

**The National Bank of Ras Al-Khaimah (P.S.C.)**

**Condensed interim financial information  
for the nine months ended 30 September 2008**

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**Review report to the Directors of  
The National Bank of Ras Al-Khaimah (P.S.C.)**

**Introduction**

We have reviewed the accompanying condensed interim balance sheet of The National Bank of Ras Al-Khaimah (P.S.C.) ("the Bank") as of 30 September 2008 and the related condensed income statement, statement of changes in shareholders' equity and cash flow statement for the nine month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 – Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

**Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of 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 interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 – Interim Financial Reporting.

PricewaterhouseCoopers  
22 October 2008



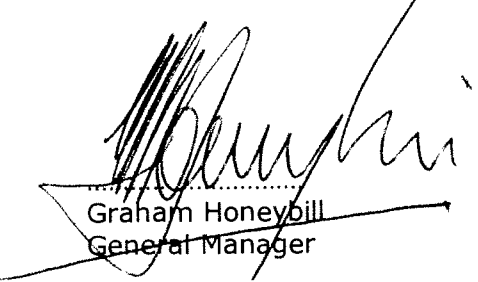
Amin H Nasser  
Registered Auditor Number 307  
Dubai, United Arab Emirates

# The National Bank of Ras Al-Khaimah (P.S.C.)

## Balance sheet

	Notes	30 September 2008 AED'000	31 December 2007 AED'000
<b>ASSETS</b>			
Cash and balances with the UAE Central Bank	3	1,169,953	1,493,604
Due from other banks		810,797	336,094
Loans and advances	4(a)	10,452,589	8,172,483
Investment securities	5	726,479	626,155
Property and equipment		117,699	115,834
Other assets		389,996	229,609
<b>Total assets</b>		<b>13,667,513</b>	<b>10,973,779</b>
<b>LIABILITIES</b>			
Due to other banks		329,861	233,613
Due to customers		9,333,852	7,239,466
Debt security in issue		1,643,765	1,642,984
Other liabilities		357,446	258,703
Provision for employees' end of service benefits		27,538	22,012
<b>Total liabilities</b>		<b>11,692,462</b>	<b>9,396,778</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	6	740,025	616,688
Share premium		110,350	110,350
Retained earnings		639,621	343,974
Other reserves	7	485,055	505,989
<b>Total shareholders' equity</b>		<b>1,975,051</b>	<b>1,577,001</b>
<b>Total liabilities and shareholders' equity</b>		<b>13,667,513</b>	<b>10,973,779</b>

This condensed interim financial information was approved by the Board on 22 October 2008 and was signed on its behalf by:

  
 Graham Honeybill  
 General Manager

# The National Bank of Ras Al-Khaimah (P.S.C.)

## Income statement

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2008 AED'000	2007 AED'000	2008 AED'000	2007 AED'000
Interest income		299,366	223,744	827,197	628,591
Interest expense		(56,167)	(76,545)	(182,069)	(229,948)
<b>Net interest income</b>		<u>243,199</u>	<u>147,199</u>	<u>645,128</u>	<u>398,643</u>
Fee and commission income		89,054	69,774	281,109	209,495
Foreign exchange income		10,671	7,014	34,357	19,338
Investment income		5,704	6,848	25,378	21,043
Other operating income		4,957	5,231	10,882	9,155
<b>Operating income</b>		<u>353,585</u>	<u>236,066</u>	<u>996,854</u>	<u>657,674</u>
Operating expenses		(167,625)	(111,180)	(473,183)	(308,173)
Provision for impairment of loans and advances	4(c)	(16,927)	(14,960)	(43,019)	(57,448)
<b>Net profit for the period</b>		<u>169,033</u>	<u>109,926</u>	<u>480,652</u>	<u>292,053</u>
<b>Earnings per share</b>					
Basic	10	<u>AED 0.228</u>	<u>AED 0.149</u>	<u>AED 0.650</u>	<u>AED 0.395</u>

