ratio is expressed as a ratio of customer loans to customer deposits;

³ Eligible Liquid Asset Ratio is a ratio of eligible liquid assets as prescribed by the UAE Central Bank (includes balances with the UAE Central Bank and 0% risk weighted sovereign bonds) to total liabilities;

⁴ Liquidity Coverage Ratio is a liquidity standard prescribed by Basel III and represents the ratio of eligible liquid assets to net cash outflows over the next 30 days; and

⁵ Net Stable Funding Resources Ratio is a structural ratio that aims to ensure that the banks have sufficient long term funding beyond the LCR's 30 day time horizon to meet both the funding of its long term assets and the funding of a portion of contingent liability drawdowns under a period of market wide stress.

CBD also performs weekly liquidity stress tests based on contractual and behavioural maturity profiles. These tests are carried out with projections of both nominal and stress scenarios. The results are circulated to senior management and ALCO members.

CBD calculates and monitors its key parameters, *i.e.* Liquidity Coverage Ratio, Eligible Liquid Asset Ratio and Net Stable Funding Resources Ratio as calculated in accordance with available UAE Central Bank draft guidelines

The effects of the COVID-19 pandemic on the liquidity and funding risk profile of the global banking system are evolving and remain under evaluation, as governments globally seek to provide relief and mitigate the adverse effects of the crisis.

CBD's management of liquidity risk is disclosed in detail in Note 35(d) to the 2019 Annual Financial Statements. In response to the COVID-19 pandemic, CBD is evaluating its liquidity and funding position and has taken into consideration all the reliefs provided by the UAE Central Bank, including the TESS programme. As of 30 June 2020, CBD has joined the UAE Central Bank's TESS programme and has utilised in full the zero cost funds earmarked for CBD. CBD will continue to monitor its liquidity position and the risks evolving due to the COVID-19 crisis.

As at 30 June 2020, net loans and advances and Islamic financing constituted 68 per cent. of CBD's total assets. As at 31 December 2019, net loans and advances and Islamic financing constituted 68 per cent. of CBD's total assets (compared to 69 per cent. as at 31 December 2018).

The following table shows CBD's liquidity position as at 31 December 2019 and 31 December 2018:

| As at 31 December 2019 | Total | Less than 1 month | From 1 to 3 months | From 3 months to 1 year | From 1 to 5 years | Over 5 years | No Fixed Maturity |
|---|--------|-------------------|--------------------|-------------------------|-------------------|--------------|-------------------|
| (AED Million) | | | | | | | |
| Assets | | | | | | | |
| Cash and balances with Central Bank | 12,593 | 6,979 | 1,500 | 400 | - | - | 3,714 |
| Due from banks, net | 2,428 | 1,887 | 184 | 159 | 198 | - | - |

| As at 31 December 2019 | Total | Less than 1 month | From 1 to 3 months | From 3 months to 1 year | From 1 to 5 years | Over 5 years | No Fixed Maturity |
|---|---------------|-------------------|--------------------|-------------------------|-------------------|---------------|-------------------|
| | | | | (AED Million) | | | |
| Loans and advances and Islamic financing, net..... | 60,181 | 8,587 | 5,133 | 7,505 | 21,562 | 17,395 | - |
| Investment securities, net..... | 5,613 | - | 427 | 929 | 3,480 | 777 | - |
| Investment in associate | 85 | - | - | - | - | - | 85 |
| Investment properties, net | 199 | - | - | - | - | - | 199 |
| Property and equipment | 274 | - | - | - | - | - | 274 |
| Bankers acceptances | 5,347 | 3,965 | 653 | 729 | - | - | - |
| Other assets, net | 1,350 | 998 | - | - | - | - | 352 |
| Total assets..... | 88,069 | 22,416 | 7,896 | 9,721 | 25,240 | 18,172 | 4,623 |
| Liabilities and equity..... | | | | | | | |
| Due to banks | 4,167 | 1,197 | 76 | 384 | 2,509 | - | - |
| Customer deposits and Islamic customer deposits | 63,334 | 32,778 | 11,050 | 19,240 | 209 | 58 | - |
| Notes and medium term borrowings | 3,231 | - | - | 1,468 | 1,763 | - | - |
| Due for trade acceptances | 5,347 | 3,965 | 653 | 729 | - | - | - |
| Other liabilities | 1,774 | 1,728 | - | - | - | - | 45 |
| Total liabilities | 77,852 | 39,669 | 11,779 | 21,821 | 4,481 | 58 | 45 |
| Gap representing equity | 10,217 | (17,253) | (3,882) | (12,100) | 20,759 | 18,114 | 4,578 |
| As at 31 December 2018 | | | | | | | |
| Assets | | | | | | | |
| Cash and balances with Central Bank | 8,682 | 3,132 | 600 | 1,300 | - | - | 3,650 |
| Due from banks, net | 971 | 665 | 19 | 182 | 105 | - | - |
| Loans and advances and Islamic financing, net..... | 50,945 | 7,412 | 4,516 | 7,275 | 19,781 | 11,962 | - |
| Investment securities, net..... | 6,751 | - | 24 | 953 | 4,623 | 1,070 | 82 |
| Investment in associate | 85 | - | - | - | - | - | 85 |
| Investment properties, net | 214 | - | - | - | - | - | 214 |
| Property and equipment | 343 | - | - | - | - | - | 343 |
| Bankers acceptances | 5,266 | 92 | 1,068 | 4,105 | 2 | - | - |
| Other assets, net | 843 | 732 | - | - | - | - | 111 |
| Total assets | 74,102 | 12,033 | 6,226 | 13,816 | 24,510 | 13,031 | 4,486 |
| Liabilities and equity | | | | | | | |
| Due to banks | 2,763 | 1,336 | 144 | - | 1,283 | - | - |
| Customer deposits and Islamic customer deposits | 53,165 | 27,130 | 8,861 | 16,559 | 614 | 1 | - |
| Notes and medium term borrowings | 2,610 | - | - | - | 2,610 | - | - |
| Due for trade acceptances | 5,266 | 92 | 1,068 | 4,105 | 2 | - | - |
| Other liabilities | 1,078 | 1,018 | - | - | - | - | 61 |
| Total liabilities | 64,883 | 29,576 | 10,073 | 20,665 | 4,508 | 1 | 61 |
| Gap representing equity | 9,219 | (17,543) | (3,847) | (6,849) | 20,002 | 13,031 | 4,425 |

Operational Risk

Operational risk is defined by Basel as "The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, this includes legal risk but excludes strategic and reputation risks".

CBD's objective is to manage operational risk, so as to balance the avoidance of financial losses and damage to CBD's reputation, with overall cost effectiveness and to avoid control procedures that restrict initiative, innovativeness and creativity.

The primary responsibility for overseeing the establishment of sound operational risk management framework and monitoring the operational risk profile of CBD vests with the senior management of CBD, and is further assigned to the heads of individual units, departments or branches.

CBD has in place an operational risk management system to collate operational risk information in an automated environment; this has enabled CBD to build operational risk databases to support migration to more complex approaches for computation of operational risk capital in the future.

Moreover, CBD conducts an assessment of its disaster recovery and business continuity position, as well as detailed system risk assessments of all new/upgraded IT systems and assessment of Operational Risk elements in any new products to be launched or procedures to be implemented. Compliance with policies and procedures is supported by periodic reviews undertaken by Internal Audit. The function also undertakes a review of the insurance coverage available to CBD to maintain oversight of adequacy of insurance as necessitated by the Basel guidelines. The unit provides regular updates to the senior management and the Board, as well as the Risk Committee and the Audit and Compliance Committee to support their mandate to maintain adequate oversight of CBD's operational risk framework and status of operational risks across all areas of CBD.

Legal Risk

During the ordinary course of business, CBD is subject to legal risks, proceedings and adjudications. CBD manages its regulatory compliance and monitors its potential exposure to any legal claims or regulatory actions through its internal legal department and CBD's Risk Committee. CBD employs a full-time legal adviser who deals with both routine and more complex legal issues. The legal adviser is involved in giving legal advice to CBD's departments. In addition, the legal adviser reviews CBD's documentation, products and contracts to ensure that they are in line with current regulations.

Situations of particular complexity or sensitivity may be referred to external law firms. CBD has established a panel of external legal counsel, made up of leading local and international firms, to which it may refer matters as appropriate.

Derivatives

CBD enters into derivative contracts for the following reasons:

- to hedge outstanding interest rate or foreign exchange positions;
- to provide hedging solutions to clients to cover their market risk exposures; and
- to take proprietary positions in anticipation of movements in market rates.

CBD seeks to ensure that it enters into derivative transactions with clients only when it is satisfied that the client understands the risk profile of the product.

Capital Management

CBD is regulated by the UAE Central Bank, which sets and monitors regulatory capital requirements. CBD's objectives when managing capital are to: (i) safeguard its ability to continue as a going concern and increase the returns to shareholders; and (ii) comply with the regulatory capital requirements set by the UAE Central Bank. Capital adequacy ratios are calculated in accordance with guidelines issued by the UAE Central Bank. The UAE Central Bank has set a minimum regulatory capital adequacy ratio (including Capital Conservation Buffer ("**CBB**")) of 13 per cent.

CBD's capital resources policy is to maintain its capital base through the diversification of its sources of capital and the efficient allocation of capital. It seeks to maintain at all times a prudent relationship between its total capital, as measured according to the criteria used by the UAE Central Bank and the varied risks of its business.

CBD calculates its risk asset ratio in accordance with capital adequacy guidelines established by the UAE Central Bank and the Basel Committee Guidelines (in accordance with the Basel III accord).

The following table sets out the regulatory capital base, risk weighted assets and the capital adequacy ratio as at 31 December 2017, 2018 and 2019 and as at 30 June 2020.

| | As at 31 December | | | As at 30 | Percentage change | | |
|---------------------------------------|-------------------|---------------|---------------|---------------|-------------------|--------------|--------------|
| | 2017 | 2018 | 2019 | June | 2018 / | 2019 / | 30 June |
| | (AED million) | | | 2020 | 2017 | 2018 | 2020 / 31 |
| | | | | | | | December |
| | | | | | | | 2019 |
| Tier 1 capital | 8,522 | 8,529 | 9,477 | 10,010 | 0.1 | 11.1 | 5.6 |
| Tier 2 capital | 678 | 729 | 839 | 901 | 7.5 | 15.1 | 7.4 |
| Total regulatory capital | 9,201 | 9,258 | 10,315 | 10,911 | 0.6 | 11.4 | 5.8 |
| Risk weighted assets (RWA). | | | | | | | |
| Credit risk | 55,412 | 58,284 | 67,087 | 72,046 | 5.2 | 15.1 | 7.4 |
| Market risk | 656 | 426 | 470 | 494 | (35.1) | 10.3 | 5.1 |
| Operation risk | 4,660 | 4,893 | 5,242 | 5,242 | 5.0 | 7.1 | - |
| Risk weighted assets | 60,728 | 63,603 | 72,799 | 77,782 | 4.7 | 14.5 | 6.8 |
| Tier 1 ratio | 14.03% | 13.41% | 13.02% | 12.87% | (4.4) | (2.9) | (1.2) |
| Capital adequacy ratio | 15.15% | 14.56% | 14.17% | 14.03% | (3.9) | (2.7) | (1.0) |

The current minimum regulatory requirement of Tier 1 capital adequacy ratio stipulated by the UAE Central Bank is 11 per cent (including CCB).

CBD internally assesses its capital requirements taking into consideration growth requirements and business plans, and quantifies its regulatory as well as risk/economic capital requirements within its integrated ICAAP framework.

Investments

CBD's proprietary investments predominantly comprise quoted fixed income and equity investments in UAE and regional entities. Proprietary investments in non-UAE entities accounted for AED 3,058 million or 47 per cent. of the total portfolio as at 30 June 2020, AED 2,373 million or 42 per cent. of the total portfolio as at 31 December 2019, and AED 2,761 million or 41 per cent. of the total portfolio as at 31 December 2018.

The following table provides a breakdown of CBD's proprietary investments in UAE entities and non-UAE entities as at 30 June 2020, 31 December 2019 and 31 December 2018:

| | Proprietary Investments in UAE entities | | | Proprietary Investments in non-UAE entities | | | Total Proprietary Investments | | |
|--|---|------------------|------------------|---|------------------|------------------|-------------------------------|------------------|------------------|
| | 30 June 2020 | 31 December 2019 | 31 December 2018 | 30 June 2020 | 31 December 2019 | 31 December 2018 | 30 June 2020 | 31 December 2019 | 31 December 2018 |
| | (AED Million) | | | | | | | | |
| Held at fair value through profit or loss | | | | | | | | | |
| Equities | - | - | - | 258 | 254 | - | 258 | 254 | - |
| Fixed rate securities | 25 | - | - | - | - | - | 25 | - | - |
| Held at fair value through other comprehensive income ... | | | | | | | | | |
| Equities and Fund of funds | 89 | 49 | 77 | - | - | 5 | 89 | 49 | 82 |
| Fixed rate securities | 3,143 | 2,861 | 3,729 | 2,546 | 1,840 | 2,544 | 5,688 | 4,701 | 6,273 |
| Floating rate securities | 170 | 331 | 183 | 254 | 279 | 213 | 424 | 610 | 396 |
| Held at amortised cost ... | | | | | | | | | |
| Fixed rate securities | - | - | - | - | - | - | - | - | - |
| Total | 3,426 | 3,240 | 3,990 | 3,058 | 2,373 | 2,761 | 6,484 | 5,613 | 6,751 |

Recent Developments

Impact of COVID-19

The COVID-19 outbreak and pandemic has caused an unprecedented global economic and health crisis. The measures implemented by governments around the world to contain COVID-19 have triggered a significant economic downturn and increased volatility with a sharp fall in the price of risk assets and a significant deterioration in market liquidity.

A number of central banks and governments have announced financial stimulus and economic support packages aimed at stabilising the economy and improving liquidity. In the UAE, effective from 15 March 2020, the UAE Central Bank implemented the TESS programme, which includes a range of measures aimed at mitigating the economic effects of COVID-19, including capital buffer relief for banks and access to loans and advances extended at zero cost against collateral by the UAE Central Bank (see "*Risk Factors – Risks relating to the Group's business – The Group's business, results of operations and financial condition may be adversely affected by the impact of COVID-19*"). As of 30 June 2020, CBD had participated in the TESS, in providing support to the customers impacted by COVID-19. Out of an amount of AED 2.35 billion that has been earmarked for CBD, approximately AED 2.30 billion of funding facilities were utilised as at 30 June 2020. The benefit has been passed onto customers in the form of payment reliefs; AED 2.26 billion to the corporate segment and AED 0.04 billion to the retail segment.

CBD's corporate portfolio is primarily UAE focused and as such, the relief measures provided by the TESS directly aid a significant majority of this sector, which is expected to mitigate some of the negative economic impact of COVID-19. However, the restrictive measures imposed by governments have also resulted in reduced demand in certain industries which have in turn resulted in redundancies, reduced pay and cash flow concerns for smaller businesses. All of this is expected to have a more immediate impact on CBD's retail portfolio and impact recoverability and liquidity. CBD has assessed the impact of the crisis and changed the weightages assigned to the scenario probabilities of its ECL models. The probability of the adverse scenario was increased from 10 per cent. to 25 per cent. and the probability of the favourable scenario was reduced from 10 per cent. to 0 per cent. The probability assigned to the base case scenario accordingly decreased from 80 per cent. to 75 per cent. The impact of changing these scenario probabilities was an increase by CBD in its impairment loss allowance of AED 114 million. In terms of the impact on its ECL, CBD has incorporated an overlay which was included in the net impairment charges of AED 160 million for the six month period ended 30 June 2020. The overlay was produced following an assessment by CBD of the impact of COVID-19 on the macroeconomic inputs to the IFRS 9 model. While it is difficult to predict the longevity and exact nature of COVID-19's economic impact, given that CBD's portfolio is largely based in the UAE, the UAE Government's relief measures are expected to mitigate the impact of ECL on the Group's portfolio. Please see Note 4 of the 30 June 2020 interim financial statements for further details.

Corporate Governance

CBD has adopted a Corporate Governance framework consistent with international best practice. The framework is created on principles of fair treatment for all stakeholders, forming the basis for an effective relationship between CBD, its Board, its shareholders and other stakeholders including customers, regulators and supervisors.

The Board of Directors

The Board has the collective responsibility to ensure the long-term success of CBD and to provide overall direction, supervision and control. It has complete responsibility for CBD's operations and financial stability.

The Board sets CBD's strategic objectives and oversees the senior management. It also must ensure the effectiveness of internal control systems and keep a watch on the extent to which CBD abides by the strategic plans and written policies. In addition, it is responsible for the credibility of CBD's financial reports, the application of appropriate risk policies as well as compliance with all laws in force.

The formation of the Board is governed by the Federal Law No. 2 of 2015. The current Board comprises of 11 Directors, each elected for a tenure of three years. The business address of each of the Director is Commercial Bank of Dubai, Al Ittihad Road, PO Box 2668, Dubai, UAE.

