

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

**Condensed consolidated interim
financial information for the
three months ended 31 March 2014**

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

Condensed consolidated interim financial information for the three months ended 31 March 2014

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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 consolidated interim statement of financial position and the explanatory notes of The National Bank of Ras Al-Khaimah (P.S.C.) ("the Bank") and its subsidiaries (together referred to as "the Group") as at 31 March 2014 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 – Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers
28 April 2014

Paul Suddaby
Registered Auditor Number 309
Dubai, United Arab Emirates

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

Condensed consolidated statement of financial position

	Note	31 March 2014 (reviewed) AED'000	31 December 2013 (audited) AED'000
ASSETS			
Cash and balances with UAE Central Bank			
Bank	3	3,502,701	3,622,262
Due from other banks	4	560,040	543,899
Loans and advances	5	22,588,144	21,959,245
Investment securities	7	3,557,700	2,695,952
Property and equipment	8	1,006,540	1,028,873
Other assets	9	302,888	276,538
Total assets		31,518,013	30,126,769
LIABILITIES			
Due to other banks		570,772	3,357
Deposits from customers	10	23,515,976	23,069,147
Other liabilities	12	1,350,687	472,745
Provision for employees' end of service benefits		67,489	65,450
Total liabilities		25,504,924	23,610,699
Equity			
Share capital	13	1,676,245	1,676,245
Share premium		110,350	110,350
Retained earnings		948,884	1,452,439
Other reserves	14	3,277,610	3,277,036
Total equity		6,013,089	6,516,070
Total liabilities and equity		31,518,013	30,126,769

This condensed consolidated interim financial information was approved by the Board Audit Committee on 28 April 2014 and was signed on its behalf by:


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Peter William England
Chief Executive Officer

The notes 1 to 28 form an integral part of the condensed consolidated interim financial statements

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

Condensed consolidated income statement (reviewed)

	Note	Three months ended	
		31 March	
		2014	2013
		AED'000	AED'000
Interest income	17	667,743	666,891
Interest expense	17	(51,329)	(72,537)
Net interest income		<u>616,414</u>	<u>594,354</u>
Income from Islamic financing	18	30,080	843
Distribution to depositors	18	(7,281)	(239)
Income from Islamic financing net of distribution to depositors		<u>22,799</u>	<u>604</u>
Net interest income and income from Islamic products net of distribution to depositors		<u>639,213</u>	<u>594,958</u>
Net fees and commission income	19	149,504	129,638
Foreign exchange income (net)		20,179	17,012
Investment income	20	2,340	159
Other operating income (net)		13,441	10,630
Non-interest income		<u>185,464</u>	<u>157,439</u>
Operating income		<u>824,677</u>	<u>752,397</u>
Operating expenses		(359,767)	(322,990)
Provision for impairment of loans and advances net of write backs	5(d)	(130,342)	(61,430)
Net profit for the period		<u><u>334,568</u></u>	<u><u>367,977</u></u>
Earnings per share			
Basic and diluted	21	<u><u>AED 0.20</u></u>	<u><u>AED 0.22</u></u>

The notes 1 to 28 form an integral part of the condensed consolidated interim financial statements

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

Condensed consolidated statement of comprehensive income (reviewed)

	<u>Three months ended</u>	
	<u>31 March</u>	
	2014	2013
	AED'000	AED'000
Profit for the period	334,568	367,977
Other comprehensive income:		
Net changes in fair value of available-for-sale investment securities	7	574
		1,826
Other comprehensive income for the period	<u>574</u>	<u>1,826</u>
Total comprehensive income for the period	<u><u>335,142</u></u>	<u><u>369,803</u></u>

The notes 1 to 28 form an integral part of the condensed consolidated interim financial statements

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

Condensed consolidated statement of changes in equity (reviewed)

	Share capital AED'000	Share premium AED'000	Retained earnings AED'000	Other reserves AED'000	Total AED'000
At 1 January 2014	1,676,245	110,350	1,452,439	3,277,036	6,516,070
Dividend (note 13)	-	-	(838,123)	-	(838,123)
Total comprehensive income for the period	-	-	334,568	574	335,142
At 31 March 2014	<u>1,676,245</u>	<u>110,350</u>	<u>948,884</u>	<u>3,277,610</u>	<u>6,013,089</u>
At 1 January 2013	1,523,859	110,350	1,183,109	2,877,897	5,695,215
Dividend	-	-	(609,544)	-	(609,544)
Total comprehensive income for the period	-	-	367,977	1,826	369,803
At 31 March 2013	<u>1,523,859</u>	<u>110,350</u>	<u>941,542</u>	<u>2,879,723</u>	<u>5,455,474</u>

See note 13 for details of cash dividend in respect of the year ended 31 December 2013.

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

Condensed consolidated statement of cash flows

(reviewed)

