Commercial Bank of Dubai PSC

Condensed consolidated interim financial statements

30 September 2013

Commercial Bank of Dubai PSC

Condensed consolidated interim financial statements
For the nine-month period ended 30 September 2013

Contents | ***Page***

ERNST & YOUNG

P.O. Box 9267
28th Floor - Al Attar Business Tower
Sheikh Zayed Road
Dubai, United Arab Emirates
Tel: +971 4 332 4000
Fax: +971 4 332 4004
dubai@ae.ey.com
www.ey.com/mena

REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF COMMERCIAL BANK OF DUBAI PSC

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of Commercial Bank of Dubai PSC (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated interim statement of financial position as at 30 September 2013 and the related consolidated interim statements of income and comprehensive income for the three month and nine month periods then ended and consolidated interim statement of cash flows and changes in equity for the nine month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review. The condensed consolidated interim financial statements of the Group as of 30 September 2012 and the consolidated financial statements of the Group as of 31 December 2012 were reviewed and audited respectively by another auditor whose reports dated 17 October 2012 and 6 February 2013 expressed unqualified conclusion and opinion on those financial statements respectively.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young

Ernst & Young
Signed by:
Joseph Murphy
Partner
Registration No. 492

23 October 2013
Dubai, United Arab Emirates

Commercial Bank of Dubai PSC

Consolidated interim statement of financial position

As at 30 September 2013

	Note	**30 September 2013 AED'000 (Unaudited)**	31 December 2012 AED'000 Audited	30 September 2012 AED'000 (Unaudited)
ASSETS				
Cash and balances with Central Bank	*5*	**4,626,044**	5,563,270	5,464,255
Due from banks	*6*	**1,194,830**	1,827,702	1,478,181
Loans and advances and Islamic financing	*7*	**30,445,706**	27,201,610	27,036,110
Investment securities	*8*	**3,584,092**	2,378,235	2,395,122
Investment in associate		**70,339**	61,374	60,429
Investment properties		**236,894**	166,115	168,003
Property and equipment		**347,406**	432,168	436,985
Other assets		**1,752,002**	1,719,455	2,005,473
Total assets		**42,257,313**	39,349,929	39,044,558
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks		**563,022**	434,864	239,404
Customers' deposits and Islamic customers' deposits	*9*	**28,723,991**	28,051,989	27,939,235
Notes and medium term borrowings	*10*	**4,019,576**	2,191,207	2,189,141
Other liabilities		**2,020,247**	1,861,285	1,988,036
Total liabilities		**35,326,836**	32,539,345	32,355,816
EQUITY				
Share capital	*11*	**2,038,352**	2,038,352	2,038,352
Legal reserve		**1,379,683**	1,379,683	1,379,683
Capital reserve		**38,638**	38,638	38,638
General reserve		**1,100,000**	1,100,000	1,100,000
Cumulative changes in fair values of AFS investments		**27,500**	22,533	14,974
Proposed cash dividend		-	611,506	-
Proposed directors' remuneration		-	11,000	-
Retained earnings		**2,346,304**	1,595,295	2,103,374
Equity attributable to equity holders of the parent		**6,930,477**	6,797,007	6,675,021
Non-controlling interest		-	13,577	13,721
Total equity		**6,930,477**	6,810,584	6,688,742
Total liabilities and equity		**42,257,313**	39,349,929	39,044,558

The condensed consolidated interim financial statements were approved by the Board of Directors on 23rd October 2013.

Mr. Saeed Ahmed Ghobash
Chairman

Mr. Peter Baltussen
Chief Executive Officer

The attached notes on pages 7 to 21 form part of these condensed consolidated interim financial statements.
The review report of the Auditors is set out on page 1.

Commercial Bank of Dubai PSC

Consolidated interim income statement
For the nine-month period ended 30 September 2013