As at the date of this Prospectus, the Board comprises:

| | |
|---|--|
| <p>H.E. Humaid Mohammed Obaid Al Qutami (Chairman)</p> | <ul style="list-style-type: none"> -Director General of the Dubai Health Authority -Member of The Executive Council (TEC) of Dubai Government -Member of the Strategic Affairs Council, of the Executive Council -Board Member, Dubai Future Foundation -Board Member, Mohamed Bin Rashid Al Maktoum Global Initiatives Foundation -Board Chairman, Noor Dubai Foundation -Board Chairman, Dubai Corporation for Ambulance Services |
|---|--|

| | |
|--|---|
| | <ul style="list-style-type: none"> -Board Vice Chairman, Sheikh Hamdan Bin Rashid Al Maktoum Award for Medical Sciences -Chairman, National Human Resources Development Committee for the Banking and Financial Sectors -Board Member, UAE Health Council -Chairman, Mohamed bin Rashid School of Government -First Vice-President of the UAE National Olympic Committee |
| Mr. Ahmad Abdulkarim Julfar (Vice Chairman) | <ul style="list-style-type: none"> -Director of Emirates Integrated Telecommunications Company PJSC -Director General of Community Development Authority -Board Director of Smart Stream Technologies |
| Mr. Abdulla Salem Alturifi (Director) | <ul style="list-style-type: none"> -Chairman of the Sharjah Social Security Fund -Chairman of the Board of Trustees of the Sharjah Award for Doctoral Dissertations in Management Science -Board Member of the Business Company of the American University of Sharjah |
| Mr. Abdulla Saif Al Hathboor (Director) | <ul style="list-style-type: none"> -Chairman and Managing Director of Al Hathboor Group -Board Member of Best food Company and Al Jadeed/Dubai Automatic Bakeries -Board Member of Emirates Institute of Banking & Finance Studies |
| Mr. Abdul Wahed Al Fahim (Director) | <ul style="list-style-type: none"> -Board Member of Emirates Global Aluminium -Chairman of NASDAQ Dubai Limited -Board Member of DUBAL Holding LLC -Board Member of Emirates Development Bank -Board Member of Dubai Racing Club -Board Member of Dubai Equestrian Club |
| Mr. Ali Fardan Al Fardan (Director) | <ul style="list-style-type: none"> -Board Member of Dubai Investment Company -Board Member of Al Mal Capital -Vice Chairman of Al Fardan Holding -Managing Director of Al Fardan Real Estate -Vice Chairman of The First Investor -Vice Chairman of Naif Marine Services -Owner of Al Fardan Brands -Chairman of Carlton Hospitality and Management |
| Mr. Buti Saeed Al Ghandi (Director) | <ul style="list-style-type: none"> -Managing Director of Meethaq Employment Agency -Chairman of Emirates Investment and Development -Chancellor of the Canadian University of Dubai -Vice Chairman of Dubai World Trade Center -Director on the Board of the Dubai Chamber of Commerce -Managing Director of Al Ghandi Investment |
| Mr. Hamed Ahmed Kazim (Director) | <ul style="list-style-type: none"> -Senior Advisor to PricewaterHouseCoopers |
| Mr. Khalid Abdul Wahed Al Rostamani (Director) | <ul style="list-style-type: none"> -Chairman and CEO of the A.W. Rostamani Group -Chairman of BCD Travel, Transport and Freight Forwarding -Board Member of Dubai Insurance Company -Board Member of Etisalat |
| Dr. Omar Mohamed Alqaizi (Director) | <ul style="list-style-type: none"> -General manager of House of Expertise International Management and Consultancy (HEIMC) -General manager of Mohamed Ali Alqaizi Trading LLC -Dr. Alqaizi has an accomplished track record in the banking regulatory sector. Prior to this, he was the Executive Director in UAE Central Bank for 15 years |
| Sheikh Maktoum Hasher Al Maktoum (Director) | <ul style="list-style-type: none"> -Chief Executive Officer of Al Fajer Properties LLC -Chairman of Dubai International Holding Company |

The following table sets out the number of shares held by each Board member as at 30 June 2020:

| Board Member | Number of shares held |
|--------------------------------------|------------------------------|
| H.E. Humaid Mohammed Al Qutami | - |
| Mr. Ahmad Abdulkarim Mohd Julfar | - |
| Mr. Abdullah Salim Alturifi Alshamsi | - |
| Mr. Abdul Wahed Al Fahim | - |
| Mr. Hamed Ahmed Kazim | - |
| Dr. Omar Mohamed Alqaizi | - |

| | |
|-------------------------------------|-----------|
| Sheikh Maktoum Hasher Al Maktoum | 136,722 |
| Mr. Khalid Abdul Wahed Al Rostamani | 4,061,536 |
| Mr. Abdulla Saif Al Hathboor | 1,337,004 |
| Mr. Ali Fardan Al Fardan | - |
| Mr. Buti Saeed Al Ghandi | - |

Executive Senior Management

The business address of each member of the executive senior management is Commercial Bank of Dubai, Al Ittihad Road, PO Box 2668, Dubai, UAE.

Dr. Bernd van Linder (Chief Executive Officer)

On 8 November 2016, the Board unanimously approved the appointment of Dr. Bernd van Linder as CBD's new Chief Executive Officer ("CEO"). Dr. van Linder joined CBD from Saudi Hollandi Bank in the Kingdom of Saudi Arabia, where he was CEO for nearly eight years. Prior to this, he was Head of Treasury at Saudi Hollandi Bank and worked at ABN AMRO Bank in a range of positions in Treasury, Risk Management and Strategy.

Mr. Darren Clarke (Chief Financial Officer)

Mr. Clarke joined CBD in April 2018. Prior to joining CBD, he was the Chief Financial Officer ("CFO") for National Australia Bank (NAB), Asia and International, and was based in Singapore. He worked for NAB for 13 years, including in roles as the CFO for Global Markets & Treasury. Prior to this, Mr. Clarke worked for JPMorgan Chase in the UK, Luxembourg and Hong Kong.

Mr. Fahad Al Muhairi (General Manager, CBD Al Islami)

Mr. Al Muhairi is an experienced banker with broad banking experience. He has held senior positions as Chief Risk Officer at Dubai Islamic Bank, where he gained extensive knowledge in Islamic Finance.

Mr. Gareth Powell (Chief Human Resource Officer)

Mr. Powell joined CBD in September 2016. Prior to joining CBD, he was head of human resources of First Gulf Bank. He has a wealth of experience in human resources and has worked in HSBC prior to joining First Gulf Bank P.J.S.C., where he had progressively increasing responsibilities in many geographies including the Middle East, USA and Latin America.

Mr. Mark Zanelli (General Manager, Treasury & ALM)

Mr. Zanelli joined CBD in July 2017. Prior to joining CBD, he was the Head of Treasury at National Bank of Fujairah ("NBF") for nearly ten years where he was responsible for the function's performance in Foreign Exchange, Money Markets, Investments and Bullion. Prior to joining NBF, Mr. Zanelli was the Head of Treasury for Burgan Bank in Kuwait and previously worked in both Kuwait and London in a number of trading roles for other financial institutions.

Mr. Alan Blair Grieve (Chief Risk Officer)

Mr. Grieve joined CBD following a 29-year career with HSBC which included senior leadership roles in Corporate Banking, Operations, and Risk Management. Mr. Grieve returns to the UAE after working in senior roles across Asia, Latin America, Europe and the Middle East. Most recently, Mr. Grieve served for five years as HSBC's Chief Risk Officer for China, based in Shanghai. Previous roles at HSBC included COO, Head of Special Assets, and Head of Wholesale Credit Risk for the Asia Pacific region.

Mr. Stefan Kimmel (Chief Operating Officer)

Mr. Kimmel joined CBD in February 2020. MR. Kimmel has over 20 years of international experience in the banking industry, including as a consultant for globally leading firms. Previous roles include Leader for Digital Technology Financial Services at PwC, Executive Partner Financial Services at IBM, Leader of Digital Technology and Analytics at Oliver Wyman and Principal for Technology Advantage at the Boston Consulting Group (BCG).

In order to effectively discharge its duties, the Board is assisted by six Board Committees and seven Management Committees as illustrated below:

Board Committees

The Board has delegated specific responsibilities to committees as shown below. Each committee has a formal charter.

Credit and Investment Committee ("CRIC")

The role of the CRIC is primarily to review CBD's credit and investment portfolio and oversee the effectiveness and administration of credit related policies including the approval of applications and investments that are above management limits. The committee also approves investment policies and procedures and monitors compliance with CBD's credit guidelines.

Board Risk Committee ("BRC")

BRC, in conjunction with the Board, is responsible for setting the overall risk appetite parameters and limits within which CBD may conduct its business. The committee monitors the risks inherent in the businesses of CBD and the control processes in regards to such risks, including market risk, credit, liquidity, fiduciary, regulatory, reputational, strategic and operational risks.

Audit and Compliance Committee ("ACC")

ACC's key role is to ensure that CBD has a robust system of risk management, internal controls and compliance with legal and regulatory obligations. The committee regularly reviews the audit and compliance policies, procedures and the selection, appointment and independence of the external auditor to ensure there is appropriate transparency and disclosure to the Board on operational risk to include reporting of any transaction that may be fraudulent.

Nomination & Remuneration Committee ("REMCO")

REMCO's key focus is to ensure that CBD's policies and procedures on remuneration, recruitment, retention, Emiratisation, succession planning and performance are in line with CBD's strategic goals and objectives and competitive in order to attract and retain the best talent.

Financial Settlements and Recovery Committee ("FSRC")

The role of FSRC is primarily to provide oversight of the restructuring and recovery process. It approves large restructuring proposals related to borrowers managed by CBD's Financial Recovery and Restructuring ("FRR") department over and above management limits. The committee also oversees CBD's approach to restructuring and recovery of exposures to stressed and defaulted clients. It assists and guides at the request of management in the restructuring and recovery process for large clients where access, information or visibility may be challenging.

Information Technology and Digital Banking Committee

The committee assists the Board in fulfilling its oversight responsibilities for CBD's digitalisation programme and related potential security risk issues. Furthermore, the committee explores with management the different digitalisation opportunities available to CBD.

Management Committees

The Board is also assisted by eight management committees in effectively discharging its responsibilities.

Executive Committee ("EXCO")

The role of the EXCO is to provide strategic oversight and leadership of CBD's business. The EXCO considers any issues that may have a potential material impact on CBD's performance, quality of banking services, risks, control framework and corporate social responsibility.

Asset and Liability Committee ("ALCO")

The objective of the ALCO is to drive the most appropriate strategy for CBD in terms of the mix of assets and liabilities given its expectations of the future and the potential consequences of interest rate movements, liquidity constraints, and foreign exchange exposure and capital adequacy. The ALCO is also responsible to ensure that all strategies conform to the Group's risk appetite and levels of exposure as determined by the Board.

Credit Committee ("CC")

The CC manages the credit risk of CBD by continuous review and update of credit limits, credit policies, process and frame-work, the approval of specific exposures and work out proposals, constant revaluation of the loans portfolio and the sufficiency of provisions thereof.

Compliance Committee ("CCO")

The CCO primarily ensures the prevention of money laundering and terrorism financing in adherence and compliance with the relevant regulations set by regulatory authorities applicable to CBD. It oversees the monitoring and implementation of policies and procedures related to compliance and AML. It consists of five executive members.

Operational Risk Management Committee ("ORMC")

The purpose of the ORMC is to maintain oversight of the operational risks identified across the Group by all relevant units like Operational Risk Management Department, Internal Control Department and Internal Audit.

Information Security Risk Committee ("ISRC")

The ISRC provides strategic and tactical guidance for managing CBD's overall information security and IT risks in the long and short term, to ensure adherence with applicable regulations and standards, compliance with internal policies and management of IT risks to protect CBD's business, supporting strategic business goals.

Project Investment Committee ("PIC")

The PIC reviews and approves investment projects for CBD and provides guidance for CBD's long term and short term goals in the areas of strategic project investment. The PIC governs all projects of CBD including but not limited to those which have a direct or an indirect dependency on IT. The PIC is also responsible for reviewing key aspects including the investment slate, project performance, project financials, business case approvals and project delivery.

Human Resources Committee ("HRC")

The purpose of the HRC is to set strategy and policy regarding the development of CBD's organisation structure, professional ethics, business focused succession planning, Emiratisation, optimal headcount/manpower distribution, training and development, performance management and compensation and reward management. CBD's corporate governance strategy is also implemented through the following departments:

Group Risk Department

The Group Risk Department comprises credit, market, operational and IT risks units. Its responsibilities include the following:

- developing a strategy, policy and framework for risk management such that these are aligned with business requirements;
- providing support to the Group in implementation of the framework;
- bringing together analysis of risk concentrations and sensitivities across the Group;

- acting as a point of reference for risk and control matters, providing advice to management, sharing best practices and carrying out special reviews as directed by the ALCO; and
- providing independent assessment of, and challenge to the business areas' risk management and profiles to ensure that they are maintained in a robust manner.

Internal Audit Department

The role of the Internal Audit Department within the Group is to provide independent and objective assurance that the process for identifying, evaluating and managing significant risks faced by the Group is appropriate and effectively applied. In addition, it also provides an independent check on the compliance with laws and regulations and measuring compliance with the Group's policies and procedures. Additionally, Internal Audit provides consulting services which are advisory in nature, and are generally performed at the specific request of the ACC or Management.

It is led by the Chief Internal Auditor who reports to the ACC of the Board of Directors, with administrative reporting to the CEO of CBD.

To perform its role effectively, Internal Audit has organisational independence from management, to enable unrestricted evaluation of management activities and personnel. The Internal Audit Charter empowers it to have full, free and effective access at all reasonable times to all records, documents and employees of the Group. Internal Audit has direct access to the Chairman of the ACC and CEO of CBD.

To determine whether the Internal Audit Function is functioning effectively, the ACC shall:

- assess the appropriateness of the Internal Audit Charter;
- assess the adequacy of resources available, both in terms of skills and funding; and
- sponsor external assessments, at least once every three years, by a qualified, independent reviewer from outside the Group.

Internal Control

The Board and Senior Management are responsible for developing and maintaining the existence of a sound Internal Control System and procedures that meet international standards and fulfil the requirements of CBD's management and external regulatory bodies. The internal control system should be capable of ensuring the achievement of the following:

- accuracy and integrity of financial and operational statements issued by CBD;
- effectiveness and efficiency of CBD's operational activities;
- effectiveness of measures and procedures set to safeguard CBD's assets and properties; and
- compatibility with laws, legislations and regulations in force as well as policies pertinent to internal operational procedures.

Executive management constantly monitors and assesses the efficiency and effectiveness of internal control procedures and their ability to achieve stated objectives and their furtherance and enhancement.

The Internal Control Department reports to the Chief Operating Officer (COO). The functions and responsibilities of the Internal Control Department include but not limited to:

- ensuring that CBD's operational policies, processes and controls are adhered to;
- ensuring that proper internal controls are in place and that they are functioning as designed in a timely and effective manner;
- periodic review of CBD's internal control systems in order to identify areas where internal controls may be weak, not present and areas where there appear to be excessive controls resulting in operational inefficiency so as to suggest ways to rectify the same;

- enabling the management to conduct an annual review of the efficiency of CBD's internal control systems and report its findings; and
- following up of the operational activities from a preventive perspective and overseeing operational controls being exercised to ensure that these are timely and effective.

Compliance and fraud

The process of monitoring compliance is an independent task which aims at ensuring that the Group is in compliance with all applicable laws, regulations, instructions, directives, codes of conduct and sound banking standards and practices as issued by relevant authorities.

The Board of Directors takes necessary measures to further the values of integrity and sound professional conduct within the Group promoting a culture of compliance in letter and spirit with the applicable laws, regulations, instructions and standards.

In this regard, CBD has laid down Compliance and AML procedures which establish and maintain standards of ethics, confidentiality, privacy, KYC policies and other hallmarks of good governance, such as avoiding conflicts of interest.

All CBD's staff are required to attend AML and KYC training and are made aware of CBD's policies and procedures relating to these two important issues.

CBD has appointed Anti Money Laundering Reporting Officers who are responsible for policy development and awareness, the detection and reporting of suspicious transactions and responding to staff queries relating to AML issues. All cash transactions are closely monitored and suspicious transactions are reported to the Branch AML Officer and, if required, to the Business Unit Head and CBD AML Manager.

The mission and role of compliance, AML and the Fraud prevention department is to:

- ensure compliance risks are adequately identified, assessed, monitored and controlled in conjunction with Business and other control functions;
- ensure senior management is fully informed of significant compliance issues and plans for resolution;
- contribute to a "no surprise" compliance culture by educating and communicating compliance awareness throughout the Group;
- align annual compliance plans with business strategies and goals; and
- meet regulatory expectations, FATCA and Common Reporting Standards requirements.

Fraud prevention

CBD has a dedicated Fraud Prevention and Investigation Unit that assists in identification, detection, and verification of potential or actual incidents of fraud, including quantification and recoupment of any losses sustained as a result of any such incident. The purpose is to manage susceptibility of Bank's assets and processes to fraud risk with a view to reducing it and to raise the level of fraud awareness amongst employees and other stakeholders.

Whistle blowing

A set of arrangements has been designed to enable employees to confidentially report concerns about any potential violations, enabling the investigation and follow up of such concerns independently and discreetly through the whistle blowing policy. Such arrangements are supervised by the Audit and Compliance Committee and in coordination with the senior management.

Conflicts of Interest

Certain members of CBD's Board and senior management personnel have interests in entities other than CBD, including directorships and shareholdings with third parties ("**related entities**"). Certain of these

related entities have banking and/or other commercial relationships with CBD. In addition, certain Board members and senior management personnel have obtained loans and advances from, and maintain deposits with, CBD. For further information, see "*Related Party Transactions*" and Note 33 to the 2019 Annual Financial Statements.

All transactions between CBD and members of the Board, senior management personnel and/or such related entities are subject to compliance with CBD's corporate governance regime which requires, amongst other things, that such transactions are approved by the Board and are executed on an arms-length basis. All such transactions must also comply with regulations imposed by the UAE Central Bank.

Save as set out above, there are no potential conflicts of interest between the duties of the members of CBD's Board and senior management and their private interests and/or other duties.

Related Party Transactions

Balances with certain related parties (major shareholders of CBD, Government related parties, CBD's Board and companies of which they are principal owners or directors and key management personnel of CBD) accounted for loans and advances and Islamic financing, net of AED 3.7 billion (which accounts for 6 per cent. of CBD's total loans and advances and Islamic financing, net) and customer deposits and Islamic customer deposits of AED 3.7 billion (which accounts for 6 per cent. of CBD's total customer deposits and Islamic customer deposits) as at 30 June 2020. Balances with related parties accounted for loans and advances and Islamic financing, net of AED 2.9 billion (which accounts for 5 per cent. of CBD's total loans and advances and Islamic financing, net) and customer deposits and Islamic customer deposits of AED 4.4 billion (which accounts for 7 per cent. of CBD's total customers' deposits and Islamic customers' deposits) as at 31 December 2019.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of CBD, directly or indirectly, including any director (whether executive or otherwise) of CBD. Other related parties represent major shareholders, parties related to directors and key management personnel. The terms of transactions with related parties are comparable to third party transactions and do not involve more than normal amounts of risk. The terms of these transactions are approved by the Board. Please see Note 21 of the 30 June 2020 Interim Financial Statements, Note 33 to the 2019 and 2018 Annual Financial Statements.

SELECTED FINANCIAL INFORMATION

The following information has been derived from, and should be read in conjunction with, and is qualified in its entirety by reference to, the unaudited 2020 Interim Financial Statements and the notes thereto and the audited Annual Financial Statements and the notes thereto, which have been incorporated by reference and form part of this Prospectus.