	Note	Three months ended 31	
		March 2014 AED'000	2013 AED'000
Operating activities			
Net Profit for the period		334,568	367,977
Adjustments:			
Provision for impairment of loans and advances	5 (d)	147,061	75,448
Depreciation	8	31,922	29,619
Provision for employees' end of service benefits		3,873	3,360
Gain on disposal of property and equipment		(199)	(228)
Amortisation of premium / (discount) relating to securities held to maturity	7	3,368	2,445
Gain on held for trading investment securities	7	(739)	-
		<hr/>	<hr/>
Operating cash flows before payment of employees end of service benefits and changes in assets and liabilities:		519,854	478,621
Payment of employees' end of service benefits		(1,834)	(2,416)
Changes in assets and liabilities:			
Deposits with the UAE Central Bank	3	(37,436)	(62,893)
Due from other banks with original maturities of three months or over		-	120,902
Loans and advances, Islamic Financing assets net of provisions for impairment	5,6	(775,960)	14,966
Other assets	9	(26,350)	(40,620)
Due to other banks (net of amount due to Central Bank)		567,415	1,208,482
Deposits from customers	10,11	446,829	(298,463)
Other liabilities	12	39,819	(71,243)
		<hr/>	<hr/>
Net cash generated from operating activities		732,337	1,347,336
Investing activities			
Purchase of investment securities	7	(863,803)	(1,422,936)
Purchase of property and equipment	8	(9,595)	(29,499)
Proceeds from disposal of property and equipment		205	293
		<hr/>	<hr/>
Net cash used in investing activities		(873,193)	(1,452,142)

The notes 1 to 28 form an integral part of the condensed consolidated interim financial statements

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

Condensed consolidated statement of cash flows

(reviewed) (continued)

		<u>Three months ended 31</u>	
		<u>March</u>	
	Note	2014	2013
		AED'000	AED'000
Financing activities			
Dividends Paid		-	-
		<hr/>	<hr/>
Net cash used in financing activities		-	-
		<hr/>	<hr/>
Net decrease in cash and cash equivalents		(140,856)	(104,806)
Cash and cash equivalents, beginning of the period		1,310,347	1,364,199
		<hr/>	<hr/>
Cash and cash equivalents, end of the period	23	<u>1,169,491</u>	<u>1,259,393</u>

The notes 1 to 28 form an integral part of the condensed consolidated interim financial statements

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

Notes to the condensed consolidated interim financial information for the three months ended 31 March 2014

1 Incorporation and principal activities

The National Bank of Ras Al-Khaimah (P.S.C.) ("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 the National Bank of Ras Al-Khaimah building, Al Rifa area, Exit No. 129, Sheikh Mohammed Bin Zayed road, Ras Al-Khaimah.

The Bank is engaged in providing retail and commercial banking services through a network of thirty four branches in the UAE.

At 31 March 2014, The National Bank of Ras Al-Khaimah (P.S.C) comprises the Bank and three subsidiaries (together the "Group"). These subsidiaries are RAK Islamic Finance Pvt. J.S.C in which the Bank owns 99.9% , BOSS FZCO and RAK Technologies FZCO in which the Bank owns 80%. RAK Islamic Finance Pvt. J.S.C has an authorised and issued capital of AED 100 million, and was incorporated to enable the Bank to sell sharia compliant financial products. BOSS FZCO and RAK Technologies FZCO has been incorporated to provide back office support services to the Bank. Both BOSS FZCO and RAK Technologies FZCO have an authorised and issued share capital of AED 500,000 each and were formed under the Dubai Silicon Oasis Authority guidelines.

The condensed consolidated interim financial information for the three months ended 31 March 2014 comprises the Bank and its subsidiaries (together referred to as "the Group").

2 Significant accounting policies

2.1 Basis of preparation

The condensed consolidated interim financial information is prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". The condensed consolidated 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 consolidated interim financial information are consistent with those applied in the annual financial statements for the year ended 31 December 2013. The policies below are not a complete list of significant accounting policies which are included in the 2013 Financial Statements.

The condensed consolidated interim financial information should therefore be read in conjunction with the annual financial statements for year ended 31 December 2013.

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

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

Notes to the condensed consolidated interim financial information for the three months ended 31 March 2014 (continued)

2 Significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1 Application of new and revised International Financial Reporting Standards (IFRSs)

2.1.1 New and revised IFRSs effective for accounting periods beginning January 1, 2014

Amendments to IAS 32-Financial Instruments requires presentation to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- the meaning of 'currently has a legally enforceable right of set-off'
- the application of simultaneous realisation and settlement
- the offsetting of collateral amounts
- the unit of account for applying the offsetting requirements
- there is no impact of these provision on the interim financial statement of the Group

Amendments to IFRS 10-Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements relate only to investment entities, therefore will not apply to the Bank.

Amendment to IAS 36-Impairment of Assets to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

Amendment to IAS 39-Financial Instruments: Recognition and Measurement make it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met. Other than the above, there are no other IFRSs or IFRIC interpretations that were effective for the first time for the financial year beginning January 1, 2014 that have had a material impact on Bank's condensed consolidated interim financial information.

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

Notes to the condensed consolidated interim financial information for the three months ended 31 March 2014 (continued)

2 Significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.2 Standards and Interpretations in issue not yet effective

The Bank has not early adopted new and revised IFRSs that have been issued but are not yet effective.

New Standards and amendments to Standards:	Effective for annual periods beginning on or after
IFRS 9-Financial Instruments: Classification and Measurement (intended as complete replacement for IAS 39).	January 1, 2018 (Tentative)

Key requirements of IFRS 9 are described as follows:

IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments:

Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

Management anticipates that these IFRSs and amendments will be adopted in the condensed consolidated interim financial statements in the initial period when they become mandatorily effective (i.e. January 1, 2018). The Bank will assess IFRS 9's full impact once the remaining parts of the standard are formally issued.

The Group has segregated and reclassified the interest income earned on investments to interest income which was previously included in investment income. As the investment portfolio has increased considerably during the quarter, the Group has decided it is appropriate to make this reclassification now.

2.2 Functional and presentation currency

For the purpose of condensed consolidated interim financial information, the results and financial position of each entity are expressed in U.A.E Dirham (AED), which is the functional and presentation currency of the Group for these condensed consolidated interim financial information, rounded to the nearest thousand.