	Note	Nine-month period ended 30 September 2013 AED'000 (Unaudited)	Nine-month period ended 30 September 2012 AED'000 (Unaudited)	Three-month period ended 30 September 2013 AED'000 (Unaudited)	Three-month period ended 30 September 2012 AED'000 (Unaudited)
Interest income and income from Islamic financing		**1,287,733**	1,275,205	**427,886**	426,952
Interest expense and distributions to Islamic depositors		**(242,378)**	(260,230)	**(76,581)**	(84,529)
Net interest income and net income from Islamic financing		**1,045,355**	1,014,975	**351,305**	342,423
Net fees and commission income		**265,874**	254,947	**91,125**	78,751
Net gains from foreign exchange and derivatives		**85,388**	93,324	**28,623**	30,144
Net gains from investments at fair value through profit or loss - held for trading		**848**	1,309	**980**	266
Net gains from sale of available-for-sale investments		**26,816**	5,644	**37**	2,782
Dividend and other investment income		**6,680**	6,732	**1,007**	1,094
Share of profit of associate		**14,814**	6,236	**4,417**	2,782
Other income		**22,968**	22,548	**7,761**	6,973
Total operating income before provisions		**1,468,743**	1,405,715	**485,255**	465,215
Impairment allowances on loans and advances and Islamic financing	7	**(281,372)**	(295,584)	**(76,330)**	(101,006)
Recoveries		**21,053**	53,524	**7,857**	35,319
Net operating income		**1,208,424**	1,163,655	**416,782**	399,528
General and administrative expenses		**(421,679)**	(380,952)	**(150,375)**	(129,579)
Depreciation and amortization		**(35,210)**	(38,521)	**(11,390)**	(12,195)
Total operating expenses		**(456,889)**	(419,473)	**(161,765)**	(141,774)
Net profit for the period		**751,535**	744,182	**255,017**	257,754
Attributed to :					
Equity holders of the parent		**751,535**	743,041	**254,747**	257,384
Non-controlling interest		**-**	1,141	**270**	370
Net profit for the period		**751,535**	744,182	**255,017**	257,754
Basic and diluted earnings per share	12	**AED 0.37**	AED 0.36	**AED 0.13**	AED 0.13

The attached notes on pages 7 to 21 form part of these condensed consolidated interim financial statements.

The review report of the Auditors is set out on page 1.

Commercial Bank of Dubai PSC

Consolidated interim statement of comprehensive income

For the nine-month period ended 30 September 2013

	Nine-month period ended		Three-month period ended	
	30 September 2013 AED'000 (Unaudited)	30 September 2012 AED'000 (Unaudited)	**30 September 2013 AED'000 (Unaudited)**	30 September 2012 AED'000 (Unaudited)
Net profit for the period	**751,535**	744,182	**255,017**	257,754
Other comprehensive income*:				
Changes in available-for-sale investments:				
Realised gains on sale of available-for-sale investments	**(26,816)**	(5,644)	**(37)**	(2,782)
Amortisation of reclassified investments	**3,608**	15,703	**-**	2,293
Share of other comprehensive income of associate	**-**	1,758	**-**	196
Revaluation of available-for-sale investments	**28,175**	71,526	**59,565**	42,172
Net change in available-for-sale investments	**4,967**	83,343	**59,528**	41,879
Other comprehensive income for the period	**4,967**	83,343	**59,528**	41,879
Total comprehensive income for the period	**756,502**	827,525	**314,545**	299,633
Attributed to:				
Equity holders of the parent	**756,502**	826,384	**314,275**	299,263
Non-controlling interest	**-**	1,141	**270**	370
Total comprehensive income for the period	**756,502**	827,525	**314,545**	299,633

*All items included in other comprehensive income (as above) for the nine month ended September 2013 and 2012 could be reclassified to income statement in subsequent periods.

The attached notes on pages 7 to 21 form part of these condensed consolidated interim financial statements.

The review report of the Auditors is set out on page 1.

Commercial Bank of Dubai PSC

Consolidated interim statement of changes in equity

For the nine-month period ended 30 September 2013

	Share capital	Legal reserve	Capital reserve	General reserve	Cumulative changes in fair values of AFS investments	Retained earnings	Proposed distributions	Attributable to equity of the parent	Non-Controlling interest	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
At 1 January 2012	1,941,287	1,379,683	38,638	1,100,000	(68,369)	1,454,749	399,257	6,245,245	15,284	6,260,529
Transactions with owners, recorded directly in equity										
Cash dividend paid for 2011 (20%)	-	-	-	-	-	-	(388,257)	(388,257)	-	(388,257)
Bonus shares issued for 2011 (5%)	97,065	-	-	-	-	(97,065)	-	-	-	-
Directors' remuneration paid for 2011	-	-	-	-	-	2,917	(11,000)	(8,083)	-	(8,083)
Share of Directors' remuneration of associate	-	-	-	-	-	(268)	-	(268)	-	(268)
Redemption of units of funds	-	-	-	-	-	-	-	-	(2,704)	(2,704)
Comprehensive income										
Net profit for the period	-	-	-	-	-	743,041	-	743,041	1,141	744,182
Other comprehensive income for the period	-	-	-	-	83,343	-	-	83,343	-	83,343
Total comprehensive income	-	-	-	-	83,343	743,041	-	826,384	1,141	827,525
At 30 September 2012 (Unaudited)	2,038,352	1,379,683	38,638	1,100,000	14,974	2,103,374	-	6,675,021	13,721	6,688,742
At 1 January 2013	**2,038,352**	**1,379,683**	**38,638**	**1,100,000**	**22,533**	**1,595,295**	**622,506**	**6,797,007**	**13,577**	**6,810,584**
Transactions with owners, recorded directly in equity										
Cash dividend paid for 2012 (30%)	-	-	-	-	-	-	**(611,506)**	**(611,506)**	-	**(611,506)**
Directors' remuneration paid for 2012	-	-	-	-	-	-	**(11,000)**	**(11,000)**	-	**(11,000)**
Share of Directors' remuneration of associate	-	-	-	-	-	**(526)**	-	**(526)**	-	**(526)**
Redemption of units of funds	-	-	-	-	-	-	-	-	**(13,577)**	**(13,577)**
Comprehensive income										
Net profit for the period	-	-	-	-	-	**751,535**	-	**751,535**	-	**751,535**
Other comprehensive income for the period	-	-	-	-	**4,967**	-	-	**4,967**	-	**4,967**
Total comprehensive income	-	-	-	-	**4,967**	**751,535**	-	**756,502**	-	**756,502**
At 30 September 2013 (Unaudited)	**2,038,352**	**1,379,683**	**38,638**	**1,100,000**	**27,500**	**2,346,304**	-	**6,930,477**	-	**6,930,477**