The following tables set out selected consolidated financial information of CBD, as extracted from the unaudited 2020 Interim Financial Statements and the notes thereto and the audited Annual Financial Statements. Financial information set out in the tables below corresponding to (i) the financial year ended and as at 31 December 2018 has been extracted from the 2019 Financial Statements and (ii) the financial year ended and as at 31 December 2017 has been extracted from the 2018 Financial Statements (where, in each case, such information is presented for comparative purposes). The ratios included herein have been prepared based on management information and information in the 2020 Interim Financial Statements and the Annual Financial Statements. Certain metrics in "Selected Ratios" below constitute Alternative Performance Measures for the purposes of the ESMA Guidelines. See "Presentation of Financial Information".

| Consolidated Statement of Financial Position Data | As at 31 December | | | As at 30 June |
|--|-------------------|---------------|---------------|---------------|
| | 2017 | 2018 | 2019 | 2020 |
| | (AED million) | | | |
| ASSETS | | | | |
| Cash and balances with Central Bank | 6,809 | 8,682 | 12,593 | 12,266 |
| Due from banks, net | 2,835 | 971 | 2,428 | 3,368 |
| Loans and advances and Islamic financing, net..... | 47,276 | 50,945 | 60,181 | 63,420 |
| Investment securities ¹ | 7,077 | 6,751 | 5,613 | 6,484 |
| Investment in an associate..... | 81 | 85 | 85 | 78 |
| Investment properties, net | 195 | 214 | 199 | 189 |
| Property and equipment | 384 | 343 | 274 | 281 |
| Bankers acceptances | 5,121 | 5,266 | 5,347 | 5,396 |
| Other assets, net | 637 | 843 | 1,350 | 2,201 |
| TOTAL ASSETS | 70,414 | 74,102 | 88,069 | 93,682 |
| LIABILITIES AND EQUITY LIABILITIES | | | | |
| Due to banks | 780 | 2,763 | 4,167 | 7,522 |
| Customer deposits and Islamic customer deposits..... | 48,411 | 53,165 | 63,334 | 65,319 |
| Notes and medium term borrowing..... | 6,090 | 2,610 | 3,231 | 3,232 |
| Due for trade acceptances | 5,121 | 5,266 | 5,347 | 5,396 |
| Other liabilities | 931 | 1,078 | 1,774 | 2,027 |
| TOTAL LIABILITIES | 61,333 | 64,883 | 77,852 | 83,496 |
| EQUITY | | | | |
| Share capital..... | 2,803 | 2,803 | 2,803 | 2,803 |
| Legal and statutory reserve | 1,401 | 1,401 | 1,401 | 1,401 |
| General reserve | 1,328 | 1,328 | 1,328 | 1,328 |
| Capital reserve | 39 | 39 | 39 | 39 |
| Fair value reserve/(deficit)..... | (11) | (137) | 48 | 83 |
| Retained earnings..... | 3,521 | 3,785 | 4,597 | 4,532 |
| TOTAL EQUITY | 9,081 | 9,219 | 10,217 | 10,186 |
| TOTAL LIABILITIES AND EQUITY | 70,414 | 74,102 | 88,069 | 93,682 |

¹ Referred to in the 2018 Financial Statements as "Investment securities, net"

| Consolidated Statement of Profit or Loss | As at 31 December | | | As at 30 June |
|---|-------------------|--------------|--------------|---------------|
| | 2017 | 2018 | 2019 | 2020 |
| | (AED million) | | | |
| Net interest income and net income from Islamic financing | 1,821 | 1,911 | 1,966 | 929 |
| Net fees and commission income | 565 | 578 | 701 | 333 |
| Net gains from foreign exchange and derivatives..... | 119 | 143 | 197 | 110 |
| Net gains from investments at fair value through profit or loss | 5 | 1 | 1 | 1 |
| Net gains from sale of debt/equity investments at fair value | | | 53 | 9 |
| through other comprehensive income ¹ | 18 | 7 | | |
| Share of profit / (loss) of an associate | 7 | 10 | 4 | (4) |
| Dividend income..... | 61 | 5 | 3 | 3 |
| Other income..... | 46 | 70 | 107 | 31 |
| Total operating income | 2,642 | 2,725 | 3,033 | 1,412 |
| Net credit impairment allowances ² | (687) | (683) | (741) | (483) |
| Impairment allowance on investments securities | (2) | 1 | - | 2 |
| Impairment allowance on investment properties | (28) | - | (3) | - |

| Consolidated Statement of Profit or Loss | As at 31 December | | | As at 30 June |
|---|-------------------|----------------|----------------|----------------|
| | 2017 | 2018 | 2019 | 2020 |
| | | (AED million) | | |
| Impairment allowance on other assets ³ | (23) | (23) | (4) | (14) |
| Total net income | 1,903 | 2,020 | 2,285 | 917 |
| Staff and other expenses..... | (845) | (795) | (815) | (374) |
| Depreciation and amortisation..... | (56) | (63) | (70) | (12) |
| Total operating expenses | (901) | (858) | (885) | (386) |
| Net profit for the year / period | 1,002 | 1,162 | 1,400 | 530 |
| Basic and diluted earnings per share | AED0.36 | AED0.41 | AED0.50 | AED0.19 |

¹ The line item is "Net gains from sale of available-for-sale investments" in the 2017 Financial Statements.

² Includes net impairment charge on due from banks, impairment allowances and recoveries on loans and advances and Islamic financing.

³ During 2017, AED 120 million (net) was transferred from investment properties to other assets. Therefore, the provision has also been renamed from impairment allowance on investment properties to impairment allowance on other assets.

| Selected ratios (%) | As at/For the year ended 31 December | | | As at/For the six month period ended 30 June 2020 ⁹ |
|---|--------------------------------------|------|------|--|
| | 2017 | 2018 | 2019 | |
| Return on average assets ¹ | 1.5 | 1.6 | 1.7 | 1.2 |
| Return on average equity ² | 11.3 | 12.7 | 14.4 | 10.4 |
| Cost to income ratio ³ | 34.1 | 31.5 | 29.2 | 27.4 |
| Non-performing loans ratio ⁴ | 8.7 | 6.2 | 5.9 | 7.0 |
| Provision coverage ratio ⁵ | 63.9 | 77.8 | 83.1 | 60.9 |
| Loan to deposit ratio ⁶ | 97.7 | 95.8 | 95.0 | 97.1 |
| Capital adequacy ratio ⁷ | 15.2 | 14.6 | 14.2 | 14.0 |
| Tier 1 Capital ratio ⁸ | 14.0 | 13.4 | 13.0 | 12.9 |

¹ Return on Average Assets is calculated as Net profit / (Opening assets + Closing assets)/2. The ratio shows how many AED of earnings CBD derives from each AED of assets it controls.

² Profit to the Average Equity Ratio is calculated as Net profit / (Opening equity + Closing equity)/2.

RoAE is a measure of the profitability of CBD's business in relation to the book value of shareholder equity, also known as net assets or assets minus liabilities. RoAE is a measure of how well CBD uses shareholders' equity to generate earnings growth.

³ Cost to income Ratio is calculated as Total operating expenses / Total operating income. A lower percentage means that expenses are low and earnings are high.

⁴ Non-performing loans ratio is calculated as impaired loans less interest in suspense / gross loans less interest in suspense. The same basis has been used to compute impaired loans in this document.

A non-performing loan, or NPL, is a loan that is in default or close to being in default. Personal Banking loans become non-performing after being in default for 90 days. Institutional and Corporate Banking loans are marked as non-performing, on a case by case basis and are subject to management discretion and analysis.

⁵ Provision Coverage Ratio is calculated as Provision for Impairment less interest in suspense / Impaired Loans less interest in suspense. The same basis has been used to compute provision coverage ratio in this document.

The ratio shows the total provisions CBD has built on its impaired loans.

⁶ Loan to deposit ratio is calculated as loans and advances and Islamic financing, net / customer deposits and Islamic customer deposits.

The loan to deposit ratio is used to calculate CBD's ability to make payments to customers withdrawing their deposits. A ratio of less than one implies that CBD has relied on funds deposited by customers to make loans, advances and Islamic financing. A ratio of more than one implies that CBD has extended loans, advances and Islamic financing from funds borrowed by it in addition to deposits.

⁷ Capital Adequacy Ratio is calculated as Total Capital Base / Risk Weighted Assets.

⁸ Tier 1 Capital ratio is calculated as Tier 1 Capital / Risk Weighted Assets Calculated in accordance with the requirements of the Central Bank and the capital adequacy regulations issued by the Central Bank as stipulated in Circular No. 52/2017 dated 23 February 2017 and Circular No. 60/2017 dated 2 March 2017.

⁹ Ratios for the six month period ended 30 June 2020 have been annualised.

Related party transactions

Certain related parties (principally the major shareholders, board members, key personnel of CBD and companies where they hold a significant interest and any other parties having significant influence on the

financial or operational decisions of CBD) are customers of CBD in the ordinary course of business. The terms of transactions with related parties are comparable to third party transactions and do not involve more than normal amounts of risk.

| | As at / For the year ended | | | As at / For the |
|--|----------------------------|-------|-------|---|
| | 2017 | 2018 | 2019 | six month period ended 30 June 2020 |
| | <i>(AED million)</i> | | | |
| Directors and key management personnel | | | | |
| Loans and advances and Islamic financing, net..... | 475 | 416 | 171 | 175 |
| Undrawn commitments to extend credit..... | 26 | 28 | 24 | 19 |
| Customer deposits and Islamic customer deposits..... | 53 | 98 | 66 | 107 |
| Interest income and commission income..... | 8 | 21 | 10 | 5 |
| Interest expense..... | - | 1 | 1 | - |
| Government related parties | | | | |
| Loans and advances and Islamic financing, net..... | 1,805 | 1,263 | 859 | 1,641 |
| Due from banks, net..... | 771 | - | 285 | 144 |
| Investment securities, net..... | 1,467 | 1,316 | 1,014 | 1,127 |
| Bankers acceptances..... | - | - | - | - |
| Letters of credit..... | - | - | - | 8 |
| Letters of guarantees..... | 324 | 324 | 213 | 178 |
| Undrawn commitments to extend credit..... | 1,239 | 529 | 412 | 254 |
| Due to Banks..... | 12 | 180 | - | - |
| Customer deposits and Islamic customer deposits..... | 4,495 | 3,266 | 3,864 | 3,167 |
| Interest income and commission income..... | 67 | 81 | 43 | 21 |
| Interest expense..... | 94 | 91 | 98 | 42 |
| Other related parties | | | | |
| Loans and advances and Islamic financing, net..... | 1,208 | 1,398 | 1,906 | 1,885 |
| Bankers acceptances..... | 150 | 13 | 2 | 2 |
| Letters of credit..... | 13 | 6 | 1 | 1 |
| Letters of guarantees..... | 624 | 227 | 109 | 108 |
| Undrawn commitments to extend credit..... | 589 | 463 | 299 | 179 |
| Customer deposits and Islamic customer deposits..... | 1,235 | 166 | 483 | 414 |
| Interest income and commission income..... | 62 | 72 | 81 | 38 |
| Interest expense..... | 26 | 2 | 7 | 2 |
| Dividend from an associate..... | 3 | 4 | 4 | - |

FINANCIAL REVIEW

The following discussion contains an analysis of the consolidated results of operations of CBD as at and for the six month period ended 30 June 2020 and 30 June 2019 and as at and for the years ended 31 December 2019, 2018 and 2017 and should be read in conjunction with the 2020 Interim Financial Statements and the Annual Financial Statements. Unless otherwise specified, the financial data discussed below has been extracted without material adjustment from the 2020 Interim Financial Statements and the Annual Financial Statements.

References in this financial review to 2019, 2018 and 2017 are for the 12 months ended 31 December, and references to 2020 are to the six month period ended 30 June 2020. The percentage or percentage changes in this financial review are based on the amounts reported in CBD's Annual Financial Statements and the 2020 Interim Financial Statements, as applicable. As a result, percentage or percentage changes stated in this financial review may not be an exact arithmetical change of the numbers stated in this financial review. As a result of rounding, the totals stated in the tables and text below may not be an exact arithmetical sum of the numbers in respect of which they are expressed to be a total.

Overview

CBD was incorporated in Dubai, UAE, on 4 July 1969 pursuant to an Emiri Decree. CBD is registered as a public shareholding company in accordance with Federal Law No. 2 of 2015. CBD's commercial registration number is 1010121, its registered office is Al Ittihad Street, P.O. Box 2668, Dubai, United Arab Emirates and its telephone number is +971 4 2121000.

CBD offers a range of banking products and services in the UAE primarily to corporate and commercial customers, including loans, working capital financing, trade finance products and deposit accounts. CBD also offers personal banking products, including deposit accounts, personal loans and mortgage products to retail customers. Since 2008, CBD has provided Shari'a compliant financial services to corporate and retail customers through its "CBD Al Islami" finance division. CBD has six wholly owned subsidiaries:

- CBD Financial Services, which provides brokerage facilities for local shares and bonds;
- CBD Employment Services, which provides human resource services;
- Attijari Properties, which provides self-owned property management services;
- the Cayman Issuer, a special purpose vehicle incorporated in May 2015, which may, amongst other things, issue Notes under the Programme;
- CBD (Cayman II) Limited, a special purpose entity established and registered in the British Virgin Islands in 2016 in order to transact and negotiate derivative agreements; and
- VS 1897 (Cayman) Limited, a special purpose entity established and registered in the Cayman Islands in 2019 to manage investments acquired in the settlement of debt.

CBD also has one associate, NGI, in which CBD holds a 17.8 per cent. shareholding. NGI underwrites life and general insurance business as well as certain reinsurance business.

As at 30 June 2020, 54 per cent. of CBD's customer deposits and Islamic customer deposits were sourced from the corporate sector (compared to 52 per cent. as at 31 December 2019 and 48 per cent. as at 31 December 2018); 26 per cent. were sourced from the personal sector (compared to 24 per cent. as at 31 December 2019 and 26 per cent. as at 31 December 2018); and 20 per cent. were sourced from the government sector (compared to 24 per cent. as at 31 December 2019 and 26 per cent. as at 31 December 2018).

As at and for the six month period ended 30 June 2020, CBD's net profit was AED 530 million (a decrease of 24 per cent. compared to the six month period ended 30 June 2019). CBD's total assets amounted to AED 93.7 billion as at 30 June 2020 (an increase of 6 per cent. compared to its total assets as at 31 December 2019) and its total equity as at 30 June 2020 amounted to AED 10.2 billion (which is at the same level compared to total equity as at 31 December 2019). CBD's net profit was AED 1.4 billion for the year ended 31 December 2019, AED 1.2 billion for the year ended 31 December 2018 and AED 1.0 billion

for the year ended 31 December 2017. As at 31 December 2019, its total assets amounted to AED 88.1 billion, an increase of 19 per cent. compared to AED 74.1 billion as at 31 December 2018.

CBD's total equity was AED 10.2 billion as at 31 December 2019, an increase of 11 per cent. from AED 9.2 billion as at 31 December 2018.

CBD's ordinary shares are listed on the DFM. As at the date of the Prospectus, the authorised, issued and fully paid-up ordinary share capital of CBD comprised 2,802,733,968 ordinary shares of AED 1 each (compared to 2,802,733,968 ordinary shares of AED 1 each as at 31 December 2019 and 31 December 2018). See "*Description of CBD - Share Capital and Shareholders*".

Significant Factors Affecting Results of Operations

CBD's revenues and results of operations during the periods under review have been affected by the following factors:

The impact of the COVID-19 pandemic

On 11 March 2020, the WHO officially declared COVID-19 a global pandemic. In light of the rapid spread of COVID-19 across the globe, various economies and sectors have faced significant disruptions and uncertainty as a result of measures taken by governments to contain or delay the spread of the virus.

A substantial proportion of CBD's business involves providing credit and other financial services to individuals, corporations, industries or entities that may be detrimentally impacted by COVID-19 and therefore may be unable to repay their loans as they fall due and/or have lower demand for the products and services offered by CBD. CBD may also be limited in its ability to effectively service clients as it has restricted operations in many of its offices and has allowed employees to work from home, wherever possible.

The UAE Central Bank has announced a stimulus package totalling AED 256 billion in an attempt to combat the above effects of COVID-19 and ease the liquidity constraints in the UAE banking sector, by providing relief to the local economy. The stimulus package includes the following:

- the launch of the TESS, which, *inter alios*, allows UAE banks access to zero cost funding from the UAE Central Bank until 31 December 2020 the proceeds of which are to be used by UAE banks to grant temporary relief to certain customers (including by deferring payments due for up to 6 months), extends capital buffer relief by retaining the existing capital conservation buffer and D-SIB buffer (as applicable) and allows UAE banks to utilise 60 per cent. of their capital conservation buffer and 100 per cent. of their D-SIB buffer (as applicable) until 31 December 2021, subject to such banks having fully utilised the limit available to them under the zero cost funding of the TESS programme;
- reduction of the UAE Central Bank's minimum reserve requirements for current, call and savings deposits for all UAE banks from 14 per cent. to 7 per cent.; and
- delaying the implementation of certain Basel III capital requirements until 31 March 2021.

Out of the UAE Central Bank's zero cost funding program of AED 50 billion, an amount of AED 2.3 billion has been earmarked for and availed by CBD as of 30 June 2020. These funds will be used by CBD to facilitate the provision of temporary relief from payments of principal and interest on outstanding loans for customers benefitting from the TESS.

UAE's response to lower oil prices and other macro-economic factors

The sustained volatility and decline in oil prices since the second half of 2014 has impacted government revenues in each of the states of the GCC. The economy of the UAE, which has the most diversified economic structure within GCC countries, has been the least impacted.

Nevertheless, reduced oil prices have impacted liquidity in the UAE banking system, with large withdrawals from government and government related entities ("**GREs**") in the second quarter of 2015, resulting in an increase in the cost of borrowing for banks (including CBD) operating within the UAE.

The volatility in the price of oil and a reduction in its demand has also recently been exacerbated by the impact of COVID-19. As a result, the economies of the oil-revenue dependent GCC countries (including

the UAE) have continued to be adversely affected with greater budget deficits, a decrease in fiscal revenues and consequent lower public spending seen between 2017 and 2019, which is expected to continue into 2020.

The UAE economy is also impacted by fluctuations in the value of the U.S. dollar, to which the UAE Dirham is pegged. The recent strengthening of the U.S. dollar has negatively impacted consumption, investment in real estate and the tourism sector in the UAE. The weak macro-economic environment in GCC countries, especially in Saudi Arabia and Oman, further reduces the outlook for the tourism sector in the UAE.

The UAE was first amongst the GCC countries to initiate fiscal reforms by phasing out fuel subsidies in 2015, partly offsetting the reduction in oil prices. Further reforms were introduced in 2017, including the introduction of a value-added tax regime in the UAE. In response to the oil price correction, the UAE Government and several GREs adjusted their budgets and certain large projects were rescheduled, which in turn impacted private sector activity in the economy. Strained by the lower liquidity and slowing public and private sector activity, several small and medium businesses scaled down their operations or shut down, in turn increasing impairments for banks that had lent to them. Although crude oil prices recovered slightly in recent years, with the monthly average price being U.S.\$56.94 per barrel in December 2018 and U.S.\$66.48 per barrel in December 2019, there has been a sharp decrease in the monthly average price in 2020 with the price falling from U.S.\$65.11 per barrel in January 2020 to U.S.\$17.64 per barrel in April 2020. See "*Risk Factors – Risks relating to CBD's business – CBD faces risks associated with changes in market prices*" and "*Risk Factors – Risks related to the UAE and the Middle East – Economic Development*".