## The National Bank of Ras Al-Khaimah (P.S.C.)

### Statement of changes in shareholders' equity

	Share capital AED'000	Share premium AED'000	Retained earnings AED'000	Other reserves AED'000	Total AED'000
<b>At 1 January 2007</b>	536,250	110,350	234,688	365,810	1,247,098
Issue of bonus shares (Note 6)	80,438	-	(80,438)	-	-
Dividend (Note 6)	-	-	(80,438)	-	(80,438)
Net changes in fair value of available-for-sale investment securities (Note 5)	-	-	-	1,196	1,196
Net profit for the period	-	-	292,053	-	292,053
<b>At 30 September 2007</b>	<u>616,688</u>	<u>110,350</u>	<u>365,865</u>	<u>367,006</u>	<u>1,459,909</u>
<b>At 1 January 2008</b>	616,688	110,350	343,974	505,989	1,577,001
Issue of bonus shares (Note 6)	123,337	-	(123,337)	-	-
Dividend (Note 6)	-	-	(61,668)	-	(61,668)
Net changes in fair value of available-for-sale investment securities (Note 5)	-	-	-	(20,934)	(20,934)
Net profit for the period	-	-	480,652	-	480,652
<b>At 30 September 2008</b>	<u>740,025</u>	<u>110,350</u>	<u>639,621</u>	<u>485,055</u>	<u>1,975,051</u>

# The National Bank of Ras Al-Khaimah (P.S.C.)

## Cash flow statement

		<u>Nine months ended 30 September</u>	
		2008	2007
	Notes	AED'000	AED'000
<b>Operating activities</b>			
Net profit for the period		480,652	292,053
Adjustments:			
Net charge for provision for impairment of loans and advances	4(c)	43,019	57,448
Depreciation		19,408	16,355
Provision for employees' end of service benefits		8,256	7,482
Gain on disposal of property and equipment		(105)	(126)
Amortisation of discount relating to debt security in issue		781	739
Amortisation of discount relating to securities held to maturity	5	(71)	(105)
Operating cash flows before changes in assets and liabilities		551,940	373,846
Payment of employees' end of service benefits		(2,730)	(2,248)
Changes in assets and liabilities:			
Deposits with the UAE Central Bank		25,060	(159,140)
Due from other banks with maturities over three months		11,264	-
Loans and advances net of provisions for impairment and amounts written off/(back)		(2,323,125)	(1,023,560)
Other assets		(160,387)	(38,699)
Due to other banks		96,248	(69,960)
Due to customers		2,094,386	1,187,986
Other liabilities		98,743	131,841
Net cash generated from operating activities		391,399	400,066
<b>Investing activities</b>			
Purchase of investment securities	5	(201,437)	(18,365)
Proceeds from maturity of investment securities	5	80,250	-
Purchase of property and equipment		(21,416)	(37,148)
Proceeds from disposal of property and equipment		248	326
Net cash used in investing activities		(142,355)	(55,187)
<b>Financing activities</b>			
Dividends paid	6	(61,668)	(80,438)
<b>Net increase in cash and cash equivalents</b>		187,376	264,441
Cash and cash equivalents, beginning of the period		747,837	962,599
Cash and cash equivalents, end of the period	12	935,213	1,227,040

# **The National Bank of Ras Al-Khaimah (P.S.C.)**

## **Notes to the condensed interim financial information for the nine months ended 30 September 2008**

### **1 Incorporation and principal activities**

The National Bank of Ras Al-Khaimah ("the Bank") is a public shareholding company incorporated in the Emirate of Ras Al-Khaimah in the United Arab Emirates ("UAE"). The head office of the Bank is located at National Bank of Ras Al-Khaimah building, Oman Street, Al Nakheel, Ras Al-Khaimah.

The Bank is engaged in providing commercial banking services through a network of 24 branches in the UAE.

### **2 Significant accounting policies**

The condensed interim financial information is prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". The condensed interim financial information is prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets and derivative financial instruments.

The accounting policies applied in the preparation of the condensed interim financial information are consistent with those applied in the annual financial statements for the year ended 31 December 2007.

The condensed interim financial information should therefore be read in conjunction with the year ended 31 December 2007 financial statements.

Costs that occur unevenly during the financial year are anticipated or deferred in the condensed interim financial information only if it would also be appropriate to anticipate or defer such costs at the end of the financial year.