The attached notes on pages 7 to 21 form part of these condensed consolidated interim financial statements.

The review report of the Auditors is set out on page 1.

Commercial Bank of Dubai PSC

Consolidated interim statement of cash flows

For the nine-month period ended 30 September 2013

	Note	30 September 2013 AED'000 (Unaudited)	30 September 2012 AED'000 (Unaudited)
OPERATING ACTIVITIES			
Profit for the period		**751,535**	744,182
Adjustments for:			
Depreciation and amortization		**35,210**	38,521
Loss on disposal of property and equipment		**-**	116
Dividend net of investment losses		**6,665**	(4,912)
Loss on sale of subsidiary		**354**	-
Net unrealised loss / (gains) on investments at fair value through profit or loss - held for trading		**209**	(93)
Realised gains on sale of investments		**(27,268)**	(6,314)
Net unrealized income on derivatives		**(1,290)**	(479)
Increase in medium term borrowing		**6,199**	6,199
Directors' remuneration paid		**(11,000)**	(8,083)
Share of directors' remuneration of associate		**(526)**	(268)
		760,088	768,869
Increase in statutory reserve with the Central Bank		**(217,474)**	(185,948)
Increase in loans and advances and Islamic financing		**(3,244,096)**	(11,751)
(Increase) / decrease in other assets		**(99,554)**	8,958
(Increase) /decrease in due from banks with original maturity of more than three months		**(55,141)**	4,315
Increase / (decrease) in customers' deposits and Islamic customers' deposits		**672,002**	(484,195)
Increase in other liabilities		**227,259**	38,227
Increase in due to banks with original maturity of more than three months		**84,041**	-
Net cash flows (used in) / from operating activities		**(1,872,875)**	138,475
INVESTING ACTIVITIES			
Purchase of investments		**(2,482,682)**	(993,710)
Purchase of property and equipment		**(15,742)**	(17,555)
Increase in investment properties		**(5,485)**	(170)
Dividend income		**6,600**	3,581
Proceeds from sale of investments		**1,258,640**	476,002
Proceeds from sale of subsidiary		**14,234**	-
Proceeds from sale of property and equipment		**-**	241
Net cash flows used in investing activities		**(1,224,435)**	(531,611)
FINANCING ACTIVITIES			
Dividends paid		**(611,506)**	(388,257)
Notes and medium term borrowings		**1,822,170**	551,441
Net cash flows from financing activities		**1,210,664**	163,184
Net decrease in cash and cash equivalents		**(1,886,646)**	(229,952)
Cash and cash equivalents at 1 January		**5,083,345**	5,047,093
Cash and cash equivalents at the end of the period	*13*	**3,196,699**	4,817,141

The attached notes on pages 7 to 21 form part of these condensed consolidated interim financial statements.
The review report of the Auditors is set out on page 1.

1. LEGAL STATUS AND ACTIVITIES

Commercial Bank of Dubai PSC ("the Bank") was incorporated in Dubai, United Arab Emirates in 1969 and is registered as a Public Shareholding Company (PSC) in accordance with Federal Law No. 8 of 1984 (as amended). The Bank is listed on the Dubai Financial Market.

The condensed consolidated interim financial statements of the Bank for the nine-month period ended 30 September 2013 comprise the Bank, its subsidiaries "CBD Financial Services LLC" and "Al Dana Global Fixed Income Manager Selection Fund" (collectively referred to as "the Group"). CBD Financial Services was incorporated on 9 March 2005 in Dubai, United Arab Emirates and is registered as a limited liability company in accordance with Federal Law No. 8 of 1984 (as amended) and commenced its operations from 9 October 2005. The Bank effectively holds 100% interest in CBD Financial Services LLC. The Bank's principal activity is commercial banking while that of CBD Financial Services LLC is to act as a broker for shares and bonds. Al Dana Global Fixed Income Manager Selection Fund (fund) was sold during the quarter ended 30 September 2013. The fund was an open ended fund managed by CBD.