Dubai, from where CBD primarily conducts its operations, is the region's most open and diverse economy. Since 2015, the economy of Dubai, which is reliant on trade, services and tourism, was impacted by the geopolitical situation in the MENA region, a stronger U.S. dollar, economic slowdowns in Russia and China and the economic fallout of the COVID-19 pandemic. See "*Risk Factors – Risks relating to CBD's business – CBD faces risks associated with changes in market prices*" and "*Risk Factors – Risks related to the UAE and the Middle East – Economic Development*". . Dubai is currently preparing to host the Quadrennial World Expo ("**Expo 2020**"), originally scheduled to be held in 2020 but postponed on account of the COVID-19 pandemic, between October 2021 and March 2022, bringing together 180 nations and an international audience of 25 million visitors, and which is expected to add impetus to the economies of the UAE and, in particular, Dubai.

The table below sets out the loans and advances, provisions and customers' deposits for the banking sector in the UAE as at 31 May 2020 and as at 31 December for each year indicated:

| | As at 31 December | | | As at 31 May 2020* |
|---|----------------------|-------|-------|-----------------------|
| | 2017 | 2018 | 2019 | |
| | <i>(AED billion)</i> | | | |
| Loans and advances (gross)..... | 1,580 | 1,656 | 1,759 | 1,778 |
| Government & GRE..... | 348 | 359 | 443 | 454 |
| Private sector, Individuals & Foreign Credit | 1,232 | 1,297 | 1,316 | 1,324 |
| Customer deposits | 1,627 | 1,756 | 1,870 | 1,866 |
| Government & GRE..... | 404 | 497 | 547 | 530 |
| Private sector, Individuals & Non-resident Deposits | 1,223 | 1,259 | 1,323 | 1,336 |
| Provisions..... | 109 | 122 | 132 | 145 |

* Preliminary data subject to revision.

Source: Monthly Banking Indicators issued by UAE Central Bank

Stable growth in customer advances

As a result of Dubai's successful bid to host Expo 2020, significant new development and construction projects have been announced including the Dubai Waterfront project and Meydan One scheduled to be completed by 2020 and the Ain Dubai ('Eye of Dubai') Ferris wheel. The retail and tourism sectors have also reported increasing revenues.

Prior to the outbreak of the COVID-19 pandemic, the improvement in business sentiment resulted in sustained and stable growth in customer advances in the UAE. According to the UAE Central Bank, the

value of customer loans and advances (net of provisions) provided by banks in the UAE increased by 2 per cent. in the year ended 31 December 2017, an additional 4 per cent. in the year ended 31 December 2018, and a further 6 per cent. in the year ended 31 December 2019.

As at 30 June 2020, CBD recorded growth in gross loans and advances and Islamic financing of 4 per cent. compared to the year ended 31 December 2019, particularly in the trade, transportation and storage and manufacturing sectors. CBD recorded growth in gross loans and advances and Islamic financing for the year ended 31 December 2019 of 18 per cent. compared to the year ended 31 December 2018. This was due, in particular, to growth in the real estate and services sectors. The table below sets out CBD's customer loans and advances and Islamic financing as at 30 June 2020 and as at 31 December for each year indicated:

| | As at 31 December | | | As at 30 June 2020 |
|---|-------------------|-------------------------|--------|-----------------------|
| | 2017 | 2018 | 2019 | |
| Loans and advances and Islamic financing (gross)..... | 50,185 | (AED million) 54,058 | 64,039 | 66,758 |

Investments in securities maintained at target level

As at 30 June 2020, CBD's net investment securities increased by 16 per cent. to AED 6.5 billion, from AED 5.6 billion as at 31 December 2019. CBD reduced its holding of investment securities by 17 per cent. to AED 5.6 billion as at 31 December 2019 from AED 6.8 billion as at 31 December 2018. CBD's investment securities reduced by 5 per cent. to AED 6.8 billion as at 31 December 2018 from AED 7.1 billion as at 31 December 2017. Revenues from these domestic and international securities have contributed positively to CBD's net interest income and net income from Islamic financing. The table below sets out CBD's holding in investment securities as at 30 June 2020 and as at 31 December for each year indicated:

| | As at 31 December | | | As at 30 June 2020 |
|----------------------------|-------------------|------------------------|-------|-----------------------|
| | 2017 | 2018 | 2019 | |
| Investment Securities, net | 7,077 | (AED million) 6,751 | 5,613 | 6,484 |

Critical Accounting Policies

Certain of CBD's accounting policies require significant managerial judgment on matters that are inherently uncertain, including the valuation of certain assets and liabilities and the adoption of estimates and assumptions based on historical experience and other factors considered reasonable and significant by CBD's management.

CBD has established policies and control procedures intended to ensure that stringent valuation methods are applied in accordance with applicable accounting principles during the presentation of its Financial Statements for the relevant period. For more information on CBD's significant accounting policies, including the impact of IFRS 9, see Note 3 to the Financial Statements as at and for the years ended 31 December 2019 and 31 December 2018.

CBD's management believes that the following significant accounting policies require more critical judgments or estimates or involve a greater degree of complexity in the application of accounting standards that affect CBD's financial condition and results of operation.

Classification of Financial Instruments

CBD classifies its financial instruments into the following categories:

Amortised cost

A debt instrument, including loans and advances and Islamic financing, is classified as being measured at amortised cost if it is held within a business model where the objective is to hold financial assets in order to collect contractual cash flows.

Fair value through other comprehensive income ("FVOCI")

A debt instrument is classified as being measured at FVOCI if it is held within a business model where the objective is achieved by both collecting contractual cash flows and selling the debt instrument and is not designated at FVPL (as defined below).

Movements in the carrying amount are taken through Other Comprehensive Income ("OCI"), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on an instrument's amortised cost, which is recognised in the statement of profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from statement of changes in equity to statement of profit or loss and recognised in "Net gains from sale of debt investments held at FVOCI". Interest income from these financial assets is included in "Interest income" using the effective interest rate method.

CBD subsequently measures all equity investments at fair value through profit or loss, except where CBD's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through OCI. CBD's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in Other Comprehensive Income and are not subsequently reclassified to statement of profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value.

Dividend income on equity investments at FVOCI is recognised in the condensed consolidated interim statement of profit or loss.

Fair value through profit or loss ("FVPL")

Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL and is not part of a hedging relationship is recognised in profit or loss and is presented in the profit or loss statement within 'Net gains from investments at FVPL' in the period in which it arises.

In addition, on initial recognition, CBD may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Impairment of financial assets

The adoption of International Financial Reporting Standards ("IFRS") 9 has fundamentally changed CBD's accounting for loan loss impairments by replacing the incurred loss approach with a forward-looking expected credit loss ("ECL") approach. IFRS 9 requires CBD to record an allowance for ECLs that are not measured at FVPL on the following financial instruments: loans and advances, Islamic financing and other financial assets, loan commitments and financial guarantee contracts.

The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Stage 1: when loans are first recognised, CBD recognises an allowance based on 12 months ECLs.

Stage 2: when a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the life time expected credit losses ("LTECL").

Stage 3: loans considered credit-impaired. CBD records an allowance for the LTECLs.

The key inputs into the measurement of ECL are the term structures of the following variables:

- *Probability of Default ("PD")* – the PD is an estimate of the likelihood of default over a given time horizon.

- *Loss Given Default ("LGD")* – the LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the exposure at default.
- *Exposure at Default ("EAD")* – the EAD is an estimate of the expected exposure in the event of a default and the potential changes to the current amount allowed under the contract including amortisation.

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information.

Investment properties

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

Results of Operations for the six month periods ended 30 June 2020 and 2019, and for the years ended 31 December 2017, 2018 and 2019

Net interest income and net income from Islamic financing

The following table sets out CBD's net interest income and net income from Islamic financing for each period indicated.

| | Year ended 31 December | | | Six month period ended 30 June | | Percentage change (%) | | |
|--|------------------------|--------------|--------------|--------------------------------|------------|-----------------------|-------------|-----------------------|
| | 2017 | 2018 | 2019 | 2019 | 2020 | 2018 / 2017 | 2019 / 2018 | June 2020 / June 2019 |
| | <i>(AED million)</i> | | | | | | | |
| Interest income and income from Islamic financing | 2,515 | 2,847 | 3,177 | 1,591 | 1,503 | 13.2 | 11.6 | (5.5) |
| Interest expense and distributions to Islamic depositors..... | (694) | (936) | (1,212) | (591) | (574) | 34.9 | 29.5 | (2.9) |
| Net interest income and net income from Islamic financing ... | 1,821 | 1,911 | 1,966 | 1,000 | 929 | 4.9 | 2.8 | (7.1) |

CBD's interest income and income from Islamic financing decreased by 6 per cent. to AED 1,503 million for the six month period ended 30 June 2020, from AED 1,591 million for the six month period ended 30 June 2019. This was primarily a result of suspended interest on non-performing loans and sharply lower interbank interest rates. Interest expense and distributions to Islamic depositors slightly decreased by 3 per cent. to AED 574 million for the six month period ended 30 June 2020, from AED 591 million for the six month period ended 30 June 2019. This decrease in interest expenses was primarily due to lower interest rates.

CBD's interest income and income from Islamic financing increased by 12 per cent. from AED 2.8 billion for the year ended 31 December 2018 to AED 3.2 billion for the year ended 31 December 2019. This increase was primarily a result of increased earnings on loans and advances arising from higher average balances. Interest expense and distributions to Islamic depositors increased by 30 per cent. from AED 936 million for the year ended 31 December 2018 to AED 1.2 billion for the year ended 31 December 2019. This increase was primarily due to higher average balances and higher cost of time deposits. CBD's interest income and income from Islamic financing increased by 13 per cent. from AED 2.5 billion for the year ended 31 December 2017 to AED 2.8 billion for the year ended 31 December 2018. This increase was primarily as a result of increased earnings on loans and advances and investment securities arising from higher average balances. Interest expenses increased by 35 per cent. from AED 694 million for the year ended 31 December 2017 to AED 936 million for the year ended 31 December 2018. This increase was primarily due to higher average balances and higher cost of time deposits.

Total non-interest income

The following table sets out CBD's total non-interest income for each period indicated.

| | Year ended 31 December | | | Six month period ended 30 June | | Percentage change (%) | | |
|---|------------------------|------------|--------------|--------------------------------|------------|-----------------------|-------------|-----------------------|
| | 2017 | 2018 | 2019 | 2019 | 2020 | 2018 / 2017 | 2019 / 2018 | June 2020 / June 2019 |
| | (AED million) | | | | | | | |
| Net fees and commission income | 565 | 578 | 701 | 368 | 333 | 2.3 | 21.3 | (9.5) |
| Net gains from foreign exchange and derivatives | 119 | 143 | 197 | 92 | 110 | 20.2 | 37.8 | 19.6 |
| Income from investments ^{1,2} | 91 | 22 | 62 | 17 | 9 | (75.8) | 181.8 | (47.1) |
| Other income | 46 | 70 | 107 | 33 | 31 | 52.2 | 52.9 | (6.1) |
| Total Non-interest income | 821 | 813 | 1,067 | 510 | 483 | (1.0) | 31.2 | (5.3) |

¹ As at 30 June 2020, 31 December 2019 and at 31 December 2018, income from investments includes net gains from investments at fair value through profit or loss, net gains from sale of investments at fair value through other comprehensive income, share of profit/loss of an associate and dividend income.

² As at 31 December 2017, income from investments includes net gains from investments at fair value through profit or loss – held for trading, net gains from sale of available-for-sale investments, share of profit of an associate and dividend income.

Total non-interest income constituted 34 per cent. of CBD's total operating income for the six month period ended 30 June 2020 and 30 June 2019. Total non-interest income declined in the six month period ended 30 June 2020 by 5.3 per cent. to AED 483 million, mainly due to lower demand for CBD's products and services such as lending and trade services. Credit card fees decreased as a result of low levels of consumer activity due to the lockdown imposed in light of the COVID-19 pandemic during April and May in the UAE. CBD has already begun to see signs of a partial recovery in fee income in recent weeks, after the relaxation of movement and re-opening of the businesses and the broader economy.

Total non-interest income constituted 35 per cent. of CBD's total operating income for the year ended 31 December 2019. Total non-interest income increased by 31 per cent. for the year ended 31 December 2019 to AED 1.1 billion from AED 813 million for the year ended 31 December 2018. Net fees and commission income increased by 21 per cent. from AED 578 million for the year ended 31 December 2018 to AED 701 million for the year ended 31 December 2019. Net gains from foreign exchange and derivatives increased by 38 per cent. for the year ended 31 December 2019 compared to the year ended 31 December 2018. Income from investments increased by 182 per cent. for the year ended 31 December 2019 compared to the year ended 31 December 2018, mainly due to net gains from the sale of debt investments at fair value through other comprehensive income. Other income increased by 53 per cent. for the year ended 31 December 2019 compared to the year ended 31 December 2018 primarily arising from profit on sale of investment properties or assets held for sale acquired in settlement of debt.

Total non-interest income constituted 30 per cent. of CBD's total operating income for the year ended 31 December 2018. Total non-interest income decreased marginally by 1 per cent. for the year ended 31 December 2018 to AED 813 million from AED 821 million for the year ended 31 December 2017. Net gains from foreign exchange and derivatives increased by 20 per cent. for the year ended 31 December 2018 compared to 31 December 2017, whereas income from investments decreased by 76 per cent. for the year ended 31 December 2018 compared to the year ended 31 December 2017, mainly due to a one-off dividend received in the first half of 2017.

Impairment allowances

The following table sets out CBD's net impairment allowances for each period indicated.

| | Year ended 31 December | | | Six month period ended 30 June | | Percentage change (%) | | |
|---|------------------------|------------|------------|--------------------------------|------------|-----------------------|-------------|-----------------------|
| | 2017 | 2018 | 2019 | 2019 | 2020 | 2018 / 2017 | 2019 / 2018 | June 2020 / June 2019 |
| | (AED million) | | | | | | | |
| (Reversal) / impairment / allowance on due from banks | - | 3 | - | 3 | (1) | 100.0 | (100.0) | (133.3) |
| Impairment allowances on loans and advances and Islamic financing | 799 | 727 | 782 | 388 | 493 | (9.0) | 7.6 | 27.1 |
| Recoveries of loans and advances and Islamic financing | (112) | (48) | (42) | (16) | (9) | (57.1) | (12.5) | (43.8) |
| (Reversal) / impairment allowance on investment securities | 2 | (1) | - | 2 | (2) | (150.0) | (100.0) | (200.0) |
| Impairment allowance on investment properties | 28 | - | 3 | 3 | - | (100.0) | 100.0 | (100.0) |
| Impairment allowance on other assets | 23 | 23 | 4 | - | 14 | - | (82.6) | 100.0 |
| Net Impairment allowances | 740 | 704 | 747 | 380 | 495 | (4.9) | 6.1 | 30.3 |

For the six month period ended 30 June 2020, CBD's net credit impairment allowance (excluding impairment on other assets and investment properties and investment securities) was AED 481 million, compared to AED 377 million for the six month period ended 30 June 2019, an increase of 28 per cent,

primarily reflecting additional loan loss provisions made to provide coverage for the likely near-term increase in loan losses related to the effects of the COVID-19 outbreak. CBD increased its net credit impairment allowance by 9 per cent. for the year ended 31 December 2019 (compared to the year ended 31 December 2018) as CBD continued its prudent approach to provisioning, in particular for the commercial and SME sector in the current economic environment. The UAE Banks Federation, a professional body representing 50 member banks in the UAE, has since started working closely with its clients who face financial distress and considered ways and means for banks to apply a coordinated approach, in cooperation and consultation with the UAE Central Bank, to alleviate funding difficulties faced by SMEs and to continue banks' support to the SME sector which is regarded as being vital to the national economy.

Impairment allowance on loans and advances and Islamic financing increased by 27 per cent. in the six month period ended 30 June 2020 compared to the six month period ended 30 June 2019, primarily reflecting additional loan loss provisions made to provide coverage for the forward looking expected loan losses related to the effects of the COVID-19 outbreak. CBD's impairment allowances on loans and advances and Islamic financing increased by 8 per cent. from AED 727 million for the year ended 31 December 2018 to AED 782 million for the year ended 31 December 2019, while impairment allowances on loans and advances and Islamic financing decreased by 9 per cent. from AED 799 million for the year ended 31 December 2017 to AED 727 million for the year ended 31 December 2018, as CBD continued its prudent approach to provisioning. CBD recorded a provision coverage ratio of 61 per cent. for the six month period ended 30 June 2020, 83 per cent. for the year ended 31 December 2019, 78 per cent. for the year ended 31 December 2018 and 64 per cent. for the year ended 31 December 2017. The total carrying amount of impaired loans (excluding restructured performing loans and loans under restructuring) was AED 4.3 billion as at 31 December 2017, AED 3.3 billion as at 31 December 2018, AED 3.8 billion as at 31 December 2019, and AED 4.6 billion as at 30 June 2020. CBD fully provided for these loans in prior years and is continuing to seek recoveries in respect of the loans, including through litigation.

CBD's recoveries reduced to AED 48 million for the year ended 31 December 2018 from AED 112 million for the year ended 31 December 2017, and marginally reduced further to AED 42 million as at 31 December 2019. These recoveries reflect CBD's focus on monitoring its non-performing loan ratio and collection procedures. Recoveries for the six month period ended 30 June 2020 were AED 9 million, a 44 per cent. decrease from AED 16 million for the six month period ended 30 June 2019.

CBD exercises considered judgement in assessing and estimating areas such as ECLs. Included within the impairment allowances specified in the table above is a judgmental overlay which is added to CBD's ECL model by changing its macroeconomic weightages and stressing the economic inputs to the IFRS 9 model to account for the uncertainty and limited forward looking information in the current economic environment following the outbreak of COVID-19. Going forward, CBD will continue to monitor and evaluate the impact of the outbreak and will consider adjusting its ECL model in subsequent quarters if required.

Total operating expenses

The following table sets out the components of CBD's total operating expenses for each period indicated.

| | Year ended 31 December | | | Six month period ended 30 June | | Percentage change (%) | | |
|---------------------------------------|------------------------|------------|------------|--------------------------------|------------|-----------------------|-------------|-----------------------|
| | 2017 | 2018 | 2019 | 2019 | 2020 | 2018 / 2017 | 2019 / 2018 | June 2020 / June 2019 |
| | | | | (AED million) | | | | |
| Staff and other expenses | 845 | 795 | 815 | 395 | 374 | (5.9) | 2.5 | (5.3) |
| Depreciation and amortisation..... | 56 | 63 | 70 | 34 | 12 | 12.5 | 11.1 | (64.7) |
| Total operating expenses | 901 | 858 | 885 | 429 | 386 | (4.8) | 3.1 | (10.0) |

CBD's staff and other expenses for the years ended 31 December 2019, 31 December 2018 and 31 December 2017 remained relatively stable at AED 815 million, AED 795 million and AED 845 million, respectively. CBD continued to focus on cost controls, resulting in its cost to income ratio improving from 34 per cent. for the year ended 31 December 2017 to 32 per cent. for the year ended 31 December 2018, and further improved to 29 per cent. for the year ended 31 December 2019.