#### Standard, amendments and interpretations to published standards

The following interpretations and amendment are mandatory for the first time for the financial year beginning 1 January 2008:

- IFRIC 11, 'IFRS 2 – Group and treasury share transactions';
- IFRIC 12, 'Service concession arrangements';
- IFRIC 14, 'IAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction';
- IAS 39, 'Financial instruments: Recognition and measurement' (amendment) and IFRS 7, 'Financial instruments: Disclosures' (amendment) – Reclassification of financial assets.



# **The National Bank of Ras Al-Khaimah (P.S.C.)**

## **Notes to the condensed interim financial information for the nine months ended 30 September 2008** (continued)

### **2 Significant accounting policies** (continued)

#### Standard, amendments and interpretations to published standards (continued)

The following new standard, amendments and interpretation to published standards have been issued but are not effective for the financial year beginning 1 January 2008 and have not been early adopted by the Bank:

- IFRIC 13, 'Customer loyalty programmes', effective for annual periods beginning on or after 1 July 2008;
- IFRS 8, 'Operating segments', effective for annual periods beginning on or after 1 January 2009. IFRS 8 replaces IAS 14, 'Segment reporting', and requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes;
- IAS 23 (amendment), 'Borrowing costs', effective for annual periods beginning on or after 1 January 2009;
- IFRS 2 (amendment) 'Share-based payment', effective for annual periods beginning on or after 1 January 2009;
- IAS 1 (amendment), 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009;
- IAS 32 (amendment), 'Financial instruments: presentation', and consequential amendments to IAS 1, 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009; and
- IFRS 3 (amendment), 'Business combinations' and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates' and IAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

Management has assessed the relevance of the above standard, amendments and interpretations to published standards effective in 2008 or later periods, with respect to the Bank's operations, and concluded that they are either not relevant to the Bank or do not have any significant impact on its financial position or the results of its operations, except for IFRS 8.

IFRS 8 will require management to present segment information on the same basis as that used for internal reporting purposes. The application of IFRS 8 will be reflected in the Bank's financial statements for the year ending 31 December 2009.

# The National Bank of Ras Al-Khaimah (P.S.C.)

## Notes to the condensed interim financial information for the nine months ended 30 September 2008 (continued)

### 3 Cash and balances with the UAE Central Bank

	30 September 2008 AED'000	31 December 2007 AED'000
Cash in hand and current account with the UAE Central Bank	205,223	178,814
Statutory deposits and certificates of deposit with the UAE Central Bank	964,730	1,314,790
	<u>1,169,953</u>	<u>1,493,604</u>

As 30 September 2008, statutory deposits with the UAE Central Bank amounted to AED 679.7 million (31 December 2007: 429.8 million). Statutory deposits are not available to finance the day to day operations of the Bank.

### 4 Loans and advances

	30 September 2008 AED'000	31 December 2007 AED'000
<b>4(a) Loans and advances</b>		
Loans	10,007,851	7,801,345
Overdrafts	498,003	471,470
Loans against trust receipts	124,461	91,845
Bills discounted	31,174	22,539
Others	857	3,105
<b>Total loans and advances</b>	<u>10,662,346</u>	<u>8,390,304</u>
Provision for impairment (Note 4(b))	(209,757)	(217,821)
<b>Net loans and advances</b>	<u>10,452,589</u>	<u>8,172,483</u>

### 4(b) Provision for impairment

<b>Balance brought forward</b>	217,821	195,150
Net charge for provision for impairment during the period /year	63,786	73,815
Written off during the period/year	(71,850)	(51,144)
<b>Balance carried forward</b>	<u>209,757</u>	<u>217,821</u>

# The National Bank of Ras Al-Khaimah (P.S.C.)

## Notes to the condensed interim financial information for the nine months ended 30 September 2008 (continued)

### 4 Loans and advances (continued)

#### 4(b) Provision for impairment (continued)

The total impairment provision for loans and advances is AED 209.76 million (31 December 2007: AED 217.82 million) of which AED 109.76 million (31 December 2007: AED 122.8 million) represents impairment provision against individually impaired loans and advances and the remaining amount of AED 100 million (31 December 2007: AED 95 million) represents the portfolio provision.