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

Notes to the condensed consolidated interim financial information for the three months ended 31 March 2014 (continued)

2 Significant accounting policies (continued)

2.3 Basis of consolidation

This condensed consolidated interim financial information incorporates the financial statements of the National Bank of Ras Al- Khaimah (P.S.C) and its subsidiaries (the "Group)

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50 per cent of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The financial statements of the subsidiary are included in the consolidated financial statements from the date the control commences until the date that control ceases.

Transactions and balances eliminated on consolidation

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognized in assets are also eliminated. Accounting policies of the subsidiary have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

Notes to the condensed consolidated interim financial information for the three months ended 31 March 2014 (continued)

2 Significant accounting policies (continued)

2.4 Loans and advances and provision for impairment

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and advances are initially recognized at fair value, which is the cash consideration to originate or purchase a loan including any transaction costs, and measured subsequently at amortised cost using the effective interest method.

The Group assesses at each balance sheet date whether there is objective evidence that loans and advances are impaired. Loans and advances are impaired and impairment losses are incurred only if there is objective evidence that the Group will not be able to collect all amounts due.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral; and
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

(i) adverse changes in the payment status of borrowers in the portfolio; and

(ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated income statement. If the amount of impairment subsequently decreases due to an event occurring after the write down, the release of the provision is credited to the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

Notes to the condensed consolidated interim financial information for the three months ended 31 March 2014 (continued)

2 Significant accounting policies (continued)

2.4 Loans and advances and provision for impairment (continued)

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (ie, on the basis of the Group's grading process that considers asset type, industry, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets reflect and are directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectable, it is written off against the related provision for impairment. This is normally done within six to twelve month of the loan becoming past due, depending on type of the loan. Non performing mortgage loans, however, are written off after considering each individual case. If no related provision exists, it is written off to the consolidated income statement. Subsequent recoveries are credited to the consolidated statement of income.

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, the loan is considered to be past due and disclosed only if renegotiated again.

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

Notes to the condensed consolidated interim financial information for the three months ended 31 March 2014 (continued)

2 Significant accounting policies (continued)

2.5 Islamic financing

The Group engages in Shari'ah compliant Islamic banking activities through various Islamic instruments such as Murabaha, Salam, Mudaraba, and Wakala. The accounting policy for initial recognition, subsequent measurement and derecognition of Islamic financial assets (Note 2.4) and liabilities are same.

Murabaha financing

A sale contract whereby the Group sells to a customer commodities and other assets at an agreed upon profit mark up on cost. The Group purchases the assets based on a promise received from customer to buy the item purchased according to specific terms and conditions. Profit from Murabaha is quantifiable at the commencement of the transaction. Such income is recognised as it accrues over the period of the contract on effective profit rate method on the balance outstanding.

Salam

Bai Al Salam is a Sale contract where the Customer (Seller) undertakes to deliver/supply a specified tangible asset to the Group (Buyer) at mutually agreed future date(s) in exchange for an advance price fully paid on the spot by the buyer. Revenue on Salam financing is recognised on the effective profit rate basis over the period of the contract, based on the Salam capital outstanding.

Mudaraba

A contract between the Group and a customer, whereby one party provides the funds (Rab Al Mal- customer) and the other party (the Mudarib- the Group) invests the funds in a project or a particular activity and any profits generated are distributed between the parties according to the profit shares that were pre-agreed in the contract. The Mudarib would bear the loss in case of default, negligence or violation of any of the terms and conditions of the Mudaraba, otherwise, losses are borne by the Rab Al Mal.

Wakala

An agreement between the Group and customer whereby one party (Rab Al Mal-principal) provides a certain sum of money to an agent (Wakil), who invests it according to specific conditions in return for a certain fee (a lump sum of money or a percentage of the amount invested). The agent is obliged to return the invested amount in case of default, negligence or violation of any of the terms and conditions of the Wakala. The Group may be Wakil or Rab Al Mal depending on the nature of the transaction.

Estimated income from Wakala is recognised on an accrual basis over the period, adjusted by actual income when received. Losses are accounted for on the date of declaration by the agent.

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

Notes to the condensed consolidated interim financial information for the three months ended 31 March 2014 (continued)

2 Significant accounting policies (continued)

2.5 Islamic financing (continued)

Ijara

Ijara financing is a finance lease agreement whereby the Bank (lessor) leases an asset based on the customer's (lessee) request and promise to lease the assets for a specific period in lieu of rental instalments. Ijara ends in transferring the ownership of the asset to the lessee at the end of the lease inclusive of the risks and rewards incident to an ownership of the leased assets. Ijara assets are stated at amounts equal to the net investment outstanding in the lease including the income earned thereon less impairment provisions

2.6 Investment securities

The Group classifies its investment securities in the following categories: held at fair value investments, held-to-maturity investments and available-for-sale investments. Management determines the classification of its investments at initial recognition.

Held at fair value : Investment securities held at fair value through profit and loss are those which are acquired principally for the purpose of trading with the objective of generating profit.

Held-to-maturity: Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be reclassified as available for sale, except if the sale is due to significant deterioration in the credit worthiness of the issuer.

Available-for-sale: Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Regular purchases and sales of held at fair value, held to maturity and available-for-sale financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

All Financial assets, except assets that are held for trading are initially recognised at fair value plus transaction costs. For financial assets acquired for trading, transaction costs are charged to profit and loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the bank has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets are subsequently carried at fair value. Held-to-maturity investments are carried at amortised cost using the effective interest method.