DISPOSAL OF A SUBSIDIARY
During August 2013, the Company sold its interest in Al Dana Global Fixed Income Fund. The carrying values of all identifiable assets and liabilities of the subsidiary transferred at the date of sale are as follows:

	AED'000
Details of	
Assets and liabilities transferred	**14,588**
Consideration received	**14,234**
Loss on sale	**(354)**

The related asset and liabilities have been derecognised on the date of disposal.

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

2. BASIS OF PREPARATION

(a) Statement of Compliance
The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") IAS 34 Interim Financial Reporting. These condensed consolidated interim financial statements do not include all the information required for full annual audited consolidated financial statements and should be read in conjunction with the audited consolidated financial statements of the Group as at and for the year ended 31 December 2012. In addition, results for the nine months ended 30 September 2013 are not necessarily indication of the results that may be expected for the financial year ending 31 December 2013.

(b) Use of estimates and judgment
The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty, as was the case in the annual audited consolidated financial statements of the Group as at and for the year ended 31 December 2012.

3. SIGNIFICANT ACCOUNTING POLICIES

The Group has consistently applied the accounting policies and methods of computation used for the preparation of last published annual audited consolidated financial statements as at and for the year ended 31 December 2012, except for adoption of new standards and interpretations effective as of 1 January 2013.

The Group has applied, IFRS 10 Consolidated Financial Statement for the first time during the first quarter of 2013.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including:

- An investor has power over an investee;
- The investor has exposure, or rights, to variable returns from its involvement with the investee; and
- The investor has the ability to use its power over the investee to affect the amount of the investor's returns.

Adoption of IFRS 10 caused Group's total assets and non-controlling interest to increase by AED 15.3 million as at 1 January 2012, AED 13.7 million as at 30th September 2012, AED 13.6 million as at 31st December 2012.

Several other new standards and amendments apply for the first time in 2013. However, the Group believes that they do not have any significant impact on the financial statements of the Group.

During the first quarter of 2013, the Group reassessed its relationship with National General Insurance Co. (P.S.C.) and designated it as an associate (previously classified as an available for sale investment) which was accounted for using equity method retrospectively. This resulted in total assets and total equity to decrease by AED 76 million, AED 46 million, AED 32 million and AED 23 million as at 1 January 2012, 30 September 2012, 31 December 2012 and 30 September 2013 respectively.

4. RISK GOVERNANCE AND FINANCIAL RISK MANAGEMENT

The Group's Risk Governance and Financial Risk Management objectives, policies and procedures are consistent with those disclosed in the annual audited consolidated financial statements as at and for the year ended 31 December 2012.

5. CASH AND BALANCES WITH CENTRAL BANK

	30 September 2013 AED'000 (Unaudited)	31 December 2012 AED'000 Audited
Cash on hand	**424,922**	430,153
Balances with Central Bank		
-Clearing account balances	**111,069**	260,538
-Statutory reserves	**2,090,053**	1,872,579
-Negotiable certificates of deposit	**2,000,000**	3,000,000
	4,626,044	5,563,270

All the above balances are held in accounts within UAE.

6. DUE FROM BANKS

	30 September 2013 AED'000 (Unaudited)	31 December 2012 AED'000 Audited
Current and demand deposits	**102,748**	136,350
Placements	**1,092,082**	1,691,352
	1,194,830	1,827,702

The Geographical concentration is as follows:

Within the U.A.E.	**809,722**	1,073,765
Outside U.A.E	**385,108**	753,937
	1,194,830	1,827,702

7. LOANS AND ADVANCES AND ISLAMIC FINANCING

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

	30 September 2013 AED'000 (Unaudited)	31 December 2012 AED'000 Audited
Loans and advances		
Overdrafts	**5,347,202**	5,862,726
Loans	**24,394,901**	20,590,920
Advances against letters of credit and trust receipts	**683,241**	847,520
Bills discounted	**676,828**	627,553
Gross loans and advances	**31,102,172**	27,928,719
Islamic financing		
Murabaha	**973,809**	906,952
Ijara	**833,617**	614,856
Musharaka	**108,013**	80,000
Others	**139,373**	44,920
Gross Islamic financing	**2,054,812**	1,646,728
Gross loans and advances and Islamic financing	**33,156,984**	29,575,447
Less: provision for impairment losses on loans and advances	**(2,711,278)**	(2,373,837)
Net loans and advances and Islamic financing	**30,445,706**	27,201,610