CBD's staff and other expenses of AED 374 million for the six month period ended 30 June 2020 decreased by 5 per cent. compared to AED 395 million for the six month period ended 30 June 2019. CBD's cost to income ratio is 27 per cent. for the six month period ended 30 June 2020, a slight decrease compared to 28

per cent. for the six month period ended 30 June 2019. The decrease in CBD's operating expenses is mainly due to CBD's ongoing cost optimisation efforts with a strong focus on enhancing operating efficiency and adopting digital solutions, while continuing to invest in key strategic initiatives. With the increasing digitisation of key customer services, CBD has optimised its distribution network over the last two years.

Net profit

CBD's net profit for the six months ended 30 June 2020 decreased by 24 per cent. compared to the six months ended 30 June 2019. CBD's net profit of AED 1.4 billion for the year ended 31 December 2019 increased by 20 per cent. from AED 1.2 billion for the year ended 31 December 2018. CBD's net profit increased by 16 per cent. from AED 1.0 billion for the year ended 31 December 2017 to AED 1.2 billion for the year ended 31 December 2018.

Financial condition as at 30 June 2020, 31 December 2019, 2018 and 2017

Total assets

The following table sets out the components of total assets as at 30 June 2020 and as at 31 December 2019, 2018 and 2017.

| | As at 31 December | | | As at 30 June | Percentage change (%) | | |
|---|-------------------|---------------|---------------|------------------|-----------------------|-------------|------------------------------|
| | 2017 | 2018 | 2019 | 2020 | 2018 / 2017 | 2019 / 2018 | June 2020 / December 2019 |
| | (AED million) | | | | | | |
| Total Assets | 70,414 | 74,102 | 88,069 | 93,682 | 5.2 | 18.8 | 6.4 |
| Due from banks, net..... | 2,835 | 971 | 2,428 | 3,368 | (65.7) | 150.1 | 38.7 |
| Loans and advances and Islamic financing, net | 47,276 | 50,945 | 60,181 | 63,420 | 7.8 | 18.1 | 5.4 |
| Bankers acceptances | 5,121 | 5,266 | 5,347 | 5,396 | 2.8 | 1.5 | 0.9 |
| Other assets, net | 637 | 843 | 1,350 | 2,201 | 32.3 | 60.1 | 63.0 |

As at 31 December 2017, CBD had total assets of AED 70.4 billion compared to AED 74.1 billion as at 31 December 2018, AED 88.1 billion as at 31 December 2019 and AED 93.7 billion as at 30 June 2020.

The 6 per cent. increase in total assets as at 30 June 2020 compared to 31 December 2019 was mostly from the increases of AED 3.2 billion in loans and advances and Islamic financing, and AED 940 million in due from banks.

The 19 per cent. increase in total assets as at 31 December 2019 compared to 31 December 2018 was mostly due to increases in due from banks and loans and advances and Islamic financing. In 2019, due from banks increased by 150 per cent. or AED 1.5 billion, while net loans and advances and Islamic financing increased by 18 per cent. or AED 9.2 billion.

The increase in net loans and advances by AED 3.7 billion or 8 per cent. was the main contributing factor to the 5 per cent. further increase in total assets in 2018 compared to 2017.

Loans and advances and Islamic financing, net

CBD's loan portfolio comprises loans and advances and Islamic financing to commercial, retail and government-related entities across a range of economic sectors made on both conventional and Islamic basis.

As at 31 December 2019, 82 per cent. of CBD's gross loans and advances and Islamic financing was denominated in AED, as at 31 December 2018, 83 per cent. of CBD's gross loans and advances and Islamic financing was denominated in AED and as at 31 December 2017, 85 per cent. of CBD's gross loans and advances and Islamic financing was denominated in AED. The majority of CBD's remaining loan portfolio was denominated in U.S. dollars.

The following table sets out CBD's net loans and advances and Islamic financing by economic sector as at 30 June 2020 and as at 31 December 2019, 2018, and 2017.

| | As at 31 December | | | As at 30 June | Percentage change (%) | | June 2020 / December 2019 |
|--|-------------------|---------------|---------------|------------------|-----------------------|-------------|---------------------------------|
| | 2017 | 2018 | 2019 | 2020 | 2018 / 2017 | 2019/ 2018 | |
| | (AED million) | | | | | | |
| Commercial and Business | | | | | | | |
| Manufacturing | 3,063 | 2,360 | 2,432 | 2,782 | (23.0) | 3.1 | 14.4 |
| Construction | 2,077 | 3,678 | 4,383 | 4,778 | 77.1 | 19.2 | 9.0 |
| Real estate..... | 16,258 | 16,006 | 22,695 | 23,419 | (1.6) | 41.8 | 3.2 |
| Trade | 4,959 | 5,317 | 5,741 | 6,767 | 7.2 | 8.0 | 17.9 |
| Transportation and storage | 1,953 | 1,492 | 951 | 1,956 | (23.6) | (36.3) | 105.7 |
| Services | 3,710 | 4,305 | 5,715 | 6,080 | 16.0 | 32.8 | 6.4 |
| Hospitality | 2,930 | 2,652 | 2,574 | 2,888 | (9.5) | (2.9) | 12.2 |
| Total Commercial and Business | 34,950 | 35,810 | 44,491 | 48,670 | 2.5 | 24.2 | 9.4 |
| Financial and insurance activities | 4,669 | 7,312 | 8,185 | 6,559 | 56.6 | 11.9 | (19.9) |
| Government entities..... | 135 | 131 | 274 | 352 | (3.0) | 109.2 | 28.5 |
| Personal – mortgage..... | 2,628 | 2,836 | 3,308 | 3,341 | 7.9 | 16.6 | 1.0 |
| Personal – schematic..... | 4,545 | 4,925 | 4,691 | 4,413 | 8.4 | (4.8) | (5.9) |
| Individual loans for business..... | 2,283 | 2,032 | 1,760 | 1,517 | (11.0) | (13.4) | (13.8) |
| Others | 977 | 1,012 | 1,331 | 1,908 | 3.6 | 31.5 | 43.4 |
| Gross loans and advances and Islamic financing | 50,185 | 54,058 | 64,039 | 66,758 | 7.7 | 18.5 | 4.2 |
| Allowances for impairment losses | (2,910) | (3,113) | (3,858) | (3,339) | 7.0 | 23.9 | (13.5) |
| Net loans and advances and Islamic financing... | 47,276 | 50,945 | 60,181 | 63,420 | 7.8 | 18.1 | 5.4 |

As at 30 June 2020, 73 per cent. of CBD's gross loans and advances and Islamic financing were made to the commercial and business sectors, compared to 69 per cent. as at 31 December 2019. As at 31 December 2018, CBD's gross loans and advances and Islamic financing to the commercial and business sectors were at 66 per cent. compared to 70 per cent. as at 31 December 2017. As at 30 June 2020, 14 per cent. of CBD's gross loans and advances and Islamic financing were made to the personal sector (as compared to 15 per cent. as at 31 December 2019, 18 per cent. as at 31 December 2018, and 19 per cent. as at 31 December 2017); and 10 per cent. were made to financial and insurance sector (as compared to 13 per cent. as at 31 December 2019, 14 per cent. as at 31 December 2018, and 9 per cent. as at 31 December 2017).

As at 30 June 2020, gross loans and advances and Islamic financing to the transportation and storage sector saw a 106 per cent. increase compared to 31 December 2019. Gross loans and advances and Islamic financing to the manufacturing, government, and trade sector, increased by 14 per cent., 29 per cent. and 18 per cent. respectively for the same period. In response to the COVID-19 outbreak, to appropriately manage credit risk, CBD has taken several measures, including identifying and conducting frequent reviews of vulnerable sectors, such as the tourism and hospitality, aviation, retail, automotive, oil and gas, trading, logistics, manufacturing, real estate and contracting sectors. CBD continues to apply robust underwriting standards to companies in these sectors, especially for any new-to-bank customers. Extra measures, such as requiring additional approvals for disbursements of facilities have been implemented to ensure a high level of scrutiny over the credit management process. In spite of these additional measures, CBD has not noticed any reduced demand for its loans and advances portfolio as at 30 June 2020.

CBD increased its gross loans and advances and Islamic financing in the real estate sector by 42 per cent., in the services sector by 33 per cent., and government sector by 109 per cent. between 31 December 2019 and 31 December 2018.

The construction, services, and financial and insurance activities sectors witnessed growth of 77 per cent., 16 per cent., and 57 per cent., respectively as at 31 December 2018 when compared to 31 December 2017.

The distribution of the loan portfolio across economic sectors is oriented towards real estate, financial and insurance activities, trade, services and personal loans sector, which is in line with the domestic economy.

Investment securities

The following table sets out the composition of CBD's investment securities as at 31 December 2017, 2018, 2019 and 30 June 2020.

| | As at 31 December | | | As at 30 June | Percentage change (%) | | June 2020 / December 2019 |
|---|-------------------|--------------|--------------|------------------|-----------------------|---------------|---------------------------------|
| | 2017 ¹ | 2018 | 2019 | 2020 | 2018 / 2017 | 2019/ 2018 | |
| | (AED million) | | | | | | |
| Held at fair value through profit or loss..... | 42 | - | 254 | 283 | (100.0) | 100.0 | 11.4 |
| Held at fair value through other comprehensive income | 6,902 | 6,757 | 5,359 | 6,201 | (2.1) | (20.7) | 15.7 |
| Held at amortised cost..... | 133 | - | - | - | (100.0) | - | - |
| Investment securities, gross | 7,077 | 6,757 | 5,613 | 6,484 | (4.5) | (16.9) | 15.5 |

¹ Prior to IFRS 9 transition, securities under "Held at fair value through profit or loss" were classified as "Held for Trading", securities under "Held at fair value through other comprehensive income" were classified as "Available for Sale" and securities under "Held at amortised cost" were classified as "Held to Maturity".

As at 31 December 2017, CBD had investment securities of AED 7.1 billion, AED 6.8 billion as at 31 December 2018, AED 5.6 billion as at 31 December 2019 and AED 6.5 billion as at 30 June 2020. CBD decreased its portfolio of investment securities by 5 per cent. as at 31 December 2018 and a further 17 per cent. as at 31 December 2019, whereas it increased the portfolio by 16 per cent. as at 30 June 2020. The level of CBD's investment securities which are categorised as held at fair value through other comprehensive income contribute to CBD's compliance with enhanced liquidity ratio requirements as required under Basel III liquidity ratios.

In accordance with its strategy to maintain a higher level of liquid assets in line with new liquidity ratios, CBD did not replace the natural run-off of its held to maturity investments during the year ended 31 December 2017. Government securities constituted AED 2.6 billion, or 46 per cent. of CBD's AED 5.6 billion investment securities portfolio as at 31 December 2019, AED 3.6 billion, or 54 per cent. of CBD's AED 6.8 billion investment securities portfolio as at 31 December 2018; and AED 3.9 billion, or 55 per cent., of CBD's AED 7.1 billion investment securities portfolio as at 31 December 2017. As at 30 June 2020, government securities constituted AED 2.9 billion or 45 per cent. of CBD's AED 6.5 billion investment securities portfolio. CBD's investment securities portfolio experienced a decrease in valuation in March 2020, as a result of the market sell-off after the WHO declared the COVID—19 outbreak to be a pandemic and the drop in oil prices. See "*Risk Factors – Risks relating to CBD's business - CBD's business, results of operations and financial condition may be adversely affected by the impact of COVID-19*" for more information. As at the end of June 2020, the majority of the securities in CBD's portfolio had recovered their losses, reflecting a reversal in the regional and global financial markets. However, the global financial markets could become volatile again in the future as a result of the continued impact of the COVID-19 pandemic.

Other assets

The following table sets out the composition of CBD's other assets as at 31 December 2017, 2018 and 2019.

| | As at 31 December | | | Percentage change (%) | |
|---|-------------------|------------|---------------|-----------------------|-------------|
| | 2017 | 2018 | 2019 | 2018 / 2017 | 2019 / 2018 |
| | | | (AED million) | | |
| Interest receivable | 308 | 374 | 396 | 21.4 | 5.9 |
| Accounts receivable and prepayments | 54 | 254 | 117 | 370.4 | (53.9) |
| Property acquired in settlement of debt..... | 205 | 111 | 352 | (45.9) | 217.1 |
| Positive mark to market value of derivatives* | 70 | 105 | 485 | 50.0 | 361.9 |
| Other assets | 637 | 843 | 1,350 | 32.3 | 60.1 |

* see Note 31 to the 2018 and 2019 Financial Statements.

As at 31 December 2019, CBD's other assets increased by 60 per cent. as compared to 31 December 2018; and increased by 32 per cent. as at 31 December 2018 as compared to 31 December 2017.

Funding – Total liabilities and equity

The table below sets out the principal sources of CBD's funding as at 30 June 2020 and as at 31 December 2019, 2018, 2017.

| | As at 31 December | | | As at 30 | Percentage change (%) | | |
|--|-------------------|---------------|---------------|---------------|-----------------------|-------------|---------------------------|
| | 2017 | 2018 | 2019 | June | 2018 / 2017 | 2019 / 2018 | June 2020 / December 2019 |
| | | | | (AED million) | | | |
| Due to banks | 780 | 2,763 | 4,167 | 7,522 | 254.2 | 50.8 | 80.5 |
| Customer deposits and Islamic customer deposits .. | 48,411 | 53,165 | 63,334 | 65,319 | 9.8 | 19.1 | 3.1 |
| Notes and medium term borrowing | 6,090 | 2,610 | 3,231 | 3,232 | (57.1) | 23.8 | - |
| Due for trade acceptances | 5,121 | 5,266 | 5,347 | 5,396 | 2.8 | 1.5 | 0.9 |
| Other liabilities | 931 | 1,078 | 1,774 | 2,027 | 15.8 | 64.6 | 14.3 |
| Total liabilities..... | 61,333 | 64,883 | 77,852 | 83,496 | 5.8 | 20.0 | 7.2 |
| Total equity | 9,081 | 9,219 | 10,217 | 10,186 | 1.5 | 10.8 | (0.3) |
| Total liabilities and equity | 70,414 | 74,102 | 88,069 | 93,682 | 5.2 | 18.8 | 6.4 |

Due to banks

The following table sets out CBD's due to banks funding as at 31 December 2017, 2018 and 2019.

| | As at 31 December | | | Percentage change (%) | |
|----------------------------------|-------------------|--------------|---------------|-----------------------|-------------|
| | 2017 | 2018 | 2019 | 2018 / 2017 | 2019 / 2018 |
| | | | (AED million) | | |
| Current and demand deposits..... | 224 | 187 | 181 | (16.5) | (3.2) |
| Term borrowings..... | 556 | 2,576 | 3,985 | 363.3 | 54.7 |
| Due to banks | 780 | 2,763 | 4,167 | 254.2 | 50.8 |

Amounts due to banks comprise current and demand deposits and arise from short-term liquidity management related borrowings. The variances in balances arise mainly from transactions over the end of the accounting period.

Customer deposits and Islamic customer deposits

CBD's funding base principally consists of customer deposits and Islamic customer deposits, which constituted 69 per cent. as at 31 December 2017, 72 per cent. as at 31 December 2018, 72 per cent. as at 31 December 2019, and 70 per cent. as at 30 June 2020 of CBD's total liabilities and equity. CBD's customer deposits and Islamic customer deposits are sourced mainly from corporate customers.

As at 30 June 2020, 54 per cent. of CBD's customer deposits and Islamic customer deposits were sourced from the corporate sector, 20 per cent. were sourced from the government sector, and 26 per cent., were sourced from the personal sector.

As at 31 December 2019, of CBD's customer deposits and Islamic customer deposits, 52 per cent. were sourced from the corporate sector (compared to 48 per cent. as at 31 December 2018), 24 per cent. were sourced from the personal sector (compared to 26 per cent. as at 31 December 2018) and 24 per cent. were sourced from the government sector (compared to 26 per cent. as at 31 December 2018).

The following table sets out the breakdown of funding from customer deposits and Islamic customer deposits by type of deposit as at 31 December 2017, 2018, and 2019 and as at 30 June 2020.

| | As at 31 December | | | As at 30 June | Percentage change (%) | | |
|--|-------------------|---------------|---------------|---------------|-----------------------|-------------|---------------------------|
| | 2017 | 2018 | 2019 | 2020 | 2018 / 2017 | 2019 / 2018 | June 2020 / December 2019 |
| | | | | (AED million) | | | |
| Customer deposits | | | | | | | |
| Current and demand accounts | 15,256 | 15,159 | 18,139 | 19,946 | (0.6) | 19.7 | 10.0 |
| Savings accounts..... | 1,739 | 2,422 | 2,750 | 3,563 | 39.3 | 13.5 | 29.6 |
| Time deposits..... | 23,630 | 23,394 | 27,968 | 29,367 | (1.0) | 19.6 | 5.0 |
| | 40,626 | 40,975 | 48,857 | 52,876 | 0.9 | 19.2 | 8.2 |
| Islamic customer deposits | | | | | | | |
| Current and demand accounts | 1,575 | 2,509 | 3,496 | 3,386 | 59.3 | 39.3 | (3.1) |
| Mudaraba savings accounts..... | 616 | 591 | 583 | 607 | (4.1) | (1.4) | 4.1 |
| Investment and Wakala deposits | 5,595 | 9,090 | 10,399 | 8,451 | 62.5 | 14.4 | (18.7) |
| | 7,785 | 12,190 | 14,478 | 12,443 | 56.6 | 18.8 | (14.1) |
| Total customer deposits and Islamic customer deposits | 48,411 | 53,165 | 63,334 | 65,319 | 9.8 | 19.1 | 3.1 |

Customer deposits and Islamic customer deposits increased by 10 per cent. to AED 53.2 billion as at 31 December 2018 compared to AED 48.4 billion as at 31 December 2017. The increase was mainly as a result of an AED 1.5 billion or 8 per cent. increase in current and savings accounts, and an AED 3.3 billion or 11 per cent. increase in the level of time deposits.

Customer deposits and Islamic customer deposits increased by 19 per cent. to AED 63.3 billion as at 31 December 2019 when compared with 31 December 2018, arising from the AED 5.9 billion, or 18 per cent. increase in time deposits and AED 4.3 billion, or 21 per cent. increase in current and savings accounts.