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

Notes to the condensed consolidated interim financial information for the three months ended 31 March 2014 (continued)

2 Significant accounting policies (continued)

2.6 Investment securities (continued)

Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in the consolidated statement of comprehensive income, until the financial asset is derecognised or impaired. At this time, the cumulative gain or loss previously recognised in the consolidated statement of comprehensive income is recognised in the consolidated income statement.

Foreign currency gains and losses arising on available-for-sale monetary financial assets are recognised directly in the consolidated income statement.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques.

Interest earned whilst holding investment securities is reported as income from investment securities in the consolidated income statement. Dividends on available-for-sale and held for trading equity instruments are recognised in the consolidated income statement when the entity's right to receive payment is established.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the asset is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in consolidated income statement – is removed from the consolidated statement of comprehensive income and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on available-for-sale equity instruments are not reversed through the consolidated income statement.

The Group assesses at each balance sheet date whether there is objective evidence that debt securities classified as available-for-sale and those held to maturity are impaired. Debt securities are impaired and impairment losses are incurred only if there is objective evidence that the Group will not be able to collect all amounts due.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings; and
- Deterioration of the borrower's competitive position.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated income statement. If an asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

Notes to the condensed consolidated interim financial information for the three months ended 31 March 2014 (continued)

3 Cash and balances with the UAE Central Bank

	31 March 2014 (reviewed) AED'000	31 December 2013 (audited) AED'000
Cash in hand	609,451	568,206
Balances with UAE Central Bank	-	198,242
Statutory deposit with the UAE Central Bank	2,143,250	2,105,814
Certificates of deposit with the UAE Central Bank	750,000	750,000
	<u>3,502,701</u>	<u>3,622,262</u>

The statutory deposit with the UAE Central Bank is not available to finance the day to day operations of the Group.

4 Due from other banks

	31 March 2014 (reviewed) AED'000	31 December 2013 (audited) AED'000
Placements with other banks	374,584	275,475
Demand deposits	93,251	170,942
Clearing account balances	92,205	97,482
	<u>560,040</u>	<u>543,899</u>

The below represents deposits and balances due from:

Banks in UAE	467,089	373,257
Banks outside UAE	92,951	170,642
	<u>560,040</u>	<u>543,899</u>

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

Notes to the condensed consolidated interim financial information for the three months ended 31 March 2014 (continued)

5 Loans and advances (Including Islamic financing)

	31 March 2014 (reviewed) AED'000	31 December 2013 (audited) AED'000
5(a) Loans and advances		
Retail loans	21,911,701	21,400,640
Corporate loans	1,123,610	954,218
	<u>23,035,311</u>	<u>22,354,858</u>
Loans and advances (Note 5(b))	23,035,311	22,354,858
Provision for impairment (Note 5(c))	(447,167)	(395,613)
	<u>22,588,144</u>	<u>21,959,245</u>
Net loans and advances	<u>22,588,144</u>	<u>21,959,245</u>

5(b) Analysis of loans and advances

Commercial loans and overdrafts	10,073,902	9,778,256
Retail loans	3,108,297	3,179,806
Mortgage loans	3,735,558	3,669,002
Credit cards	2,737,622	2,864,215
Auto loans	1,737,303	1,685,885
Islamic financing assets (Note 6)	1,642,629	1,177,694
	<u>23,035,311</u>	<u>22,354,858</u>
Total loans and advances	<u>23,035,311</u>	<u>22,354,858</u>

5(c) Provision for impairment

	Retail Loans AED'000	Corporate loans AED'000	Total AED'000
Balance brought forward			
1 January 2014	365,032	30,581	395,613
Impairment charge/(release) (Note 5(d))	146,921	140	147,061
Written off during the period	(95,279)	(228)	(95,507)
	<u>416,674</u>	<u>30,493</u>	<u>447,167</u>
Balance carried forward			
31 March 2014 (reviewed)	416,674	30,493	447,167
Balance brought forward			
1 January 2013	292,203	31,907	324,110
Impairment charge/(release)	393,145	(1,050)	392,095
Written off during the year	(320,316)	(276)	(320,592)
	<u>365,032</u>	<u>30,581</u>	<u>395,613</u>
Balance carried forward			
31 December 2013 (audited)	<u>365,032</u>	<u>30,581</u>	<u>395,613</u>

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

Notes to the condensed consolidated interim financial information for the three months ended 31 March 2014 (continued)

5 Loans and advances (Including Islamic financing) (continued)

5(d) Impairment charge / (release) on loans and advances net of recovery

	Retail Loans AED'000	Corporate loans AED'000	Total AED'000
<u>Three months ended</u> <u>31 March 2014 (reviewed)</u>			
Impairment Charge/(release)	146,921	140	147,061
Recovery during the period	(16,719)	-	(16,719)
	<u>130,202</u>	<u>140</u>	<u>130,342</u>
<u>31 March 2013 (reviewed)</u>			
Impairment Charge/(release)	74,945	503	75,448
Recovery during the period	(14,018)	-	(14,018)
	<u>60,927</u>	<u>503</u>	<u>61,430</u>

Recoveries mainly represent amounts subsequently recovered from fully written off loans.

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

Notes to the condensed consolidated interim financial information for the three months ended 31 March 2014 (continued)

5 Loans and advances (continued)

5(e) Impaired loans and advances provision coverage

	31 March 2014 (reviewed) AED'000	31 December 2013 (audited) AED'000
Aggregate impaired loans	562,786	539,840
Provision held	447,167	395,613
Coverage ratio	79.46%	73.28%

The ratio of provisions held to aggregate impaired loans ("coverage ratio") does not take into account collateral available, including cash, property and other realizable assets.