#### 4(c) Net charge for the period

	Three months ended 30 September		Nine months ended 30 September	
	2008	2007	2008	2007
	AED'000	AED'000	AED'000	AED'000
Net charge for provision for impairment during the period (Note 4(b))	24,792	10,999	63,786	60,348
Write off/(back) during the period	(7,865)	3,961	(20,767)	(2,900)
	<u>16,927</u>	<u>14,960</u>	<u>43,019</u>	<u>57,448</u>

#### 4(d) Classified loans and advances

At 30 September 2008, the aggregate amount of non-performing loans amounted to AED 157.5 million (31 December 2007: AED 192.84 million). The provision in respect of non-performing loans is disclosed in Note 4(b).

### 5 Investment securities

	30 September 2008 AED'000	31 December 2007 AED'000
<b>Securities available-for-sale</b>		
Quoted equity securities	14,800	24,600
Quoted debt securities	219,116	178,377
Unquoted debt securities	287,599	287,892
	<u>521,515</u>	<u>490,869</u>
<b>Securities held-to-maturity</b>		
Quoted debt securities	204,964	135,286
	<u>726,479</u>	<u>626,155</u>

# The National Bank of Ras Al-Khaimah (P.S.C.)

## Notes to the condensed interim financial information for the nine months ended 30 September 2008 (continued)

### 5 Investment securities (continued)

The movement in investment securities is summarised as follows:

	<b>Securities available-for- sale</b>	<b>Securities held-to- maturity</b>	<b>Total</b>
	AED'000	AED'000	AED'000
At 1 January 2007	363,551	135,148	498,699
Purchases	18,365	-	18,365
Changes in fair value	1,196	-	1,196
Amortisation of discount	-	105	105
	<u>383,112</u>	<u>135,253</u>	<u>518,365</u>
At 30 September 2007	<u>383,112</u>	<u>135,253</u>	<u>518,365</u>
At 1 January 2008	490,869	135,286	626,155
Purchases	51,580	149,857	201,437
Maturity	-	(80,250)	(80,250)
Changes in fair value	(20,934)	-	(20,934)
Amortisation of discount	-	71	71
	<u>521,515</u>	<u>204,964</u>	<u>726,479</u>
At 30 September 2008	<u>521,515</u>	<u>204,964</u>	<u>726,479</u>

### 6 Share capital and dividend

At 30 September 2008, the authorised, issued and fully paid share capital of the Bank comprised 740.03 million shares of AED 1 each (31 December 2007: 616.69 million shares of AED 1 each).

At the Annual General Meeting of the shareholders held on 9 March 2008, the shareholders of the Bank approved a stock dividend (issue of bonus shares) in respect of 2007 at 20% of the issued and paid up capital amounting to AED 123.34 million (2006: AED 80.44 million) and cash dividend at 10% of the issued and paid up capital amounting to AED 61.67 million (2006: 80.44 million).

### 7 Other reserves

Other reserves include legal reserve and voluntary reserve. In accordance with the Articles of Association of the Bank, 10% of the net profit for the year is to be transferred to a legal reserve until such time as the balance in the reserve equals 50% of the issued share capital and 10% of the net profit for the year is to be transferred to a voluntary reserve until such time as the balance in the reserve equals 20% of the issued share capital. No allocations to the legal reserve and the voluntary reserve have been made for the nine months ended 30 September 2008, as these will be effected at the year end based on the Bank's results for the year ending 31 December 2008.

# The National Bank of Ras Al-Khaimah (P.S.C.)

## Notes to the condensed interim financial information for the nine months ended 30 September 2008 (continued)

### 8 Contingencies and commitments

	30 September 2008 AED'000	31 December 2007 AED'000
Letters of guarantee	462,596	461,577
Letters of credit	139,827	111,468
Acceptances	36,525	33,203
Commitments to extend credit	3,628,206	2,712,214
Other	75,866	136
	<u>4,343,020</u>	<u>3,318,598</u>

### 9 Forward foreign exchange contracts

Forward foreign exchange contracts comprise commitments to purchase foreign and domestic currencies on behalf of customers and in respect of the Bank's undelivered spot transactions.

