

**INTERIM CONDENSED FINANCIAL INFORMATION**  
**30 SEPTEMBER 2006**



بَنك رَأْسُ الخَيْمَة الوَطَنِيّ (ش.م.ع)

**RAK BANK**  
THE NATIONAL BANK OF RAS AL-KHAIMAH (P.S.C.)

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## Shareholders

The Government of Ras Al-Khaimah	52.75%
Citizens of the United Arab Emirates	35.31%
Others	11.94%

## Board of Directors

H.E. Shaikh Omar bin Saqr Al-Qasimi	Chairman
H.E. Shaikh Salim bin Sultan Al-Qasimi	Member
Mr. Hamad Abdulaziz Al Sagar	Member
Mr. Abdul Aziz Abdulla Al Zaabi	Member
Mr. Essa Ahmed Abu Shurajja Al Neaimi	Member
Mr. Majid Saif Al Ghurair	Member
Mr. Ali Samir Al Shihabi	Member
Mr. Yousuf Obaid Essa	Member

## Management

Mr. Graham Honeybill	General Manager
Mr. Murray Sims	Head of Personal Banking
Mr. Cleetus Fernandes	Head of Corporate Banking
Mr. Malcolm D'Souza	Head of Treasury and International
Mr. Mark Coulthead	Chief Operating Officer
Mr. Venkat Raghavan	Head of Finance
Mr. Saleh Ali Saleh Saeed Al Zaabi	Head of Wealth Management and Branches



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

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We have reviewed the accompanying interim condensed balance sheet of The National Bank of Ras Al-Khaimah (P.S.C.) (“the Bank”) as at 30 September 2006 and the related interim condensed statements of income, cash flows and changes in shareholders’ equity for the nine months then ended, prepared for interim reporting purposes. The interim condensed financial information, set out on pages 2 to 12, are the responsibility of the management of the Bank. Our responsibility is to issue a report on the interim condensed financial information based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the interim financial information is free of material misstatement. A review is limited primarily to enquiries of the Bank’s personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

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

PricewaterhouseCoopers  
14 October 2006

Paul Suddaby  
Registered Auditor Number 309

## Condensed balance sheet

	Notes	30 September 2006 AED'000	31 December 2005 AED'000
<b>ASSETS</b>			
Cash and balances with the UAE Central Bank	3	814,955	563,044
Due from other banks		357,895	900,729
Loans and advances	4	6,539,978	5,343,300
Investment securities	5	483,400	321,150
Property and equipment		89,548	94,326
Other assets		172,110	123,469
<b>Total assets</b>		<b>8,457,886</b>	<b>7,346,018</b>
<b>LIABILITIES</b>			
Due to other banks		303,973	550,913
Due to customers		5,469,883	4,913,181
Debt security in issue		1,282,101	731,703
Other liabilities		204,044	126,832
Provision for employees' end of service benefits		14,273	11,361
<b>Total liabilities</b>		<b>7,274,274</b>	<b>6,333,990</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	6	536,250	412,500
Share premium		110,350	110,350
Retained earnings		243,733	174,399
Other reserves	7	293,279	314,779
<b>Total shareholders' equity</b>		<b>1,183,612</b>	<b>1,012,028</b>
<b>Total liabilities and shareholders' equity</b>		<b>8,457,886</b>	<b>7,346,018</b>

The notes on pages 6 to 12 form an integral part of the interim condensed financial information.

## Condensed statement of income

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2006 AED'000	2005 AED'000	2006 AED'000	2005 AED'000
Interest income		168,810	119,017	463,085	323,101
Interest expense		(71,581)	(38,354)	(191,614)	(95,329)
<b>Net interest income</b>		<u>97,229</u>	<u>80,663</u>	<u>271,471</u>	<u>227,772</u>
Other operating income		75,959	49,191	200,502	127,078
<b>Operating income</b>		<u>173,188</u>	<u>129,854</u>	<u>471,973</u>	<u>354,850</u>
Operating expenses		(79,390)	(65,884)	(224,976)	(182,554)
Provision for impairment of loans and advances	4(c)	(20,661)	(13,275)	(53,913)	(33,379)
<b>Net profit for the period</b>		<u><u>73,137</u></u>	<u><u>50,695</u></u>	<u><u>193,084</u></u>	<u><u>138,917</u></u>
<b>Earnings per share</b>					
Basic	10	<u><u>AED 0.14</u></u>	<u><u>AED 0.09</u></u>	<u><u>AED 0.36</u></u>	<u><u>AED 0.26</u></u>

The notes on pages 6 to 12 form an integral part of the interim condensed financial information.