Total customer deposits and Islamic customer deposits of AED 65.3 billion as at 30 June 2020 increased by 3 per cent., compared with AED 63.3 billion as at 31 December 2019, mostly from the AED 2.5 billion increase in current and savings accounts.

Euro medium term notes ("EMTN")

CBD established its Programme in 2013, which provides for the issuance of notes by way of private or public placements and in each case on a syndicated or non-syndicated basis. Notes issued under the Programme can be issued at a fixed rate, floating rate or can be index linked. The maximum issuance under the Programme was initially USD 2 billion but was increased to USD 3 billion in 2016.

In May 2013, CBD issued USD 500 million (AED 1,836.5 million) at 3.375 per cent. Notes due 2018. These notes matured on 21 May 2018.

In November 2015, CBD issued USD 400 million (AED 1,469.2 million) at 4.000 per cent. Notes due November 2020.

Syndicated loans

In June 2016, the Group entered into a club deal of U.S.\$450 million (AED 1,653 million) for a term of 3 years with an option to roll over on a quarterly or semi-annual basis maturing in June 2019. The arrangement was prepaid in December 2018. In August 2019, the Group entered into a U.S.\$170 million syndicated loan with a term of 5 years, with an option to roll over on a semi-annual basis maturing in August 2024.

In December 2018, the Group entered into a bilateral loan of U.S.\$350 million with a three year maturity, arranged from various banks.

Repurchase agreements

In July 2012, CBD entered into repo transactions to obtain financing against the sale of certain debt securities, amounting to U.S.\$150 million (AED 551 million) with arrangements to repurchase them at a fixed future date in July 2017. During the six month period ended 30 June 2016, the repurchase date was extended by an additional five years to July 2022.

In June 2016, the Group entered into additional repo transactions to obtain financing against the sale of certain debt securities, amounting to U.S.\$161 million (AED 592 million) with arrangements to repurchase them at a fixed future date in June 2021.

Other liabilities

The following table sets out the breakdown of CBD's other liabilities as at 31 December 2017, 2018 and 2019.

| | As at 31 December | | | Percentage change (%) | |
|--|-------------------|--------------|---------------|-----------------------|-------------|
| | 2017 | 2018 | 2019 | 2018 / 2017 | 2019 / 2018 |
| | | | (AED million) | | |
| Interest payable..... | 256 | 379 | 460 | 48.0 | 21.4 |
| Employees' terminal benefits..... | 61 | 61 | 51 | - | (16.4) |
| Accounts payable..... | 270 | 220 | 320 | (18.5) | 45.5 |
| Accrued expenses..... | 101 | 134 | 137 | 32.7 | 2.2 |
| Manager cheques..... | 108 | 117 | 326 | 8.3 | 178.6 |
| Unearned fee income and deferred credits..... | 62 | 86 | 72 | 38.7 | (16.3) |
| Negative mark to market value of derivatives*..... | 74 | 83 | 407 | 12.2 | 390.4 |
| Other liabilities..... | 931 | 1,078 | 1,774 | 15.8 | 64.6 |

¹ See note 31 to 2019 Financial Statements and 2018 Financial Statements.

CBD's other liabilities increased by 65 per cent. from AED 1.1 billion as at 31 December 2018 to AED 1.8 billion as at 31 December 2019. CBD's other liabilities increased by 16 per cent. from AED 931 million as at 31 December 2017 to AED 1.1 billion as at 31 December 2018.

Total equity

CBD's total equity amounted to AED 9.1 billion as at 31 December 2017, AED 9.2 billion as at 31 December 2018, and AED 10.2 billion as at 31 December 2019. As at 30 June 2020, CBD's total equity amounted to AED 10.2 billion. The main components of CBD's total equity as at 31 December 2017, 2018, and 2019 and as at 30 June 2020 were:

| | As at 31 December | | | As at 30 June | Percentage change (%) | | |
|----------------------------------|-------------------|--------------|---------------|------------------|-----------------------|----------------|--------------------------------|
| | 2017 | 2018 | 2019 | 2020 | 2018 / 2017 | 2019 / 2018 | June 2020/ December 2019 |
| Share capital | 2,803 | 2,803 | 2,803 | 2,803 | - | - | - |
| Legal and statutory reserve..... | 1,401 | 1,401 | 1,401 | 1,401 | - | - | - |
| General reserve | 1,328 | 1,328 | 1,328 | 1,328 | - | - | - |
| Capital reserve | 39 | 39 | 39 | 39 | - | - | - |
| Fair value reserve..... | (11) | (137) | 48 | 83 | 1,145.5 | (135.0) | 72.9 |
| Retained earnings..... | 3,521 | 3,785 | 4,597 | 4,532 | 7.5 | 21.5 | (1.4) |
| Total equity | 9,081 | 9,219 | 10,217 | 10,186 | 1.5 | 10.8 | (0.3) |

As at 31 December 2019, the authorised, issued and fully paid-up ordinary share capital of CBD comprised 2,802,733,968 ordinary shares of AED 1 each (31 December 2018: 2,802,733,968 ordinary shares of AED 1 each).

At CBD's annual general meeting held on 11 March 2020, it was resolved that 60 per cent. of the shares of CBD shall be owned by, and may only be acquired by, natural persons having UAE nationality or legal persons or corporations fully owned by UAE nationals and the company secretary was authorised to implement this amendment with the relevant authorities.

No increase in share capital was proposed at the Annual General Meeting of the shareholders of CBD held on 11 March 2020 and the shareholders resolved not to increase the share capital of CBD.

For further information, see "*Description of CBD – Share Capital and Shareholders*".

THE UNITED ARAB EMIRATES BANKING SECTOR AND REGULATIONS

As Dubai does not have a separate monetary or financial system, this section describes the UAE's monetary and financial system generally, although certain sections focus specifically on Dubai where information is available.

Monetary and Exchange Rate Policy

The UAE's monetary and exchange rate policy is managed by the UAE Central Bank. The principal objective of the UAE's monetary policy to date has been to maintain the stability of the fixed exchange rate regime and to manage inflation. In common with most other GCC countries, and reflecting the fact that oil and gas revenues are priced in U.S. dollars, the UAE dirham is linked to the U.S. dollar and the UAE authorities have expressed publicly their commitment to the UAE dirham and the fixed exchange rate regime. In the case of the UAE, the exchange rate has been maintained at AED 3.6725 = U.S.\$1.00 since 22 November 1980. There are no exchange controls in the UAE and the UAE dirham is freely convertible.

Liquidity and Money Supply

The following table sets out certain liquidity indicators for the UAE as at 31 December in each of the years 2015 to 2019:

| | 31 December | | | | |
|--|-----------------------------|---------|---------|---------|---------------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 ⁽¹⁾ |
| | <i>(in billions of AED)</i> | | | | |
| Currency issued (M0)..... | 73.5 | 77.5 | 85.4 | 85.8 | 93.7 |
| Money supply (M1) ⁽²⁾ | 456.9 | 474.1 | 492.4 | 485.7 | 514.8 |
| Money supply (M2) ⁽³⁾ | 1,186.8 | 1,255.5 | 1,276.2 | 1,308.4 | 1,411.5 |
| Money supply (M3) ⁽⁴⁾ | 1,342.9 | 1,411.3 | 1,487.1 | 1,602.4 | 1,717.4 |
| Bank credit (domestic) ⁽⁵⁾ | 1,381.2 | 1,454.4 | 1,452.7 | 1,509.4 | 1,593.8 |
| <i>of which:</i> Credit to private sector..... | 1,043.2 | 1,094.6 | 1,105.0 | 1,150.0 | 1,150.9 |

Source: UAE Central Bank

Notes:

- ⁽¹⁾ Preliminary figures.
- ⁽²⁾ Consists of currency in circulation outside banks plus monetary deposits in local currency with banks (all short-term deposits on which bank customers can withdraw without prior notice).
- ⁽³⁾ Consists of Money Supply (M1) plus quasi-monetary deposits (Resident Time and Savings Deposits in Dirham + Resident Deposits in foreign currencies).
- ⁽⁴⁾ Consists of Money Supply (M2) plus Government deposits.
- ⁽⁵⁾ Includes lending to residents, non-banking financial institutions, trade bills discounted and loans and advances for the Government and public sector and private sector (corporates and individuals) in local and foreign currency.

Foreign Reserves

The following table sets out the foreign assets holdings of the UAE Central Bank as at 31 December in each of the years 2015 to 2019:

| | 2015 | 2016 | 2017 | 2018 | 2019 ⁽¹⁾ |
|---|-------|-----------------------------|-------|-------|---------------------|
| | | <i>(in billions of AED)</i> | | | |
| Foreign Assets Holdings (including the IMF) | 345.2 | 313.6 | 350.3 | 365.4 | 397.9 |

Source: UAE Central Bank

Notes:

- ⁽¹⁾ Preliminary figures.

These assets principally comprise held-to-maturity foreign securities and current account balances and deposits with banks abroad. In addition, the ruling families of the various Emirates as well as the governments of the Emirates and private citizens within the Emirates have significant sums invested abroad.

Banking and Financial Services

The financial and insurance activities sector in Dubai contributed 11.1 per cent. of Dubai's GDP at current prices in 2018 (according to preliminary estimates by the Dubai Statistics Centre). Within the UAE as a whole, the financial sector was estimated to have contributed approximately 5.5 per cent. of nominal GDP in 2018 (according to the UAE Ministry of Economy Annual Economic Report 2019).

With 59 commercial banks (comprising 21 local banks with 656 branches as at 31 December 2019 and 38 foreign banks with 79 branches as at 31 December 2019) (*source*: preliminary data, Statistical Bulletin (December 2019), UAE Central Bank), serving a population estimated to be in the region of 9.7 million in mid-2019 (*source*: Statistical Yearbook 2019 edition, United Nations Department of Economic and Social Affairs, Statistics Division), the UAE could be viewed as an over-banked market, even by regional standards. However, on 3 July 2016, it was announced that the board of directors of National Bank of Abu Dhabi P.J.S.C. ("NBAD") and First Gulf Bank P.J.S.C. ("FGB") had voted unanimously to recommend to their respective shareholders a merger of the two Abu Dhabi-listed banks, which created the largest bank in the Middle East and North Africa region by assets which was rebranded as First Abu Dhabi Bank P.J.S.C. The merger of NBAD and FGB was formally consummated on 30 March 2017 and stimulated further consolidation amongst the UAE banks. In 2019, Abu Dhabi Commercial Bank P.J.S.C., Union National Bank P.J.S.C. and Al Hilal Bank P.J.S.C. agreed a merger to create the third largest bank in the UAE, which was completed in May 2019 (*source*: Bloomberg). In January 2020, Dubai Islamic Bank P.J.S.C also announced the completion of its acquisition of Noor Bank P.J.S.C (*source*: Reuters).

The UAE's membership of the World Trade Organisation will likely require greater economic liberalisation, but it is unclear to what extent this will encourage foreign banks to further expand their presence in the market. In the long-term, however, it is likely to lead to increased competition, which should spur consolidation, both within the UAE and across the region generally.

The table below provides a statistical analysis of the UAE banking sector as at 31 December in each of the years 2015 to 2019:

| | 31 December | | | | |
|--|-----------------------------|---------|---------|---------|---------------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 ⁽¹⁾ |
| | <i>(in billions of AED)</i> | | | | |
| Total number of commercial banks | 57 | 60 | 61 | 60 | 59 |
| Total number of branches | 960 | 931 | 853 | 823 | 735 |
| Total number of employees ⁽¹⁾ | 40,159 | 37,547 | 34,675 | 36,629 | 35,637 |
| Bank credit (domestic) (AED billions) ⁽²⁾ | 1,381.2 | 1,454.4 | 1,452.7 | 1,509.4 | 1,593.8 |
| Total assets (AED billions) | 2,478.2 | 2,613.6 | 2,694.0 | 2,868.5 | 3,085.8 |
| Total deposits ⁽³⁾ (AED billions) | 1,471.6 | 1,562.9 | 1,627.3 | 1,755.6 | 1,870.1 |

Source: UAE Central Statistical Bulletin (December 2019), UAE Central Bank.

Notes:

- (1) Excluding auxiliary staff.
(2) Includes lending to residents, non-banking financial institutions, trade bills discounted and loans and advances for the Government and public sector and private sector (corporates and individuals) in local and foreign currency.
(3) Excluding inter-bank deposits.
(4) Preliminary data.

Principal Banks in the UAE

The table below provides summary information for each of the four principal banks by asset size established in the UAE:

| | Number of Branches | Year Established | Government ownership (%) | Assets ⁽¹⁾ (AED billions) |
|---|--------------------|---------------------|--------------------------|--------------------------------------|
| First Abu Dhabi Bank P.J.S.C. | 76 ⁽⁴⁾ | 2017 ⁽²⁾ | 37.0 | 822.0 |
| Emirates NBD Bank P.J.S.C. | 91 ⁽¹⁾ | 2007 ⁽³⁾ | 55.8 | 683.3 |
| Abu Dhabi Commercial Bank P.J.S.C. | 72 | 1985 | 62.52 | 405.1 |
| Dubai Islamic Bank P.J.S.C. | 66 ⁽⁵⁾ | 1975 | 25.82 | 231.8 |

Sources: UAE Central Bank and published financial statements.

Notes:

- (1) As at 31 December 2019.
- (2) Year of merger of NBAD and FGB.
- (3) Year of merger of EBI and NBD.
- (4) As at 31 December 2019.
- (5) As at 7 November 2019.

Supervision of Banks

The UAE Central Bank, established in 1980, is the governing body that regulates and supervises all banks operating in the UAE. The UAE Central Bank has supervisory responsibility for all banking institutions in the UAE. Supervision is carried out through on-site inspections and review of periodic submissions from the banks. The frequency of inspection depends on the perceived risk of the bank, but inspections are carried out in all banks at least once every 18 months. Returns are made monthly, quarterly, semi-annually or annually, depending on the nature of the information they are required to contain. An improved risk management framework is currently being implemented, which is designed to provide the UAE Central Bank with more up-to-date information on credit, market and operational risks within the banking sector.

Historically, the UAE Central Bank has not acted as a lender of last resort, a role which has tended to fall on the individual Emirates. However, the introduction by the UAE Central Bank in 2014 of the Interim Marginal Lending Facility (the "**IMLF**") allows non-Islamic UAE banks to use certain rated or UAE federal government entity issued assets as collateral to access UAE Central Bank liquidity overnight in order to help their liquidity management (see further "*Recent Trends in Banking – Liquidity*").

The 2018 Federal Law grants the UAE Central Bank powers to:

- draw up and implement monetary policy;
- exercise currency issuance;
- organise licensed financial activities, establish the foundations for carrying them on, and determine the standards required for developing and promoting prudential practices in accordance with the provisions of the 2018 Federal Law and international standards;
- set up appropriate regulations and standards for protection of customers of licensed financial institutions;
- monitor the credit condition in the UAE, in order to contribute to the achievement of balanced growth in the national economy;
- manage foreign reserves to maintain, at all times, sufficient foreign currency assets to cover the monetary base as per the provisions of the 2018 Federal Law; and
- regulate, develop, oversee and maintain soundness of the financial infrastructure systems in the UAE.

The UAE Central Bank is also responsible for regulating financial institutions in relation to money laundering controls and enforcing Federal Law No. 20 of 2018 regarding the procedures for Anti-Money Laundering and Combating the Financing of Terrorism and Illicit Organisations. Pursuant to this, the UAE has established the National Committee to Counter Money Laundering, Combating the Financing of Terrorism and Financing of Illegal Organisations, which is responsible for co-ordinating policy and systems on anti-money laundering and the combating of terrorism financing, assessing the effectiveness of such policies and systems and the representation of the UAE in international forums on these matters. Federal Law No. 20 of 2018 also recommends the establishment of an independent "Financial Information Unit" within the UAE Central Bank to receive and investigate reports submitted by financial institutions and corporate entities regarding suspected illicit financial activity.

Although the UAE Central Bank is responsible for regulating all banks, exchange houses, investment companies and other financial institutions in the UAE, the Dubai Financial Services Authority regulates all banking and financial services activities in the DIFC. Similarly, in the Abu Dhabi Global Market in Abu Dhabi ("**ADGM**"), the ADGM Financial Services Regulatory Authority regulates activity in the financial services sector.

Since 1999, regulated banks in the UAE have been required to report in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

Characteristics of the Banking System

Banking institutions in the UAE fall into a number of categories, including domestic commercial banks and licensed foreign commercial banks. The UAE banks are predominantly focused on the domestic market. With much of the economy directly or indirectly dependent on the oil sector, the UAE banks are vulnerable during long periods of low oil prices. In particular, oil revenues tend to drive levels of liquidity. There is a high degree of state involvement in the UAE banking sector, with the five largest banks having some degree of ownership by the governments and/or ruling families of individual Emirates.

Additionally, a number of banks have developed in the Islamic world, including in the UAE, to serve customers who wish to observe *Shari'a* principles, including the prohibition on the charging of interest on any financial transaction. These institutions offer a range of products, which broadly correspond to conventional banking transactions but are structured to ensure that all relevant *Shari'a* principles are complied with. The principal Dubai-based Islamic banks are Dubai Islamic Bank and Emirates Islamic Bank.

COVID-19

In response to the COVID-19 outbreak (*see "Risk Factors – CBD faces risks associated with changes in market prices - Liquidity Risk"*), effective from 15 March 2020, the UAE Central Bank has implemented the TESS, which includes a range of measures aimed at mitigating the economic effects of COVID-19 on the UAE economy. The TESS and other accompanying stimulus measures include (in addition to cutting interest rates as discussed in such risk factor):

TESS

- allowing banks operating in the UAE access to loans and advances, against collateral, extended at zero cost by the UAE Central Bank until 31 December 2020, the proceeds of which are to be used by UAE banks to grant temporary relief to private sector corporate customers and retail clients;
- whilst keeping the existing 2.50 per cent. capital conservation buffer and the D-SIB buffer in place, allowing banks to utilise 60 per cent. of their capital conservation buffer and 100 per cent. of their D-SIB buffer without supervisory consequences until 31 December 2021, subject to having fully utilised the limit available under zero cost facility of the TESS;
- allowing banks that are subject to the LCR to fall below the regulatory LCR requirement of 100 per cent., provided that their LCR is higher than or equal to 70 per cent., while other banks are able to fall below the regulatory ELAR requirement of 10 per cent., provided that their ELAR is higher or equal to 7 per cent., with such changes to the LCR and ELAR applicable until 31 December 2021, subject to having fully utilised the limit available under zero cost facility of the TESS;
- expecting banks to leave unchanged and not downgrade the IFRS 9 staging and classification of customers at stage 1 who are receiving temporary relief linked to the TESS;

Further measures to support the UAE economy in response to COVID-19

- decreasing the UAE Central Bank's minimum reserve requirement for all current, call and savings deposits from 14 per cent. to 7 per cent.;
- postponing the planned implementation of certain Basel III capital requirements until 31 March 2021; and
- allowing banks to apply a prudential filter to IFRS 9 expected loss provisions. The prudential filter will allow any increase in IFRS9 provisioning compared to 31 December 2019 to be partially added back to regulatory capital. This will allow IFRS 9 provisions to be gradually phased-in over a five year period until 31 December 2024.