6 Islamic Financing assets

6(a) Islamic Financing assets

Islamic financing asset	1,642,629	1,177,694
Total Islamic financing assets	1,642,629	1,177,694
Provision for impairment	(10,570)	(5,312)
	<u>1,632,059</u>	<u>1,172,382</u>

6(b) Analysis of Islamic financing assets

Islamic Salam Personal finance	931,918	730,088
Islamic Auto Murabaha	512,614	370,079
Islamic Business finance	126,966	34,938
Islamic Ijara property finance	3,000	-
Islamic Credit cards	68,131	42,589
	<u>1,642,629</u>	<u>1,177,694</u>

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

Notes to the condensed consolidated interim financial information for the three months ended 31 March 2014 (continued)

7 Investment securities

	31 March 2014 (reviewed) AED'000	31 December 2013 (audited) AED'000
Securities available-for-sale		
Quoted equity securities	50,969	-
Quoted debt securities	42,515	42,268
	<u>93,484</u>	<u>42,268</u>
Held for trading		
Quoted equity securities	10,098	-
Securities held-to-maturity		
Quoted debt securities	3,454,118	2,653,684
Total investment securities	<u><u>3,557,700</u></u>	<u><u>2,695,952</u></u>

The Group's investment portfolio is denominated in US dollar or UAE Dirhams.

The composition of the investment portfolio by geography is as follows:

	31 March 2014 AED'000	31 December 2013 AED'000
UAE	2,384,136	2,000,169
Other GCC countries	239,682	153,152
India	915,398	524,137
Others	18,484	18,494
	<u><u>3,557,700</u></u>	<u><u>2,695,952</u></u>

The composition of the investment portfolio by category is as follows:

	31 March 2014 AED'000	31 December 2013 AED'000
Federal and local Government – UAE	1,316,418	1,095,983
Government related entity – UAE	377,249	275,070
Government – GCC	94,222	94,280
Government related entity – GCC	86,598	-
Banks and financial institutions – UAE	680,371	629,115
Banks and financial institutions – Non UAE	665,253	362,990
Public limited companies – UAE	10,098	-
Public limited companies – Non UAE	327,491	238,514
	<u><u>3,557,700</u></u>	<u><u>2,695,952</u></u>

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

Notes to the condensed consolidated interim financial information for the three months ended 31 March 2014 (continued)

7 Investment securities (continued)

The movement in investment securities is as follows:

	Securities Available for sale AED'000	Securities Held for trading AED'000	Securities held to maturity AED'000	Total AED'000
At 1 January 2014	42,268	-	2,653,684	2,695,952
Purchases	50,676	9,359	803,768	863,803
Net changes in fair value	574	739	-	1,313
Amortisation of premium	(34)	-	(3,334)	(3,368)
At 31 March 2014 (reviewed)	<u>93,484</u>	<u>10,098</u>	<u>3,454,118</u>	<u>3,557,700</u>
At 1 January 2013	42,688	-	1,544,190	1,586,878
Purchases	106,483	-	1,316,453	1,422,936
Changes in fair value	1,826	-	-	1,826
Amortisation of premium	-	-	(2,445)	(2,445)
At 31 March 2013 (reviewed)	<u>150,997</u>	<u>-</u>	<u>2,858,198</u>	<u>3,009,195</u>

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

Notes to the condensed consolidated interim financial information for the three months ended 31 March 2014 (continued)

8 Property and equipment

	Land and buildings AED'000	Leasehold Improvements AED'000	Other fixed assets AED'000	Capital work in progress AED'000	Total AED'000
Cost					
At 1 January 2014	609,162	119,378	764,082	41,982	1,534,604
Additions	-	-	2,173	7,422	9,595
Transfers	447	1,892	4,493	(6,832)	-
Disposals	-	-	(947)	-	(947)
At 31 March 2014	609,609	121,270	769,801	42,572	1,543,252
Depreciation					
At 1 January 2014	66,255	72,602	366,874	-	505,731
Charge for the period	5,149	3,757	23,016	-	31,922
Disposals	-	-	(941)	-	(941)
At 31 March 2014	71,404	76,359	388,949	-	536,712
Net book amount					
At 31 March 2014 (reviewed)	538,205	44,911	380,852	42,572	1,006,540
At 31 December 2013 (audited)	542,907	46,776	397,208	41,982	1,028,873

Other fixed assets include computer equipment, furniture and fixtures, equipment and motor vehicles. Capital work in progress mainly comprise of the costs pertaining to staff accommodations and improvement or set up costs for branches.

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

Notes to the condensed consolidated interim financial information for the three months ended 31 March 2014 (continued)

8 Property and equipment (continued)

	Land and buildings AED'000	Leasehold improvements AED'000	Other fixed assets AED'000	Capital work in progress AED'000	Total AED'000
Cost					
At 1 January 2013	519,473	105,228	672,990	121,540	1,419,231
Additions	-	-	4,872	24,627	29,499
Transfers	12,043	378	41,085	(53,506)	-
Disposals	(225)	-	(534)	-	(759)
At 31 March 2013	531,291	105,606	718,413	92,661	1,447,971
Depreciation					
At 1 January 2013	48,074	59,425	275,959	-	383,458
Charge for the period	4,067	3,453	22,099	-	29,619
Disposals	(160)	-	(534)	-	(694)
At 31 March 2013	51,981	62,878	297,524	-	412,383
Net book amount					
At 31 March 2013 (reviewed)	479,310	42,728	420,889	92,661	1,035,588
At 31 December 2012 (audited)	471,399	45,803	397,031	121,540	1,035,773

Other fixed assets include computer equipment, furniture and fixtures, equipment and motor vehicles. Capital work in progress mainly comprise of the costs pertaining to office buildings, staff accommodations and improvement or set up costs for branches.