7. LOANS AND ADVANCES AND ISLAMIC FINANCING (CONTINUED)

Analysis by sector	30 September 2013 AED'000 (Unaudited)	31 December 2012 AED'000 Audited
Commercial and business:-		
Agriculture & allied activities	85,943	16,741
Mining & quarrying	69,072	60,544
Manufacturing	1,035,706	1,176,304
Construction & real estate	3,124,274	3,554,868
Trade	7,915,670	7,370,205
Transport & communication	479,050	316,315
Services	5,036,974	4,125,538
Business and investment	6,546,376	6,102,509
Total commercial and business	24,293,065	22,723,024
Banks and financial institutions	368,108	315,561
Government and public sector entities	5,367,076	3,488,873
Personal – schematic	2,737,327	2,174,539
Others	391,408	873,450
Gross loans and advances and Islamic financing	33,156,984	29,575,447
Less: Provisions for impairment losses	(2,711,278)	(2,373,837)
Net loans and advances and Islamic financing	30,445,706	27,201,610

The movement in provisions for impairment losses is as follows:

	Interest suspended AED'000	Specific provisions AED'000	Collective provisions AED'000	Total AED'000
Opening balance 1 January 2013	431,553	1,501,541	440,743	2,373,837
Interest not recognized / new provisions raised	150,442	275,483	5,889	431,814
Less:				
Written-Off	(15,770)	(11,161)	-	(26,931)
Recoveries /reversal to income	(54,697)	(12,745)	-	(67,442)
Closing Balance 30 September 2013 (Unaudited)	511,528	1,753,118	446,632	2,711,278

7. LOANS AND ADVANCES AND ISLAMIC FINANCING (CONTINUED)

	Interest suspended	Specific provisions	Collective provisions	Total
	AED'000	AED'000	AED'000	AED'000
Opening balance 1 January 2012	258,570	1,092,436	430,066	1,781,072
Interest not recognized / new provisions raised	139,866	292,884	2,700	435,450
Less:				
Written-Off	(9,975)	(1,910)	-	(11,885)
Recoveries / reversal to income	(12,882)	(44,678)	-	(57,560)
Closing Balance 30 September 2012 (Unaudited)	375,579	1,338,732	432,766	2,147,077

8. INVESTMENT SECURITIES

30 September 2013 (Unaudited)	**Domestic AED'000**	**GCC AED'000**	**International AED'000**	**Total AED'000**
Held for trading				
Equities	3,154	-	1,102	4,256
Fixed rate securities				
- Government	13,796	-	-	13,796
- Others	-	7,619	-	7,619
Available-for-sale				
Equities	164,346	-	-	164,346
Fund of funds	15,219	165,137	-	180,356
Fixed rate securities				
- Government	1,357,470	163,178	-	1,520,648
- Others	983,613	349,758	187,269	1,520,640
Floating rate non government securities	72,062	65,108	-	137,170
Held-to-maturity				
Floating rate non government securities	35,261	-	-	35,261
Total investment securities	2,644,921	750,800	188,371	3,584,092

31 December 2012 (Audited)	**Domestic AED'000**	**GCC AED'000**	**International AED'000**	**Total AED'000**
Held for trading				
Equities	652	-	543	1,195
Fixed rate securities				
- Government	3,526	-	-	3,526
- Others	7,695	5,516	-	13,211
Available-for-sale				
Equities	77,446	-	-	77,446
Fund of funds	40,245	63,650	-	103,895
Fixed rate securities				
- Government	534,165	146,314	-	680,479
- Others	468,894	106,780	-	575,674
Floating rate non government securities	211,239	63,267	-	274,506
Held-to-maturity				
Fixed rate government securities	178,585	-	-	178,585
Floating rate securities				
- Government	434,457	-	-	434,457
- others	35,261	-	-	35,261
Total investment securities	1,992,165	385,527	543	2,378,235

9. CUSTOMERS' DEPOSITS AND ISLAMIC CUSTOMERS' DEPOSITS

Customers' deposits	**30 September 2013 AED'000 (Unaudited)**	31 December 2012 AED'000 Audited
Current and demand accounts	**11,421,788**	10,523,573
Savings accounts	**1,357,460**	1,283,371
Time deposits	**10,144,322**	12,825,633
	22,923,570	24,632,577
Islamic customers' deposits		
Current and demand accounts	**738,527**	425,322
Mudaraba saving	**323,746**	253,105
Investment deposits and Wakala	**4,738,148**	2,740,985
	5,800,421	3,419,412
Total customers' deposits and Islamic customers' deposits	**28,723,991**	28,051,989

Subordinated term loans

Customers' deposits included deposits received by the Group in 2008, aggregating to AED *1,841.526 million* from the UAE Ministry of Finance. On 9 December 2009 (the re-categorization date), the Group entered into an agreement with the UAE Ministry of Finance, by which these deposits were subordinated to other claims and were treated as lower Tier 2 capital in agreement with the UAE Central Bank. The subordinated 7 years term loan bore a fixed interest rate of 4% per annum for first two years and steps up to 4.5% per annum and 5% per annum in the third and fourth years and from fifth years onwards to 5.25% per annum. Interest was payable quarterly from the date of re-categorization.