Recent Trends in Banking

Capital Adequacy

All banks are required to follow the principles of the Basel accord in calculating their capital adequacy ratios. Basel II was introduced effective 17 November 2009 by way of UAE Central Bank Circular Number 27/2009. Since 1993, the UAE Central Bank had imposed a 10 per cent. minimum total capital ratio on all UAE banks. In a circular dated 30 August 2009, the UAE Central Bank announced amendments to its capital adequacy requirements, such that UAE banks were required to have a total capital adequacy ratio of at least 11 per cent., with a Tier 1 ratio of not less than 7 per cent., by 30 September 2009. Furthermore, the UAE Central Bank required banks operating in the UAE to increase their Tier 1 capital adequacy ratio to at least 8 per cent., with a minimum total capital adequacy ratio of at least 12 per cent., by 30 June 2010. Thereafter, through its circular dated 17 November 2009 introducing Basel II, the UAE Central Bank stated that it was expected that the main banks in the UAE would move to the Foundation Internal Rating Based approach under Basel II in due course. Through this circular, the UAE Central Bank reiterated that all banks operating in the UAE were required to maintain a minimum capital adequacy ratio of 11 per cent. at all times, increasing to 12 per cent. by 30 June 2010 and also laid out its expectations in relation to Pillar II and Pillar III of the Basel II framework. Profits for the current period, goodwill, other intangibles, unrealised gains on investments and any shortfall in loan loss provisions were deducted from regulatory capital.

As part of the introduction of Basel III in the UAE, and pursuant to the February 2017 Regulations and the Capital Standards, CBD is required by the UAE Central Bank to maintain a minimum total capital adequacy ratio of 13 per cent., effective from 1 January 2019. As of 30 June 2020, CBD's total capital adequacy ratio was 14.0 per cent. Whilst the calculation of capital adequacy ratios in the UAE follows the Bank of International Settlements guidelines, claims on or guaranteed by GCC central governments and central banks are risk-weighted at zero per cent. (where applicable) and claims on GCC government non-commercial public sector entities are risk-weighted in accordance with the prescribed guidelines.

As noted above under "*COVID-19*", as part of the TESS, D-SIB banks are able to utilise 100 per cent. of their D-SIB buffer and 60 per cent. of their capital conservation buffer without supervisory consequences until 31 December 2021. In addition, the UAE Central Bank will allow banks to apply a prudential filter to IFRS 9 expected loss provisions. The prudential filter will allow any increase in IFRS 9 provisioning compared to 31 December 2019 to be partially added back to regulatory capital. This will allow IFRS 9 provisions to be gradually phased-in over a five year period until 31 December 2024. Furthermore, the planned implementation of certain Basel III capital requirements has been postponed until 31 March 2021.

Liquidity

The UAE Central Bank closely monitors the level of liquidity in the banking system. It also requires that banks have in place adequate systems and controls to manage their liquidity positions, as well as contingency funding plans to cope with periods of liquidity stress.

Banks must also adhere to a maximum loan to deposit ratio of 100 per cent. set by the UAE Central Bank. In this context, "**loans**" comprise loans and advances to customers and interbank assets maturing after three months.

UAE banks are mostly funded through on demand or time-based customer deposits made by private individuals or private sector companies. According to preliminary data made available by the UAE Central Bank, together, these deposits constituted approximately 58.9 per cent. of total deposits of the UAE banking sector as at 31 December 2019, whereas the UAE federal government and the public sector constituted approximately 29.2 per cent. of total deposits within the UAE banking sector as at 31 December 2019. Nonresident and other sources contributed approximately 11.8 per cent. as at the same date (*source*: UAE Banking Indicators (December 2019), UAE Central Bank).

In response to the global 2008 financial crisis, the UAE Central Bank announced a number of measures aimed at ensuring that adequate liquidity is available to banks operating in the UAE. In September 2008, the UAE Central Bank established an AED 50 billion liquidity facility which banks can draw upon subject to posting eligible debt securities as collateral. The liquidity facility is available only for the purpose of funding existing commitments. New lending is required to be based on growth in the customer deposit base. The UAE Central Bank also established a certificates of deposit ("**CD**") repurchase facility under which

banks can use CDs as collateral for dirham or U.S. dollar funding from the UAE Central Bank. Further, banks can access funds through the IMLF.

In addition to these measures, the UAE federal government also provided AED 50.0 billion in deposits to UAE banks (as part of a larger AED 70.0 billion package) which, at the option of the banks, can be converted into Tier 2 capital in order to enhance capital adequacy ratios. A number of banks in the UAE exercised this option and converted the UAE federal government deposits made with them into Tier 2 capital.

In line with Basel III requirements, the UAE Central Bank has issued UAE Central Bank Notice No. 33/2015 on liquidity requirements (which was issued by the UAE Central Bank on 27 May 2015 and which entered into force with effect from 1 July 2015, replacing Central Bank Notice No. 30/2012) (the "**Liquidity Notice**") which includes a set of qualitative and quantitative liquidity requirements for UAE banks. The qualitative requirements set out in the Liquidity Notice elaborate on the responsibilities of a UAE bank's board of directors and senior management as well as the overall liquidity risk framework. The new regulations are intended to ensure that liquidity risks are well managed at banks operating in the UAE and are in line with the Basel Committee's recommendations and international best practices. These requirements include the following:

Responsibilities of the board of directors:

- to bear ultimate responsibility for liquidity risk management within the relevant UAE bank;
- to be familiar with liquidity risk management with at least one board member having a detailed understanding of liquidity risk management; and
- to ensure the clear articulation of liquidity risk tolerance in line with the relevant UAE bank's objectives, strategy and risk appetite.

Responsibilities of senior management:

- to develop strategies, policies and practices to manage liquidity risk in accordance with the liquidity risk tolerance set by the board of directors;
- to review the UAE bank's strategy and to report to the board of directors on regulatory compliance on a regular basis; and
- to manage liquidity risk in a prudent manner using all available liquidity risk management tools.

Liquidity risk framework:

The Liquidity Notice requires each UAE bank to have a robust liquidity risk framework which comprises the following elements:

- sound processes and systems to identify, measure, monitor and control liquidity risk in a timely and accurate manner;
- a robust liquidity risk management framework (which must be shared with the UAE Central Bank upon request) with limits, warning indicators, communication and escalation procedures;
- regular internal stress testing of the portfolio for a variety of scenarios (both institution-specific and market-wide); results being communicated to the board of directors and the UAE Central Bank on request;
- incorporation of liquidity costs, benefits and risks into product pricing and approval processes;
- establishment of a forward-looking funding strategy with effective diversification of funding sources and tenors;
- setting of formal contingency funding plans which clearly set out strategies for addressing liquidity shortfalls in emergency situations (and which must be shared with the UAE Central Bank upon request);

- establishment of an adequate cushion of unencumbered, highly liquid assets as insurance against a range of liquidity stress scenarios; and
- a transfer pricing framework (which is commensurate with the bank's liquidity risk tolerance and complexity) developed to reflect the actual cost of funding.

The quantitative requirements set out in the Liquidity Notice are intended to ensure that each UAE bank holds a minimum level of liquid assets which allow it to sustain a short-term liquidity stress (in circumstances both specific to that bank and market wide). In particular, the requirements include two interim ratios which were intended to apply until the Basel III LCR and NSFR (each as defined in the table below) come into effect. These include the following:

Ratio Applicability Period

| | Ratio | Applicability Period |
|-------------------|--|---|
| Interim ratios: | Liquid Asset Ratio (LAR \geq 10%) | 1 January 2013 – 30 June 2015 |
| | Eligible Liquid Assets Ratio (ELAR \geq 10%) | 1 July 2015 until LCR implementation |
| | Advances to Stable Resources Ratio (ASRR $<$ 100%) | 30 September 1986 until NSFR implementation |
| Basel III ratios: | Liquidity Coverage Ratio (LCR $>$ 100%) | 1 January 2019 onwards |
| | Net Stable Funding Ratio (NSFR $<$ 100%) | 2018 onwards |

The LAR was an interim ratio designed to apply until the LCR came into effect (as described below). Following the entering into force of the Liquidity Notice on 1 July 2015, the LAR was replaced with the ELAR. Under the ELAR, UAE banks were required to hold an amount equivalent to at least 10 per cent. of their liabilities in high-quality liquid assets (including cash held with the UAE Central Bank, the UAE Central Bank CDs and certain UAE local government and public sector entity publicly traded instruments).

The Liquidity Notice also included the option for UAE banks to apply to the UAE Central Bank to move to assessment and reporting of bank liquidity to the UAE Central Bank as against the LCR, in addition to the ELAR, with effect from 1 January 2016. Any UAE banks taking up this option were required to comply only with the ELAR until 1 January 2016, after which date they were required to move to a dual-compliance regime as to liquidity as against the ELAR and the LCR (subject to receipt of UAE Central Bank approval).

The LCR represents a 30-day stress scenario with combined assumptions covering both bank-specific and market-wide stresses. These assumptions are applied to contractual data representing the main liquidity risk drivers at banks to determine cash outflows within the 30-day stress scenario. The LCR requires that UAE banks should always be able to cover the net cash outflow with high quality liquid assets at the minimum LCR determined by the UAE Central Bank. The Basel III accord requires that this minimum is 100 per cent. The Liquidity Notice describes in detail high quality liquid assets for this purpose. As noted under "COVID-19" above, as part of the TESS, banks that have adopted the LCR are able to fall below the regulatory LCR requirement of 100 per cent. provided that their LCR is higher than or equal to 70 per cent. Other banks are able to fall below the regulatory ELAR requirement of 10 per cent. provided that their ELAR is higher or equal to 7 per cent. The changes to the LCR and ELAR are applicable until 31 December 2021, subject to having fully utilised the limit available under zero cost facility of the TESS. See "*Risk Factors – CBD faces risks associated with changes in market prices - Liquidity Risk*" for more information.

As part of the UAE Central Bank's gradual implementation of the Basel III Reforms in the UAE, the UAE Central Bank has introduced LCR in a phased manner, setting an initial benchmark of 60 per cent. upon commencement of LCR compliance, increasing to 100 per cent. by 2019. This graduated approach was designed to ensure that the LCR could be introduced without disruption to the orderly strengthening of banking systems or the ongoing financing of economic activity in the UAE.

The ASRR was an interim ratio designed to apply until the NSFR came into effect in the UAE in 2018 (as described below). The ASRR recognised both the actual uses as well as the likely uses of funds in terms of the contractual maturity and behavioural profile of the sources of funds available to the bank, in order to ensure that there are limited maturity mismatches and cliff effects.

NSFR is a structural ratio that aims to ensure that banks have adequate stable funding to fund the assets on their balance sheets. It also requires an amount of stable funding to cover a portion of the relevant UAE bank's contingent liabilities. The NSFR in the UAE mirrors the Basel III standards. The NSFR identifies the key uses of funds and the different types of funding sources used by the UAE banks. It assigns available stable funding ("**ASF**") factors to the sources of funds and required stable funding ("**RSF**") (usage) factors

to asset classes and off balance sheet contingent exposures. The assigned ASF factor depends on the terms of funding and the perceived stability of the funding sources. The assigned ASF factor will depend on the liquidity of the asset being funded under a market-wide stress. Both factors will follow the Basel III standards.

Provisions for Loan Losses

The UAE Central Bank stipulates that non-performing credits should be classified as either substandard, doubtful or loss, depending on the likelihood of recovery, with provisions charged at a minimum of 25 per cent., 50 per cent. and 100 per cent. on the relevant amount (net of any eligible credit protection), respectively. Any retail and consumer loans with either interest or principal in arrears by more than 90 days must be placed on a non-accrual basis and classified as non-performing. In addition, pursuant to Circular 28/2010 concerning regulations for classification of loans and their provisions issued by the UAE Central Bank on 11 November 2010, all banks in the UAE were required to make general provisions for unclassified loans and advances equal to 1.5 per cent. of their risk-weighted assets by 2014. In practice, several banks operate more stringent policies and place loans on a non-accrual basis as soon as their recovery is in doubt.

Banks in the UAE generally do not write off non-performing loans from their books until all legal avenues of recovery have been exhausted. This factor tends to inflate the level of impaired loans and advances to customers and/or financings carried on the balance sheets of UAE banks when compared to banks operating in other economies.

Large Exposures

The UAE Central Bank defines large exposures as any funded or unfunded exposures (less provisions, cash collaterals and deposits under lien) to a single borrower or group of related borrowers exceeding prescribed limits. The large exposure limits (defined as a percentage of the bank's capital base) were previously as follows:

- to a single borrower or group of borrowers – 7 per cent.;
- to a shareholder of the bank holding more than 5 per cent. of the bank's capital – 7 per cent.;
- overseas interbank exposures – 30 per cent. (UAE interbank exposures are subject to a 25 per cent. limit if their maturity is over one year, otherwise they are exempt from the regulations);
- to the bank's parent company, subsidiaries or affiliates – 20 per cent. (60 per cent. for all such exposures in aggregate); and
- to Board members – 5 per cent. (25 per cent. for all such exposures in aggregate).

On 11 November 2013, the UAE Central Bank published a notice amending certain of the large exposure limits set out above (the "**Large Exposure Notice**") amending certain of the large exposure limits set out above. The Large Exposure Notice was published in the Official Gazette on 30 December 2013 and entered into force on 30 January 2014. The Large Exposure Notice introduced new limits of 100 per cent. of the bank's capital base for all lending to UAE local governments and their non-commercial entities, together with a 25 per cent. limit to any single such non-commercial entity. Exposures above these limits are subject to approval by the UAE Central Bank. Set out below is a table showing a summary of the changes introduced by the Large Exposure Notice (defined as a percentage of the bank's capital base calculated under Basel standards):

| | New Limit | | Old Limit | |
|---|---|-----------|------------|-----------|
| | Individual | Aggregate | Individual | Aggregate |
| UAE federal government and its non-commercial entities | Exempt | Exempt | Exempt | Exempt |
| UAE local government and its non-commercial entities.... | No cap for UAE local government; 25% for each non-commercial entity | 100% | Exempt | Exempt |
| Commercial entities of UAE federal government and UAE local government..... | 25% | 100% | 25% | None |

| | | | | |
|---|---------|------|-----|------|
| Commercial or other (non- commercial) private sector entities and individuals..... | 25% max | None | 7% | None |
| Shareholders who own 5 per cent. or more of the bank's capital and related entities | 20% | 50% | 7% | None |
| Exposure to bank's subsidiaries and affiliates..... | 10% | 25% | 20% | 60% |
| Board members | 5% | 25% | 5% | 25% |

Mortgage Cap Regulation and Consumer Loan Regulation

The UAE Central Bank introduced regulations regarding bank loans and other services offered to individual customers by way of a circular dated 23 February 2011 the ("**Retail Circular**") on retail banking and notice no. 31/2013 dated 28 October 2013 (which was published in the UAE official gazette (the "**Official Gazette**") on 28 November 2013 and entered into force on 28 December 2013) (the "**Mortgage Regulations**"). These regulations, amongst other things, limit the fees and interest rates which banks in the UAE can charge to retail customers and impose maximum loan/income and loan to value ratios for retail products such as residential mortgage loans. For example, the Retail Circular requires that the amount of any personal consumer loan shall not exceed 20 times the salary or total income of the borrower with the repayment period not exceeding 48 months.

The Mortgage Regulations, which supersede UAE Central Bank notice no. 3871/2012 dated 30 December 2012, provide that the amount of mortgage loans for non-nationals should not exceed 75 per cent. of the property value for a first purchase of a home with a value of less than AED 5 million and, for a first purchase of a home with a value greater than AED 5 million, should not exceed 65 per cent. of the property value. For the purchase of a second or subsequent home, the limit for non-nationals is set at 60 per cent. of the property value (irrespective of the value of the property in question). The corresponding limits for UAE nationals are set at 80 per cent. in respect of a first purchase of a home with a value less than or equal to AED 5 million, 70 per cent. for a first home with a value greater than AED 5 million and 65 per cent. of the property value for a second or subsequent purchase (irrespective of the value of the property). CBD is compliant with the Retail Circular and the Mortgage Regulations. The Mortgage Regulations and other circulars may affect CBD's net retail income and may potentially add to market price volatility in the UAE real estate market.

Reserve Requirements

Reserve requirements are used by the UAE Central Bank as a means of prudential supervision and to control credit expansion. The reserve requirements are 1 per cent. for term deposits and 14 per cent. for all other customer balances. As noted above under "*COVID-19*", as part of the UAE Central Bank's stimulus package in response to COVID-19, the minimum reserve requirement for all current, call and savings deposits has been decreased from 14 per cent. to 7 per cent.

Position of Depositors

There is no formal deposit protection scheme in the UAE. While no bank has, so far, been permitted to fail, during the 1980s and early 1990s a number were restructured by the relevant government authorities. In October 2008, in response to the global financial crisis, the UAE federal government announced that it intended to guarantee the deposits of all UAE banks and foreign banks with core operations in the UAE. Following therefrom, in May 2009 the UAE's National Federal Council approved a draft law guaranteeing federal deposits. However, until such time as the law is passed, there is no guaranteed government support.

Credit Information Agency

In May 2010, the Government of Dubai appointed the Emirates Credit Information Company ("**Emcredit**") as the official body for providing credit information services in Dubai. Emcredit is now the entity responsible for providing credit reporting services in the Emirate, with responsibility for collecting, storing, analysing and disseminating credit information in Dubai. Additionally, in February 2011, the UAE Central Bank issued new regulations in relation to the retail banking sector, aimed at controlling lending activities and excessive charges by banks, whilst also protecting banks by regulating lending and encouraging banks to carry out proper due diligence on potential borrowers.

Establishment of a Credit Bureau in the UAE

Al Etihad Credit Bureau ("AECB") is a federal government company specialised in providing UAE-based credit reports and other financial information. AECB commenced operations in 2014 upon receiving formal approval from the Cabinet of its regulations and its charges for producing credit reports. AECB has approached all UAE-based banks to sign data sharing agreements to enable the provision of customer credit information, with the majority having entered into such agreements and/or made successful initial data submissions to AECB by the time AECB commenced operations. CBD continues to submit its retail customer data to the AECB on a monthly basis, which meets the data accuracy thresholds laid down by the AECB.