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

Notes to the condensed consolidated interim financial information for the three months ended 31 March 2014 (continued)

9 Other assets

	31 March 2014 (reviewed) AED'000	31 December 2013 (audited) AED'000
Interest receivable	182,661	175,973
Profit receivable on Islamic financing assets	17,252	11,941
Prepayments and deposits	70,841	54,229
Others	32,134	34,395
	<u>302,888</u>	<u>276,538</u>

10 Deposits from customers

	31 March 2014 (reviewed) AED'000	31 December 2013 (audited) AED'000
Time deposits	6,378,542	7,104,006
Current accounts	10,123,649	9,573,066
Savings deposits	3,777,050	3,416,942
Call deposits	930,319	1,010,673
Islamic customer deposits (Note 11)	2,306,416	1,964,460
	<u>23,515,976</u>	<u>23,069,147</u>

Time deposits include AED 276million (2013: AED 255 million) held by the Group as cash collateral for loans and advances granted to customers.

11 Islamic customer deposits

	31 March 2014 (reviewed) AED'000	31 December 2013 (audited) AED'000
Wakala deposits	1,138,214	1,017,385
Mudaraba term investment deposits	62,131	55,673
Qard-E-Hasan -current accounts	197,058	145,001
Mudaraba -current accounts	783,948	618,427
Mudaraba -savings deposits	119,875	125,376
Mudaraba-call deposits	5,190	2,598
	<u>2,306,416</u>	<u>1,964,460</u>

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

Notes to the condensed consolidated interim financial information for the three months ended 31 March 2014 (continued)

12 Other liabilities

	31 March 2014 (reviewed) AED'000	31 December 2013 (audited) AED'000
Interest payable	41,303	39,738
Profit distributable on Islamic deposits	13,156	9,106
Accrued expenses	96,022	155,364
Managers cheques issued	185,501	150,123
Undistributed cash dividend for 2013	838,123	-
Others	176,582	118,414
	<u>1,350,687</u>	<u>472,745</u>

13 Share capital and dividend

At 31 March 2014, the authorised, issued and fully paid share capital of the Group comprised 1,676.25 million shares of AED 1 each (31 December 2013: 1,676.25 million shares of AED 1 each).

At the meeting of shareholders held on 24 March 2014, the shareholders of the Bank approved a cash dividend of 50% of issued and paid up capital amounting to AED 838.12 million (2012: AED 609.54 million). The record date for cash dividend was 3rd April 2014. Dividend amount has been declared and recorded under other liabilities (Note 12)

14 Other reserves

Other reserves include legal reserve and voluntary reserve. In accordance with the Articles of Association of the Group, 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 three month period ended 31 March 2014, as these will be effected at the year end based on the Group's audited results for the year ending 31 December 2014. The movement in other reserves is on account of fair value gains on investment securities.

In 2012, the shareholders of the Bank approved the creation of a non-distributable special reserve titled 'Reserve - Regulatory Credit risk' reserve account. This reserve is maintained at least 1.5% of the credit risk weighted assets at the end of each financial year, as required by the Central Bank of UAE.

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

Notes to the condensed consolidated interim financial information for the three months ended 31 March 2014 (continued)

15 Contingencies and commitments

	31 March 2014 (reviewed) AED'000	31 December 2013 (audited) AED'000
Commitments to extend credit	6,925,340	6,648,849
Letters of guarantee	592,580	570,353
Letters of credit	58,706	62,951
Acceptances	60,976	28,938
Capital commitments	12,786	11,937
	<u>7,650,388</u>	<u>7,323,028</u>

Commitments to extend credit represent unfunded amounts out of approved limits offered to customers, which are revocable at the discretion of the Group.

16 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 Group's undelivered spot transactions.

Outstanding forward foreign exchange transactions at 31 March 2014 and 31 December 2013 are as follows:

	Contract amount AED'000	Fair value AED'000
31 March 2014 (reviewed)	<u>554,289</u>	<u>395</u>
31 December 2013 (audited)	<u>481,291</u>	<u>375</u>

The fair values of the outstanding foreign exchange forward contracts recorded in other assets if positive, otherwise in other liabilities.

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

Notes to the condensed consolidated interim financial information for the three months ended 31 March 2014 (continued)

17 Interest income and expense

	Three months ended 31 March (reviewed)	
	2014 AED'000	2013 AED'000 (Reclassified)
Interest income		
Commercial loans and overdrafts	330,770	327,755
Retail loans	63,050	78,121
Mortgage loans	52,070	56,173
Credit cards	153,013	151,998
Auto loans	33,008	27,134
Investments	33,916	24,084
Other banks	1,068	686
Deposits with the UAE Central Bank	848	940
	<hr/>	<hr/>
Total interest income	667,743	666,891
	<hr/>	<hr/>
Interest expense		
Due to customers	51,218	72,387
Borrowings from other banks	111	150
	<hr/>	<hr/>
	51,329	72,537
	<hr/>	<hr/>
Net interest income	616,414	594,354
	<hr/>	<hr/>

18 Income from Islamic financing and distribution to depositors

Income from Islamic Financing

Islamic Salam personal finance	17,608	473
Islamic auto Murabaha	8,080	127
Islamic business finance	4,002	-
Islamic Investments	387	243
Islamic property finance	3	-
	<hr/>	<hr/>
Total income from Islamic Financing	30,080	843
	<hr/>	<hr/>
Distribution to Islamic depositors	7,281	239
	<hr/>	<hr/>
Income from Islamic financing net of distribution to depositors	22,799	604
	<hr/>	<hr/>