The agreement contained certain conditions relating to the Group's minimum Tier 1 Capital requirement and also stipulated certain conditions under which MOF had the right to convert the loan amount together with accrued interest into share capital upon occurrence of the conversion events as per the terms of the agreement.

The Bank had the option at any time during the option period to repay the loans in whole or in part subject to meeting certain conditions. The Group exercised this option and repaid the entire loan in two tranches: AED 1,500 million in May 2013 and AED 341.526 million in July 2013.

10. NOTES AND MEDIUM TERM BORROWINGS

Syndicated loan

In August 2011, the Group entered into a club deal of USD 450 million to replace the syndicated loan arrangement of USD 400 million for a term of 3 years with an option to roll over on a quarterly or semi-annual basis. The arrangement carries interest at the rate of 3 month LIBOR plus 175 basis points payable on a quarterly basis. The club deal was prepaid by the Group in October 2013.

Repurchase agreements

In July 2012, the Group entered into Repo transactions to obtain financing against the sale of certain debt securities, amounting to USD 150.1 million with arrangements to repurchase them at a fixed future date in July 2017.

Euro medium term notes

CBD has activated its Euro Medium Term Note (EMTN) program which was launched in 2008. The maximum issuance under the program is USD 2 billion. These notes can be distributed by way of private or public placements and in each case on a syndicated or non-syndicated basis. These notes can be priced at fixed rate, floating rate or can be index linked.

In May 2013, CBD issued USD 500 million of conventional bonds. These notes were priced at 3.375 per cent fixed rate and mature on 21 May 2018.

11. EQUITY

Share capital

The issued and fully paid up ordinary share capital as at 30 September 2013 comprised 2,038,351,976 ordinary shares of AED 1 each *(31 December 2012: 2,038,351,976 shares of AED 1 each).*

12. BASIC AND DILUTED EARNINGS PER SHARE

The earnings per share is based on the Group's profit for the nine and three month period ended 30 September 2013 attributable to the shareholders amounting to AED 751.5 million and AED 255 million respectively (*nine and three month period ended 30 September 2012: AED 743 million and AED 257.4 million respectively)*, and on the weighted average number of shares in issue totaling 2,038,351,976 (30 September 2012: 2,038,351,976).

13. CASH AND CASH EQUIVALENTS

	30 September 2013 AED'000 (Unaudited)	30 September 2012 AED'000 (Unaudited)
Cash in hand	**424,922**	422,455
Balances with the Central Bank	**111,069**	456,380
Negotiable certificates of deposit with the Central Bank	**2,000,000**	2,700,000
Due from banks with original maturities less than three months	**1,139,689**	1,477,710
	3,675,680	5,056,545
Due to banks with original maturities less than three months	**(478,981)**	(239,404)
	3,196,699	4,817,141

14. CONTINGENT LIABILITIES AND COMMITMENTS

The Group in the ordinary course of business enters into various types of transactions that involve undertaking certain commitments such as letters of credit, guarantees and undrawn loan commitments.

	30 September 2013 AED'000 (Unaudited)	31 December 2012 AED'000 Audited
Contingent liabilities:		
Letters of credit	**1,299,691**	967,836
Guarantees	**5,323,186**	5,555,384
	6,622,877	6,523,220
Credit commitments:		
Undrawn commitments to extend credit	**8,913,717**	8,969,201
Total contingent liabilities and credit commitments	**15,536,594**	15,492,421

15. SEGMENTAL REPORTING

The primary format, business segments, is based on the Group's management and internal reporting structure that are regularly reviewed by the Business Committee in order to allocate resources to the segment and to assess its performance.

Business segments pay to and receive interest from the Central Treasury on an arm's length basis to reflect the allocation of capital and funding costs.

Business segments

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

Interest is charged or credited to business segments and branches to match funding transfer pricing rates which approximate the replacement cost of funds. Other central costs are allocated to business segments on a reasonable basis.

Geographical

The Group operates in one geographic area, the United Arab Emirates.