Federal Debt Management

Federal Law No (9) of 2018 ("**Law No (9)**"), Regarding Public Debt provides that the outstanding public debt of the UAE shall not, at any time, exceed the amount determined by the cabinet, at a maximum of 250 per cent. of the Government Own-Stable Revenues (as defined in Law No (9)).

Insurance

There is an absence of published statistical data on the insurance sector in the UAE and Dubai. Insurance companies are regulated by the Insurance Division of the Federal Ministry of Economy.

Capital Markets

The capital markets in the UAE are regulated by a number of entities, including the Emirates Securities and Commodities Authority (the "**SCA**"), which licenses intermediaries to trade on the DFM and the ADX. The SCA is a federal government organisation but has financial, legal and administrative independence.

The other significant stock exchange in the UAE is Nasdaq Dubai (formerly known as the Dubai International Financial Exchange) which commenced operations in September 2005 and, as an entity based in the Dubai International Financial Centre, is separately regulated.

Dubai Financial Market

The DFM, which is now, along with Nasdaq Dubai, owned by Borse Dubai, was established by the Government of Dubai in 2000 as an independent entity and operates as a market for the listing and trading of shares, bonds and investment units issued by companies, investment funds and other local or foreign financial institutions that conform to its listing requirements.

The following table sets out the number of traded shares, the value of traded shares, and the number of executed transactions on the DFM and the closing price of the DFM Index as at 31 December in each of the years 2015 to 2019:

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|-------------|-------------|-------------|-------------|--------------------|
| Number of traded shares (<i>billions</i>) | 98.2 | 105.8 | 82.5 | 45.4 | 40.0 |
| Value of traded shares (<i>AED billions</i>) | 151.4 | 133.7 | 115.1 | 59.7 | 53.0 |
| Number of trades (<i>millions</i>)..... | 1.6 | 1.3 | 1.1 | 0.7 | 0.7 ⁽¹⁾ |
| Market capitalisation (<i>AED billions</i>)..... | 308.1 | 337.6 | 394.0 | 343.3 | 375.0 |

Sources: Dubai Statistics Centre, DFM.

Notes:

⁽¹⁾ No published information available as of the date of this Prospectus.

Nasdaq Dubai

Nasdaq Dubai (formerly known as the Dubai International Financial Exchange or DIFX) commenced operations in September 2005. On 22 December 2009, DFM announced that it had made an offer to Borse Dubai Limited and the Nasdaq OMX Group to acquire Nasdaq Dubai. The offer was valued at U.S.\$121 million and comprised U.S.\$102 million in cash and 40 million DFM shares. The merger was approved by Borse Dubai Limited and the OMX Group and was completed on 11 July 2010. Subsequent to the transaction, both Nasdaq Dubai and DFM are operating as two distinct markets that are subject to different

regulatory frameworks. Nasdaq Dubai is regulated by the Dubai Financial Services Authority and the DFM is regulated by the SCA.

The DFM was upgraded to the MSCI Emerging Markets Index with effect from 1 June 2014 which has led to an increase in interest and investment from international institutional investors in Dubai.

Nasdaq Dubai's standards are comparable to those of leading international exchanges New York, London and Hong Kong. Nasdaq Dubai allows regional and international issuer's access to regional and international investors through primary or dual listings. Investors can access Nasdaq Dubai through a unique mix of regional and international brokers.

Nasdaq Dubai currently lists equities, equity derivatives, Dubai gold securities, structured products, sukuk and conventional bonds. Nasdaq Dubai listed eleven sukuk with a total nominal value of U.S.\$10.25 billion listed during 2017, maintaining its position as one of the world's largest exchanges for sukuk.

Equity listings on Nasdaq Dubai include DP World Limited, which had the Middle East's largest IPO in 2007 at U.S.\$5.0 billion, as well as Depa Limited and Orascom Construction Limited.

The following table sets out the number of traded shares, the value of traded shares and the number of executed transactions on Nasdaq Dubai, the market capitalisation of Nasdaq Dubai and the closing price as at 31 December of the FTSE Nasdaq Dubai UAE 20 Index (which tracks 20 liquid stocks listed on the DFM, the Abu Dhabi Securities Exchange and Nasdaq Dubai) in each of the years 2015 to 2019:

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|--|-------------|-------------------------|-------------|-------------------------|-------------|
| Trading volume (<i>millions</i>)..... | 218.6 | 138.2 | 273.2 | 164.6 | 150.8 |
| Trading value (<i>AED millions</i>)..... | 5,019.9 | 4,563.7 | 4,883.7 | 4,234.4 | 5,920.9 |
| Number of transactions..... | 30,637 | 22,913 | 29,518 | 29,057 | 40,724 |
| Market capitalisation (<i>AED millions</i>) | 67,568.5 | 58,118.1 | 82,821.9 | 63,666.3 ⁽²⁾ | 44,220.0 |
| FTSE Nasdaq Dubai UAE 20 year-end closing price..... | 3,063.35 | 3,293.85 ⁽¹⁾ | 3288.69 | 3074.32 | 3,184.38 |

Sources: Dubai Statistics Centre, Nasdaq Dubai.

Notes:

⁽¹⁾ As at 29 December 2016.

⁽²⁾ As at 30 September 2018.

⁽³⁾ No published information available as of the date of this Prospectus.

TAXATION

The following is a general description of certain tax considerations relating to the Capital Securities. It does not purport to be a complete analysis of all tax considerations relating to the Capital Securities and does not constitute legal or tax advice. Prospective purchasers of Capital Securities should consult their tax advisers as to the consequences under the tax laws of the countries of their respective citizenship, residence or domicile of acquiring, holding and disposing of Capital Securities and receiving payments under the Capital Securities. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

Dubai and the United Arab Emirates

The following summary of the anticipated tax treatment in the UAE in relation to payments on the Capital Securities is based on the taxation law and practice in force at the date of this Prospectus and does not constitute legal or tax advice and prospective investors should be aware that the relevant fiscal rules and practice and their interpretation may change. Prospective investors should consult their own professional advisers on the implications of subscribing for, buying, holding, selling or disposing of Capital Securities and the receipt of any payments with respect to the Capital Securities under the laws of the jurisdictions in which they may be liable to taxation.

There is currently in force in Dubai legislation establishing a general corporate taxation regime (the Dubai Income Tax Decree 1969 (as amended)). The regime is, however, not enforced save in respect of companies active in the hydrocarbon industry, some related service industries and branches of foreign banks operating in the UAE. It is not known whether the legislation will or will not be enforced more generally or within other industry sectors in the future. Under current legislation, there is no requirement for withholding or deduction for or on account of UAE or Dubai taxation in respect of payments of interest and principal to any holder of the Capital Securities. In the event of such imposition of any such withholding, the Issuer has undertaken to gross-up any payments of interest (but not principal) subject to certain limited exceptions.

The Constitution of the UAE specifically reserves to the UAE government the right to raise taxes on a federal basis for the purposes of funding its budget. It is not known whether this right will be exercised in the future.

The UAE has entered into double taxation arrangements with certain other countries, but these are not extensive in number.

The Proposed Financial Transactions Tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in the Capital Securities (including secondary market transactions) in certain circumstances. The issuance and subscription of Capital Securities should, however, be exempt.

Under the Commission's proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Capital Securities where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including: (i) by transacting with a person established in a participating Member State; or (ii) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Capital Securities are advised to seek their own professional advice in relation to the FTT.

Foreign Account Tax Compliance Act

Pursuant to sections 1471 to 1474 (inclusive) of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "**foreign financial institution**" (as defined by FATCA) may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including the UAE) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Capital Securities, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Capital Securities, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Capital Securities, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Capital Securities. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Capital Securities, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

Pursuant to a subscription agreement (the "**Subscription Agreement**") dated 19 October 2020 between the Issuer and the Joint Lead Managers, the Issuer has agreed to issue U.S.\$600,000,000 in aggregate principal amount of the Capital Securities and subject to certain conditions, the Joint Lead Managers have jointly and severally agreed to subscribe or procure subscribers for the Capital Securities at the issue price of 100 per cent. of the principal amount of Capital Securities.

The Joint Lead Managers will be paid certain commissions in respect of their services for managing the issue and offering of the Capital Securities. The Issuer has agreed to reimburse the Joint Lead Managers for certain of their expenses in connection with the issue of Capital Securities and to indemnify the Joint Lead Managers against certain liabilities incurred by them in connection therewith.

United States

The Capital Securities have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Joint Lead Manager has represented and agreed that it has not offered, sold or delivered any Capital Securities, and will not offer, sell or deliver any Capital Securities: (a) as part of their distribution at any time; or (b) otherwise until 40 days after the completion of the distribution of all Capital Securities, other than in accordance with Rule 903 of Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of the Capital Securities, an offer or sale of the Capital Securities within the United States by any dealer/manager (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

United Kingdom

Each Joint Lead Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 ("**FSMA**")) received by it in connection with the issue or sale of any Capital Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Capital Securities in, from or otherwise involving the UK.

Prohibition of Sales to EEA and UK Retail Investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Capital Securities to any retail investor in the EEA or in the UK. For the purposes of this provision, the expression "**retail investor**" means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (b) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Kingdom of Bahrain

Each Joint Lead Manager has represented and agreed that it has not offered or sold, and will not offer or sell, any Capital Securities in the Kingdom of Bahrain except on a private placement basis to persons in the Kingdom of Bahrain who are "accredited investors".

For this purpose, an "**accredited investor**" means:

- (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more excluding that person's principal place of residence;
- (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or
- (c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

State of Qatar (including the Qatar Financial Centre)

Each Joint Lead Manager has represented and agreed that it has not offered, delivered or sold, and will not offer, deliver or sell, at any time, directly or indirectly, any Capital Securities in the State of Qatar (including the Qatar Financial Centre), except: (a) in compliance with all applicable laws and regulations of the State of Qatar (including the Qatar Financial Centre); and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar (including the Qatar Financial Centre). This Prospectus has not been filed with, reviewed or approved by the Qatar Central Bank, the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority or any other relevant Qatar governmental body or securities exchange and may not be publicly distributed in the State of Qatar (including the Qatar Financial Centre).

Kingdom of Saudi Arabia

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Capital Securities. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a "**Saudi Investor**") who acquires any Capital Securities pursuant to an offering should note that the offer of Capital Securities is a private placement under Article 9 or Article 10 of the "Rules on the Offer of Securities and Continuing Obligations" as issued by the Board of the Capital Market Authority resolution number 3-123-2017 dated 27 December 2017, as amended by the Board of the Capital Market Authority resolution number 1-104-2019 dated 30 September 2019 (the "**KSA Regulations**"), made through a person authorised by the Capital Market Authority ("**CMA**") to carry on the securities activity of arranging and following a notification to the CMA under Article 11 of the KSA Regulations.

The Capital Securities may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "sophisticated investors" under Article 9 of the KSA Regulations or by way of a limited offer under Article 10 of the KSA Regulations. Each Joint Lead Manager has represented that any offer of Capital Securities to a Saudi Investor will be made in compliance with Article 11 and either Article 9 or Article 10 of the KSA Regulations.

The offer of the Capital Securities shall not therefore constitute a "public offer", an "exempt offer" or a "parallel market offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 15 of the KSA Regulations. Any Saudi Investor who has acquired Capital Securities pursuant to a private placement under Article 9 or Article 10 of the KSA Regulations may not offer or sell those Capital Securities to any person unless the offer or sale is made through an authorised person appropriately licensed by the CMA and: (a) the Capital Securities are offered or sold to a Sophisticated Investor (as defined in Article 9 of the KSA Regulations); (b) the price to be paid for the Capital Securities in any one transaction is equal to or exceeds Saudi Riyals 1 million or an equivalent amount; or (c) the offer or sale is otherwise in compliance with Article 15 of the KSA Regulations.

Dubai International Financial Centre

Each Joint Lead Manager has represented and agreed that it has not offered and will not offer the Capital Securities to any person in the Dubai International Financial Centre unless such offer is:

- (a) an "Exempt Offer" in accordance with the Markets Rules (MKT) Module of the Dubai Financial Services Authority (the "**DFSA**") rulebook; and
- (b) made only to persons who meet the "Professional Client" criteria set out in Rule 2.3.3 of the Conduct of Business Module of the DFSA rulebook.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Joint Lead Manager has represented and agreed that the Capital Securities have not been and will not be offered, sold or publicly promoted or advertised by it in the UAE other than in compliance with any laws applicable in the UAE governing the issue, offering and sale of securities.

Hong Kong

Each Joint Lead Manager has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Capital Securities other than: (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding-Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "C(WUMPO)") or which do not constitute an offer to the public within the meaning of the C(WUMPO); and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue (in each case whether in Hong Kong or elsewhere), any advertisement, invitation or document relating to the Capital Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Capital Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Japan

The Capital Securities have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "FIEA") and each Joint Lead Manager has represented and agreed that it will not offer or sell any Capital Securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Malaysia

This Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia under the CMSA. Accordingly, each Joint Lead Manager has represented and agreed that the Capital Securities have not been and will not be offered, sold or delivered by it, and no invitation to subscribe for or purchase the Capital Securities has been or will be made, directly or indirectly, by it nor may any document or other material in connection therewith be distributed by it in Malaysia, other than to persons falling within any one of the categories of persons specified under Part I of Schedule 6 or Section 229(1)(b) and Part I of Schedule 7 or Section 230(1)(b) read together with Schedule 8 or Section 257(3), subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the Securities Commission of Malaysia and/or any other regulatory authority from time to time.

Singapore

Each Joint Lead Manager has acknowledged that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Capital Securities or caused the Capital Securities to be made the subject of an invitation for subscription or purchase and will not offer or sell any Capital Securities or cause the Capital Securities to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Capital Securities, whether directly or indirectly, to any person in Singapore other than: (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA; (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section

275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Where Capital Securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,
- (c) securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Capital Securities pursuant to an offer made under Section 275 of the SFA except:
 - (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
 - (ii) where no consideration is or will be given for the transfer;
 - (iii) where the transfer is by operation of law;
 - (iv) as specified in Section 276(7) of the SFA; or
 - (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

General

Each Joint Lead Manager has represented and agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers or sells any Capital Securities or possesses or distributes this Prospectus (in preliminary proof or final form) or any related offering material, in all cases at its own expense, and neither the Issuer nor any of the other Joint Lead Managers shall have any responsibility therefor.

Neither the Issuer nor any of the Joint Lead Managers has represented that the Capital Securities may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale. Persons into whose possession this Prospectus or the Capital Securities may come must inform themselves about, and observe, any applicable restrictions on the distribution of this Prospectus and the offering and sale of Capital Securities.

GENERAL INFORMATION

Authorisation

The issue of the Capital Securities by the Issuer was duly authorised by resolutions of the Board of Directors of the Issuer on 10 June 2020 and by the shareholders of the Issuer on 11 March 2020.

Approval of the Prospectus, Admission to Trading and Listing of Capital Securities

Application has been made to Euronext Dublin for the Capital Securities to be admitted to listing on the Irish Official List and to trading on the Regulated Market. It is expected that the listing of the Capital Securities on the Irish Official List and admission of the Capital Securities to trading on the Regulated Market will be granted on or around the Issue Date. The total expenses related to the admission to trading on the Regulated Market are estimated at €7,790.

Application has also been made to the DFSA for the Capital Securities to be admitted to the DFSA Official List and to Nasdaq Dubai for the Capital Securities to be admitted to trading on Nasdaq Dubai. It is expected that the listing of the Capital Securities on the DFSA Official List and admission of the Capital Securities to trading on Nasdaq Dubai will be granted on or around the Issue Date. The total expenses relating to the admission to trading of the Capital Securities on Nasdaq Dubai are estimated to be U.S.\$7,000.

Documents Available

For as long as the Capital Securities are outstanding, copies of the following documents will, when published, be available for inspection from the registered office of the Issuer, the specified offices of the Fiscal Agent for the time being in London and, in the case of the documents listed in paragraphs (a) to (e) below, at <https://www.cbd.ae/wholesale/about-cbd>:

- (a) the Memorandum and Articles of Association (with an English translation thereof) of the Issuer;
- (b) the unaudited condensed consolidated interim financial statements of the Issuer in respect of the six months ended 30 June 2020, together with the review report prepared in connection therewith;
- (c) the audited consolidated annual financial statements of the Issuer in respect of the financial years ended 31 December 2019 and 31 December 2018, in each case together with the audit reports prepared in connection therewith;
- (d) this Prospectus; and
- (e) the Agency Agreement (which contains the forms of the Global Certificate and the Individual Certificate) and the Deed of Covenant.

Clearing Systems and Identification Codes

The Capital Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The ISIN is XS2243350753 and the common code is 224335075. The Financial Instrument Short Name (FISN) is COM. BK OF DUBA/6 BD PERP JR SUB and the Classification of Financial Instruments (CFI) Code is DBFJPR, each as may be updated, as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the National Numbering Agency that assigned the ISIN.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1 210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg.

Legal Entity Identifier ("LEI")

The LEI code of the Issuer is 2138002DQL2YD4S8HE87.

Website of the Issuer

The website of the Issuer is <https://www.cbd.ae/>. The information on <https://www.cbd.ae/> does not form part of this Prospectus, except where that information has been incorporated by reference into this Prospectus.

Significant or Material Change

Save for the potential impact of COVID-19 as disclosed in "*Risk Factors – Risks Relating to CBD's Business*" and "*Description of CBD – Recent Developments*", there has been no significant change in the financial position or financial performance of the Group since 30 June 2020, nor any material adverse change in the prospects of the Issuer since 31 December 2019.

Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Issuer is aware) which may have, or have had during the twelve months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Issuer or the Group.

Independent Auditors

The current auditors of the Issuer are KPMG Lower Gulf Limited (Dubai Branch) (authorised and regulated under the Register of Practicing Accountants at the UAE Ministry of Economy and Planning as required by UAE Federal Law No. 22 of 1995) of Level 13, Boulevard Plaza Tower One, Mohammed Bin Rashid Boulevard, P.O. Box 3800 Downtown Dubai, United Arab Emirates.

The consolidated financial statements of the Issuer for the years ended 31 December 2019 and 31 December 2018 have been audited without qualification in accordance with International Standards on Auditing by KPMG, as stated in their reports, incorporated by reference herein.

Joint Lead Managers transacting with the Issuer

Certain of the Joint Lead Managers and their respective affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.

In the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. Certain of the Joint Lead Managers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Capital Securities. Any such short positions could adversely affect future trading prices of the Capital Securities. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. Such persons do not intend to disclose the extent of any such investment or transactions other than as may be required by law.

ISSUER

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To the Joint Lead Managers and Joint Bookrunners as to English law and Dubai law

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