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

Notes to the condensed consolidated interim financial information for the three months ended 31 March 2014 (continued)

19 Net fees and commission income

	Three months ended 31 March (reviewed)	
	2014 AED'000	2013 AED'000
Credit cards	45,916	44,998
Commercial loans	26,422	18,879
Retail loans	5,416	3,320
Mortgage loans	8,244	6,696
Auto loans	9,554	6,274
Trade finance	7,191	3,589
Fiduciary income	18,458	18,556
Others	28,303	27,326
	<u>149,504</u>	<u>129,638</u>

20 Investment income

	Three months ended 31 March (reviewed)	
	2014 AED'000	2013 AED'000
Profit on revaluation – Held for trading securities	739	-
Dividend income	1,601	159
	<u>2,340</u>	<u>159</u>

21 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. The weighted average number of ordinary shares during the period ended 31 March 2014 is aggregating to 1,676,245,428 shares (31 March 2013: 1,676,245,428 shares).

22 Fiduciary activities

The Group holds assets in a fiduciary capacity for its customers without recourse to itself. At 31 March 2014, such assets amounted to AED 1,690.02 million (31 December 2013: AED 1,666.6 million) and are excluded from the condensed consolidated interim financial information of the Group.

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

Notes to the condensed consolidated interim financial information for the three months ended 31 March 2014 (continued)

23 Cash and cash equivalents

	At 31 March	
	2014	2013
	(reviewed)	(reviewed)
	AED'000	AED'000
Cash in hand and current account with the UAE Central Bank (Note 3)	609,451	957,394
Due from other banks (Note 4)	560,040	388,049
	<u>1,169,491</u>	<u>1,345,443</u>
Less: Due from other banks with original maturity of 3 months or more	-	(86,050)
	<u>1,169,491</u>	<u>1,259,393</u>

24 Operating segments

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the key management, which is responsible for allocating resources to the reportable segments and assesses its performance. All operating segments used by the Group meet the definition of a reportable segment under IFRS 8.

The Group has three main business segments:

- Retail banking – incorporating private customer current accounts, savings accounts, deposits, credit and debit cards, customer loans and mortgages;
- Corporate banking – incorporating transactions with corporate bodies including government and public bodies, secured small and medium entities; and comprising of loans, advances, deposits and trade finance transactions; and
- Treasury – incorporating activities of the dealing room, related money market, foreign exchange transactions with other banks and financial institutions including the UAE Central Bank, none of which constitute a separately reportable segment

The above segments include conventional and Islamic products and services of the Group.

As the Group's segment operations are all financial with a majority of revenues deriving from interest and fees and commission income, the management relies primarily on revenue and segmental results to assess the performance of the segment.

Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in inter-segment revenue. Interest charged for these funds is based on the Group's transfer pricing policy. There are no other material items of income or expense between the business segments.

The Group's management reporting is based on a measure of operating profit comprising net interest income, loan impairment charges, net fee and commission income, other income and non-interest expenses.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balance sheet items. During the quarter the Group has reclassified some of the corporate liabilities and brought it under retail umbrella.

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

Notes to the condensed consolidated interim financial information for the three months ended 31 March 2014 (continued)

24 Operating segments (continued)

The segment information provided to the management for the reportable segments for the period ended 31 March 2014 and 31 March 2013 is as follows:

	Retail Banking AED'000	Corporate banking AED'000	Treasury and others AED'000	Unallocated Cost AED'000	Total AED'000
31 March 2014					
Net external interest income	568,699	16,990	30,725	-	616,414
Income from Islamic financing net of distribution to depositors	22,799 (8,234)	-	4,734	-	22,799
Net transfer pricing income / (expense)		3,500			-
Net Interest / Income from Islamic financing	583,264 158,235	20,490 14,816	35,459 12,413	-	639,213 185,464
Non interest income	741,499	35,306	47,872		824,677
Operating income	(243,913) (14,215)	(14,028) (360)	(1,464) (15)	(68,440) (17,332)	(327,845) (31,922)
Operating expense excluding depreciation	(258,128)	(14,388)	(1,479)	(85,772)	(359,767)
Total Operating expense	(130,202)	(140)	-	-	(130,342)
Impairment charge net of (write off) / recovery	353,169	20,778	46,393	(85,772)	334,568
Net profit / (loss)	22,420,921	1,095,115	6,851,402	-	30,367,438
Segment assets	-	-	-	1,150,575	1,150,575
Unallocated assets	22,420,921	1,095,115	6,851,402	1,150,575	31,518,013
Total assets	19,482,439	3,181,967	1,622,248	-	24,286,654
Segment liabilities	-	-	-	1,218,270	1,218,270
Unallocated liabilities	19,482,439	3,181,967	1,622,248	1,218,270	25,504,924
Total liabilities	19,482,439	3,181,967	1,622,248	1,218,270	25,504,924

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

Notes to the condensed consolidated interim financial information for the three months ended 31 March 2014 (continued)

24 Operating segments (continued)

31 March 2013
 Net external interest income / (expense)
 Income from Islamic financing net of distribution to
 depositors
 Net transfer pricing income / (expense)

Net Interest income

Non interest income

Operating income

Operating expense excluding depreciation

Depreciation

Total Operating expense

Impairment charge net of recovery / (write off)

Net profit / (loss)