15. SEGMENTAL REPORTING (CONTINUED)

Segmental analysis for the nine-month period was as follows:

	Corporate banking AED'000	Commercial banking AED'000	Personal banking AED'000	Treasury & investments AED'000	Total AED'000
30 September 2013 (Unaudited)					
Assets	**22,120,039**	**7,519,191**	**3,059,764**	**9,558,319**	**42,257,313**
Liabilities	**13,293,728**	**9,079,904**	**8,327,585**	**4,625,619**	**35,326,836**
31 December 2012(Audited)					
Assets	20,650,078	6,365,669	2,429,407	9,904,775	39,349,929
Liabilities	14,792,505	8,401,071	6,712,581	2,633,188	32,539,345
30 September 2013 (Unaudited)					
Net interest income and income from Islamic financing	**544,227**	**343,696**	**152,922**	**4,510**	**1,045,355**
Inter segment income	**(55,071)**	**6,909**	**17,905**	**30,257**	**-**
Other operating income	**168,314**	**115,303**	**51,604**	**88,167**	**423,388**
Total income	**657,470**	**465,908**	**222,431**	**122,934**	**1,468,743**
Allocated cost	**92,967**	**197,749**	**110,991**	**19,972**	**421,679**
Impairment allowances net of recoveries	**233,785**	**45,219**	**(18,685)**	**-**	**260,319**
Depreciation and amortization	**15,628**	**8,036**	**10,658**	**888**	**35,210**
Total expenses	**342,380**	**251,004**	**102,964**	**20,860**	**717,208**
Net profit for the period	**315,090**	**214,904**	**119,467**	**102,074**	**751,535**
30 September 2012 (Unaudited)					
Net interest income and income from Islamic financing	519,962	334,606	140,056	20,351	1,014,975
Inter segment income	(74,127)	9,300	24,100	40,727	-
Other operating income	152,016	125,640	42,326	70,758	390,740
Total income	597,851	469,546	206,482	131,836	1,405,715
Allocated cost	89,846	174,244	103,860	13,002	380,952
Impairment allowances net of recoveries	210,333	16,653	15,074	-	242,060
Depreciation and amortization	15,917	8,185	10,493	3,926	38,521
Total expenses	316,096	199,082	129,427	16,928	661,533
Net profit for the period	281,755	270,464	77,055	114,908	744,182

16. FINANCIAL ASSETS AND LIABILITIES

16.1 Financial assets and liabilities classification

The table below sets out the Group's assets and liabilities classification in accordance with the categories of financial instruments in IAS 39:

		Amortized Cost				
	Fair value through Profit or loss AED'000	Held-to-maturity AED'000	Loans and receivables AED'000	Available-for-sale at fair value AED'000	Other amortized cost AED'000	Total carrying amount AED'000
30 September 2013 (Unaudited)						
Cash and balances with central bank	-	-	-	-	4,626,044	4,626,044
Due from banks	-	-	-	-	1,194,830	1,194,830
Loans and advances and Islamic financing	-	-	30,445,706	-	-	30,445,706
Investment securities	25,671	35,261	-	3,523,160	-	3,584,092
Other assets	15,237	-	-	-	1,607,880	1,623,117
Total financial asset	40,908	35,261	30,445,706	3,523,160	7,428,754	41,473,789
Due to banks	-	-	-	-	563,022	563,022
Customers' deposits and Islamic customers' deposits	-	-	-	-	28,723,991	28,723,991
Notes and medium term borrowing	-	-	-	-	4,019,576	4,019,576
Other liabilities	12,194	-	-	-	1,948,966	1,961,160
Total financial liabilities	12,194	-	-	-	35,255,555	35,267,749
31 December 2012 (Audited)						
Cash and balances with central bank	-	-	-	-	5,563,270	5,563,270
Due from banks	-	-	-	-	1,827,702	1,827,702
Loans and advances and Islamic financing	-	-	27,201,610	-	-	27,201,610
Investment securities	17,932	648,303	-	1,712,000	-	2,378,235
Other assets	2,113	-	-	-	1,601,799	1,603,912
Total financial assets	20,045	648,303	27,201,610	1,712,000	8,992,771	38,574,729
Due to banks	-	-	-	-	434,864	434,864
Customers' deposits and Islamic customers' deposits	-	-	-	-	28,051,989	28,051,989
Notes and medium term borrowing	-	-	-	-	2,191,207	2,191,207
Other liabilities	360	-	-	-	1,805,613	1,805,973
Total financial liabilities	360	-	-	-	32,483,673	32,484,033

16. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

16.2 Fair value measurement – Fair value hierarchy:

The below table, shows the hierarchy used by the Group to determine the fair value of the financial assets and financial liabilities carried at fair value:

30 September 2013 (Unaudited)	**Level 1 AED'000**	**Level 2 AED'000**	**Level 3 AED'000**
Investments			
Equity	**151,642**	**16,960**	**-**
Fund of funds	**-**	**180,356**	**-**
Fixed and floating rate securities	**3,199,873**	**-**	**-**
Forward foreign exchange contracts and other derivatives (net)	**-**	**3,043**	**-**
	3,351,515	**200,359**	**-**

31 December 2012 (Audited)	**Level 1 AED'000**	**Level 2 AED'000**	**Level 3 AED'000**
Investments			
Equity	60,405	18,236	-
Fund of funds	-	103,895	-
Fixed and floating rate securities	1,547,396	-	-
Forward foreign exchange contracts and other derivatives (net)	-	1,753	-
	1,607,801	123,884	-

During the period there were no transfers between Level 1 and Level 2 of the fair value hierarchy above and no transfer into and out of level 3 fair value measurements. Further, there has been no change in the valuation techniques in relation to valuation of financial instruments during the period.