Outstanding foreign forward exchange transactions at 30 September 2008 and 31 December 2007 are as follows:

	Contract amount AED'000	Fair value AED'000
30 September 2008	<u>143,078</u>	<u>900</u>
31 December 2007	<u>77,353</u>	<u>-</u>

### 10 Earnings per share

The basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the period. In accordance with IAS 33 - Earnings Per Share, the impact of bonus shares issued have been considered retrospectively while computing the weighted average number of ordinary shares during all periods presented. The weighted average number of ordinary shares during the period ended 30 September 2008 amounted to 740,025,600 shares (30 September 2007: 740,025,600 shares)

### 11 Fiduciary activities

The Bank holds assets in a fiduciary capacity for its customers without recourse to itself. At 30 September 2008, such assets amounted to AED 559.23 million (31 December 2007: AED 347.29 million) and are excluded from the financial statements of the Bank.

# The National Bank of Ras Al-Khaimah (P.S.C.)

## Notes to the condensed interim financial information for the nine months ended 30 September 2008 (continued)

### 12 Cash and cash equivalents

	<u>At 30 September</u>	
	2008	2007
	AED'000	AED'000
Cash in hand and current account with the UAE Central Bank (Note 3)	205,223	151,704
Certificates of deposit with the UAE Central Bank	-	557,000
Due from other banks	729,990	518,336
	<u>935,213</u>	<u>1,227,040</u>

### 13 Business segments

#### Primary segment information

	Retail banking	Business banking	Treasury and others	Elimination	Total
	AED' 000	AED' 000	AED' 000	AED' 000	AED' 000
<b>Nine months ended 30 September 2008</b>					
External revenue	1,052,892	52,838	73,193	-	1,178,923
Revenues from other segments	147,460	38,682	78,951	(265,093)	-
Total revenues	<u>1,200,352</u>	<u>91,520</u>	<u>152,144</u>	<u>(265,093)</u>	<u>1,178,923</u>
Segment result	493,282	32,124	50,363	-	575,769
Unallocated costs	-	-	-	-	(95,117)
<b>Net profit for the period</b>					<u><u>480,652</u></u>
<b>Nine months ended 30 September 2007</b>					
External revenue	778,540	46,059	63,023	-	887,622
Revenues from other segments	131,144	43,091	109,083	(283,318)	-
Total revenues	<u>909,684</u>	<u>89,150</u>	<u>172,106</u>	<u>(283,318)</u>	<u>887,622</u>
Segment result	276,903	51,341	27,156	-	355,400
Unallocated costs	-	-	-	-	(63,347)
<b>Net profit for the period</b>					<u><u>292,053</u></u>

# The National Bank of Ras Al-Khaimah (P.S.C.)

## Notes to the condensed interim financial information for the nine months ended 30 September 2008 (continued)

### 14 Related parties balances

Related parties comprise key management, businesses controlled by shareholders and directors as well as businesses over which they exercise significant influence. During the period, the Bank entered into significant transactions with related parties in the ordinary course of business. The transactions with related parties and balances arising from these transactions are as follows:

	30 September 2008 AED'000	30 September 2007 AED'000
<b>Transactions during the period</b>		
Interest income	627	2,196
Interest expense	6,674	6,316
Commission income	1,082	358
Directors' remuneration	2,444	703
Remuneration payable to key management personnel	17,369	12,161
	<u>          </u>	<u>          </u>
	30 September 2008 AED'000	31 December 2007 AED'000
<b>Balances</b>		
Loans and advances:		
- Shareholders and their related companies	27,450	18,313
- Directors and their related companies	21,315	4,975
	<u>          </u>	<u>          </u>
	48,765	23,288
	<u>          </u>	<u>          </u>
Due to customers:		
- Shareholders and their related companies	486,025	292,063
- Directors and their related companies	19,951	122,776
	<u>          </u>	<u>          </u>
	505,976	414,839
	<u>          </u>	<u>          </u>
<b>Irrevocable commitments and contingent liabilities</b>		
- Shareholders and their related companies	94,110	74,998
- Directors and their related companies	1,378	1,627
	<u>          </u>	<u>          </u>
	95,488	76,625
	<u>          </u>	<u>          </u>