## Condensed 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 2005</b>	343,750	110,350	127,558	217,375	799,033
Issue of bonus shares (Note 6)	68,750	-	(68,750)	-	-
Net profit for the period	-	-	138,917	-	138,917
<b>At 30 September 2005</b>	412,500	110,350	197,725	217,375	937,950
<b>At 1 January 2006</b>	412,500	110,350	174,399	314,779	1,012,028
Issue of bonus shares (Note 6)	123,750	-	(123,750)	-	-
Fair value loss on available-for-sale investment securities	-	-	-	(21,500)	(21,500)
Net profit for the period	-	-	193,084	-	193,084
<b>At 30 September 2006</b>	536,250	110,350	243,733	293,279	1,183,612

The notes on pages 6 to 12 form an integral part of the interim condensed financial information.



## Condensed statement of cash flows

	Notes	Nine months ended 30 September	
		2006 AED'000	2005 AED'000
<b>Operating activities</b>			
Net profit for the period		193,084	138,917
Adjustments for:			
Depreciation		13,044	11,166
Net charge for provision for impairment of loans and advances	4(c)	53,913	33,379
Provision for employees' end of service benefits (net)		2,912	1,261
Gain on disposal of property and equipment		(88)	(90)
Amortisation of discount relating to investment securities held-to-maturity	5	(99)	-
Gain on disposal of investment securities		-	(2,202)
Amortisation of discount relating to debt security in issue		(552)	-
		<hr/>	<hr/>
Operating cash flows before changes in assets and liabilities		262,214	182,431
Changes in assets and liabilities:			
Deposits with the UAE Central Bank		(35,143)	300,276
Due from other Banks		36,730	(11,019)
Loans and advances net of provisions and amounts written off	4	(1,250,591)	(1,469,001)
Other assets		(48,641)	(12,553)
Due to other Banks		(246,940)	31,784
Due to customers		556,702	989,696
Other liabilities		77,212	84,124
		<hr/>	<hr/>
Net cash (used in) / provided by operating activities		(648,457)	95,738
		<hr/>	<hr/>
<b>Investing activities</b>			
Purchase of investment securities		(183,651)	(10,196)
Proceeds from the sale of investment securities		-	18,252
Purchase of property and equipment		(8,354)	(12,776)
Proceeds from sale of property and equipment		176	90
		<hr/>	<hr/>
Net cash used in investing activities		(191,829)	(4,630)
		<hr/>	<hr/>
<b>Financing activities</b>			
Debt security in issue		550,950	-
		<hr/>	<hr/>
<b>Net (decrease) / increase in cash and cash equivalents</b>		(289,336)	91,108
Cash and cash equivalents, beginning of the period		1,156,421	606,230
		<hr/>	<hr/>
Cash and cash equivalents, end of the period	12	867,085	697,338
		<hr/> <hr/>	<hr/> <hr/>

## Notes to the interim condensed financial information for the nine months ended 30 September 2006

### 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 seventeen branches in the UAE.

On 20 June 2006, the Bank incorporated a 99% owned subsidiary company, RAK Securities LLC, a company established to carry out brokerage activity in shares and bonds in the UAE. The paid up capital of the company is AED 10 million. The company is not yet operational as the requisite approval from the Emirates Securities and Commodities Authority is pending.

### 2 Significant accounting policies

The interim condensed financial information is prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”. The interim condensed 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 interim condensed financial information are consistent with those applied in the annual financial statements for the year ended 31 December 2005.

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

The interim condensed financial information should be read in conjunction with the year ended 31 December 2005 financial statements.

#### Interpretations and amendments to published standards effective in 2006

Management has assessed the relevance of the interpretations and amendments to published standards effective in 2006 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.

## Notes to the interim condensed financial information for the nine months ended 30 September 2006 (continued)

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

	30 September 2006 AED'000	31 December 2005 AED'000
Cash in hand	106,365	105,756
Balances with the UAE Central Bank	708,590	457,288
	<u>814,955</u>	<u>563,044</u>

Balances with the UAE Central Bank include statutory deposits of AED 305.8 million (31 December 2005: AED 270.6 million) that are not available to finance the day to day operations of the Bank.

### 4 Loans and advances

	30 September 2006 AED'000	31 December 2005 AED'000
<b>4(a) Loans and advances</b>		
Loans	6,102,062	4,975,890
Overdrafts	504,047	467,300
Loans against trust receipts	71,369	45,033
Bills discounted	41,199	23,920
Others	5,401	496
<b>Total loans and advances</b>	<u>6,724,078</u>	<u>5,512,639</u>
Provision for impairment	(184,100)	(169,339)
<b>Net loans and advances</b>	<u>6,539,978</u>	<u>5,343,300</u>
<b>4(b) Provision for impairment</b>		
<b>Balance brought forward</b>	169,339	180,753
Net charge for impairment during the period /year	55,464	45,479
Written off during the period/year	(40,703)	(56,893)
<b>Balance carried forward</b>	<u>184,100</u>	<u>169,339</u>

**Notes to the interim condensed financial information for the nine months ended 30 September 2006 (continued)**

**4 Loans and advances (continued)**

**4(c) Net charge for provision for impairment**

	Three months ended 30 September		Nine months ended 30 September	
	2006 AED'000	2005 AED'000	2006 AED'000	2005 AED'000
Provisions made during the period	22,204	12,340	55,464	31,181
Written (back)/off during the period	(1,543)	935	(1,551)	2,198
	<u>20,661</u>	<u>13,275</u>	<u>53,913</u>	<u>33,379</u>

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

At 30 September 2006, the aggregate amount of non-performing loans amounted to AED 243.5 million (31 December 2005: AED 179.3 million). Provisions in relation to such loans amounted to AED 125.12 million as at 30 September 2006 (31 December 2005: AED 110.3 million).