Segment assets

Unallocated assets

Total assets

Segment liabilities

Unallocated liabilities

Total liabilities

	Retail banking AED'000	Corporate banking AED'000	Treasury and others AED'000	Unallocated cost AED'000	Total AED'000
	583,327	(8,538)	19,565	-	594,354
	693	(89)	-	-	604
	(19,665)	12,941	6,724	-	-
	564,355	4,314	26,289	-	594,958
	133,893	14,879	8,667	-	157,439
	698,248	19,193	34,956	-	752,397
	(210,864)	(19,363)	(1,293)	(61,851)	(293,371)
	(12,907)	(515)	(15)	(16,182)	(29,619)
	(223,771)	(19,878)	(1,308)	(78,033)	(322,990)
	(60,927)	(503)	-	-	(61,430)
	413,550	(1,188)	33,648	(78,033)	367,977
	20,384,034	542,571	6,171,828	1,227,851	27,098,433
	-	-	-	-	1,227,851
	20,384,034	542,571	6,171,828	1,227,851	28,326,284
	12,383,893	7,226,075	2,255,684	-	21,865,652
	-	-	-	1,005,158	1,005,158
	12,383,893	7,226,075	2,255,684	1,005,158	22,870,810

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

Notes to the condensed consolidated interim financial information for the three months ended 31 March 2014 (continued)

25 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 Group entered into transactions with related parties in the ordinary course of business. The transactions with related parties and balances arising from these transactions are as follows:

	<u>Three months ended</u>	
	<u>31 March</u>	
	2014	2013
	(reviewed)	(reviewed)
	AED'000	AED'000
Transactions during the period		
Interest income	227	266
Interest expense	2,433	2,441
Commission income	665	343
Directors' remuneration	2,237	1,365
Remuneration to key management personnel	3,585	3,637
	31 March	31
	2014	December
	(reviewed)	2013
	AED'000	(audited)
		AED'000
Balances		
Loans and advances:		
- Shareholders and their related companies	23,310	25,740
- Directors and their related companies	8,419	3,875
- Key management personnel	16,887	17,899
	<u>48,616</u>	<u>47,514</u>
Due to customers:		
- Shareholders and their related companies	1,060,150	1,073,772
- Directors and their related companies	87,439	78,247
- Key management personnel	11,382	9,748
	<u>1,158,971</u>	<u>1,161,767</u>
Irrevocable commitments and contingent liabilities and forward contracts		
- Shareholders and their related companies	60,871	74,262
- Directors and their related companies	6,697	6,657
	<u>67,568</u>	<u>80,919</u>

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

Notes to the condensed consolidated interim financial information for the three months ended 31 March 2014 (continued)

26 Capital adequacy

Capital structure and capital adequacy as per Basel II requirement as at 31 March 2014

The Bank is required to report capital resources and risk-weighted assets under the Basel II Pillar 1 framework, as shown in the following table. The Bank has adopted standardised approach for calculation of credit risk and market risk capital charge. On operational risk, alternative standardized approach is followed for capital charge calculation under pillar1.

	31 March 2014 AED'000	31 December 2013 AED'000
Tier 1 capital		
Ordinary share capital	1,676,245	1,676,245
Share premium	110,350	110,350
Statutory and other reserves	3,277,610	3,277,036
Retained earnings	614,316	614,316
Total	<u>5,678,521</u>	<u>5,677,947</u>
Tier 2 capital	-	-
Total regulatory capital	<u>5,678,521</u>	<u>5,677,947</u>
Risk weighted assets		
Credit risk	19,707,885	18,720,220
Market risk	13,871	4,618
Operational risk	849,176	849,176
Total risk weighted assets	<u>20,570,932</u>	<u>19,574,014</u>
Capital adequacy ratio on regulatory capital	27.60%	29.01%
Capital adequacy ratio on Tier 1 capital	27.60%	29.01%

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

Notes to the condensed consolidated interim financial information for the three months ended 31 March 2014 (continued)

27 Fair values of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. Consequently, differences can arise between the carrying values and fair value estimates of financial assets and liabilities. At 31 March 2014, the carrying value of the Group's financial assets and liabilities approximate their fair values, except for the below mentioned financial asset and liability:

	Fair value		Carrying value	
	31 March 2014 AED'000	31 December 2013 AED'000	31 March 2014 AED'000	31 December 2013 AED'000
Financial assets				
Investment securities	3,663,150	2,674,235	3,557,700	2,695,952

28 Fair value hierarchy

The fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes debt instruments on stock exchanges.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The sources of input parameters like LIBOR yield curve or counterparty credit risk are Bloomberg and Reuters.

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

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

Notes to the condensed consolidated interim financial information for the three months ended 31 March 2014 (continued)

28 Fair value hierarchy (continued)

31 March 2014	Quoted market prices Level 1 AED '000	Observable inputs Level 2 AED '000	Significant unobservable inputs Level 3 AED '000	Total AED'000
Asset at fair value				
Available for sale financial assets				
- Investment securities – debt	42,515	-	-	42,515
-Investment securities- Equity	50,969	-	-	50,969
Held for trading financial assets				
-Investment securities- Equity	10,098	-	-	10,098
Foreign currency forwards	-	395	-	395
	<u>103,582</u>	<u>395</u>	<u>-</u>	<u>103,977</u>
31 December 2013				
Available for sale financial assets	-	-	-	-
- Investment securities – debt	42,268	-	-	42,268
Foreign currency forwards	-	375	-	375
	<u>42,268</u>	<u>375</u>	<u>-</u>	<u>42,643</u>

All the investments are quoted. There is no transfer between levels during the period, hence no level 3 reconciliation needed.