17. RELATED PARTY TRANSACTIONS

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

	Directors and key management personnel		**Other related parties**	
	30 September 2013 AED'000 (Unaudited)	31 December 2012 AED'000 Audited	**30 September 2013 AED'000 (Unaudited)**	31 December 2012 AED'000 Audited
Loans and advances	**218,716**	205,428	**1,882,105**	1,101,168
Due from Banks	**-**	-	**250,000**	510,181
Investment securities	**-**	-	**446,112**	494,261
Deposits	**12,014**	6,282	**4,575,146**	3,724,772

	30 September 2013 AED'000 (Unaudited)	30 September 2012 AED'000 (Unaudited)	**30 September 2013 AED'000 (Unaudited)**	30 September 2012 AED'000 (Unaudited)
Interest income	**7,020**	5,918	**39,219**	27,932
Interest expense	**9**	13	**29,949**	15,520

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

Other related parties represent major shareholders and parties related to Directors, key management personnel.

No provisions for impairment have been recognised in respect of loans given to related parties *(31 December 2012: NIL).*

The loans issued to directors are unsecured and repayable monthly over a maximum period of 5 years *(31 December 2012: 5 years)* and carry interest at the rates comparable to the third party loans.

17. RELATED PARTY TRANSACTIONS (CONTINUED)

Key management compensation

	30 September 2013 AED'000 (Unaudited)	30 September 2012 AED'000 (Unaudited)
Salaries	**8,037**	8,391
Post-employment benefits	**1,054**	400
Other benefits	**4,981**	6,108

18. CAPITAL ADEQUACY

The Group's regulatory capital adequacy ratio is set by the Central Bank of UAE ('the Central Bank'). The Group has complied with all externally imposed capital requirements throughout the period. There have been no material changes in the Group's management of capital during the period. The capital adequacy ratio should be a minimum of 12% analysed into two Tiers, of which Tier 1 capital adequacy must not be less than 8% as mandated by the Central Bank.

The Group's objectives when managing capital are as follows:

- Safeguard the Group's ability to continue as a going concern and increase returns for shareholders; and
- Comply with regulatory capital requirements set by the Central Bank of the UAE.

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

- Tier 1 capital, which includes ordinary share capital, translation reserve and retained earnings; and
- Tier 2 capital, which includes fair value reserves relating to unrealized gains / losses on investments classified as available-for-sale and derivatives held as cash flow hedges, general collective provision and subordinated term loans.

  The following limits have been applied for Tier 2 capital:

  - Total tier 2 capital shall not exceed 67% of tier 1 capital;
  - Subordinated liabilities shall not exceed 50% of total tier 1 capital; and
  - General Collective provision shall not exceed 1.25% of total risk weighted assets.

18. CAPITAL ADEQUACY (CONTINUED)

The table below summarizes the composition of regulatory capital and capital adequacy ratio calculation as per Basel II, of the Group:

	30 September 2013 AED'000 (Unaudited)	31 December 2012 AED'000 (Audited)
Core tier 1 capital		
Share capital	**2,038,352**	2,038,352
Legal reserve	**1,379,683**	1,379,683
General reserve	**1,100,000**	1,100,000
Non -controlling interests	-	13,577
Retained earnings	**2,346,304**	1,595,295
Tier 1 capital	**6,864,339**	6,126,907
Upper tier 2 capital		
Fair value reserve	**12,375**	10,140
Collective provisions	**446,632**	432,145
	459,007	442,285
Lower tier 2 capital		
Subordinated term loans*	-	1,473,221
Tier 2 capital	**459,007**	1,915,506
Deductions from Tier 1 & Tier 2		
Investments in un consolidated subsidiaries	**(10,000)**	(10,000)
Total capital base	**7,313,346**	8,032,413
Risk weighted assets (RWA) Pillar 1		
Credit risk	**34,547,263**	32,228,322
Market risk	**27,620**	8,909
Operation risk	**2,334,344**	2,334,344
Risk weighted assets	**36,909,227**	34,571,575
Tier 1 ratio	**18.60%**	17.72%
Capital adequacy ratio (Pillar) 1	**19.81%**	23.23%

* During the current period the Group prepaid the MOF deposits of AED 1.8 billion. These deposits were treated as Tier II capital in agreement with the UAE Central Bank.

19. COMPARATIVE FIGURES

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