**5 Investment securities**

	30 September 2006 AED'000	31 December 2005 AED'000
<b>Securities available-for-sale</b>		
Quoted equity securities	17,900	39,400
Quoted debt securities	91,640	91,640
Unquoted debt securities	238,746	55,095
	<u>348,286</u>	<u>186,135</u>
<b>Securities held-to-maturity</b>		
Quoted debt securities	135,114	135,015
	<u>135,114</u>	<u>135,015</u>
<b>Total investment securities</b>	<u><u>483,400</u></u>	<u><u>321,150</u></u>

## Notes to the interim condensed financial information for the nine months ended 30 September 2006 (continued)

### 6 Share capital

At 30 September 2006, the authorised, issued and fully paid share capital of the Bank comprises 536.25 million shares of AED 1 each (31 December 2005: 412.5 million shares of AED 1 each).

At the annual general meeting of the shareholders held on 11 March 2006, the shareholders of the Bank approved a stock dividend (issue of bonus shares) in respect of 2005 at 30% of the issued and paid up capital, amounting to AED 123.75 million (2005: AED 68.75 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 month period ended 30 September 2006, as these will be effected at the year end, based on the Bank's results for 2006.

### 8 Contingencies and commitments

	30 September 2006 AED'000	31 December 2005 AED'000
Letters of guarantee	421,525	491,266
Letters of credit	94,704	75,748
Acceptances	39,560	25,753
Commitments to extend credit	645,524	564,421
Other	10,437	1,449
	<u>1,211,750</u>	<u>1,158,637</u>

## Notes to the interim condensed financial information for the nine months ended 30 September 2006 (continued)

### 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 2006 and 31 December 2005 are as follows:

	Contract amount AED'000	Fair value AED'000
30 September 2006	61,832	79
31 December 2005	117,146	(69)

### 10 Earnings per share

The basic earnings per share is calculated by dividing the net profit attributable to shareholders by the 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 number of ordinary shares during all periods presented. The number of ordinary shares during the period ended 30 September 2006 amounted to 536,250,000 shares (30 September 2005: 536,250,000 shares).

### 11 Fiduciary activities

The Bank holds assets in a fiduciary capacity for its customers without recourse to itself. At 30 September 2006, such assets amounted to AED 280.27 million (31 December 2005: AED 182.6 million) and are excluded from the financial statements of the Bank.

### 12 Cash and cash equivalents

	30 September 2006 AED'000	30 September 2005 AED'000
Cash	106,365	81,374
Certificate of deposits with UAE Central Bank	388,000	80,000
Balance with UAE Central Bank	14,825	-
Due from other banks	357,895	535,964
	<u>867,085</u>	<u>697,338</u>

**Notes to the interim condensed financial information for the nine months ended 30 September 2006 (continued)**

**13 Business segments**

**Primary segment information**

	Retail banking AED'000	Corporate banking AED' 000	Treasury and others AED' 000	Elimination AED' 000	Total AED' 000
<b>Nine months ended 30 September 2006</b>					
External revenue	574,314	31,758	57,515	-	663,587
Revenue from other segments	71,213	39,744	87,619	(198,576)	-
<b>Total revenue</b>	<b>645,527</b>	<b>71,502</b>	<b>145,134</b>	<b>(198,576)</b>	<b>663,587</b>
Segment result	161,963	28,262	39,800	-	230,025
Unallocated costs					(36,941)
<b>Net profit for the period</b>					<b>193,084</b>
<b>Nine months ended 30 September 2005</b>					
External revenue	401,462	18,919	29,798	-	450,179
Revenue from other segments	35,802	24,430	36,499	(96,731)	-
<b>Total revenue</b>	<b>437,264</b>	<b>43,349</b>	<b>66,297</b>	<b>(96,731)</b>	<b>450,179</b>
Segment result	135,130	9,761	22,740	-	167,631
Unallocated costs					(28,714)
<b>Net profit for the period</b>					<b>138,917</b>

**Notes to the interim condensed financial information for the nine months ended 30 September 2006 (continued)**

**14 Related party transactions and 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 outstanding balances arising from these transactions are as follows:

	30 September 2006 AED'000	31 December 2005 AED'000
Loans and advances	67,215	34,347
Due to customers	462,684	404,628
Commitments and contingent liabilities	53,121	39,687
	<u>=====</u>	<u>=====</u>