

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

**Condensed consolidated interim financial information
for the nine months ended 30 September 2015**

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

**Condensed consolidated interim financial information
for the nine months ended 30 September 2015**

	Pages
Review report	1
Condensed consolidated statement of financial position	2
Condensed consolidated income statement	3
Condensed consolidated statement of comprehensive income	4
Condensed consolidated statement of changes in equity	5
Condensed consolidated statement of cash flows	6 – 7
Notes to the condensed consolidated interim financial information	8 – 44



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 of The National Bank of Ras Al-Khaimah (P.S.C.) ("the Bank") and its subsidiaries (together referred to as "the Group") as at 30 September 2015 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the nine 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
25 October 2015

Paul Suddaby
Registered Auditor Number 309
Dubai, United Arab Emirates

*PricewaterhouseCoopers (Dubai Branch), License no. 102451
Emaar Square, Building 4, Level 8, P O Box 11987, Dubai - United Arab Emirates
T: +971 (0)4 304 3100, F: +971 (0)4 346 9150, www.pwc.com/me*

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

Condensed consolidated statement of financial position

	Notes	30 September 2015 (Reviewed) AED'000	31 December 2014 (Audited) AED'000
ASSETS			
Cash and balances with UAE Central Bank	3	4,526,229	4,217,469
Due from other banks	4	314,846	305,947
Loans and advances, net	5	28,120,372	25,266,475
Investment securities	7	4,165,838	3,785,289
Property and equipment, net	8	919,637	937,714
Insurance contract assets and receivables	9	293,858	-
Goodwill and other intangible assets	10	178,151	-
Other assets	11	450,872	317,263
Total assets		38,969,803	34,830,157
EQUITY AND LIABILITIES			
EQUITY			
Share capital	12	1,676,245	1,676,245
Share premium		110,350	110,350
Retained earnings		2,032,528	1,784,065
Other reserves	13	3,548,948	3,560,461
Equity attributable to equity holders of the Bank		7,368,071	7,131,121
Non-controlling interests	14	37,481	-
Total shareholders' equity		7,405,552	7,131,121
LIABILITIES			
Due to other banks	15	824,633	761,807
Deposits from customers	16	26,709,546	24,651,408
Debt security in issue	18	2,901,311	1,667,629
Insurance contract liabilities and payables	19	361,439	-
Other liabilities	20	685,932	545,195
Provision for employees' end of service benefits		81,390	72,997
Total liabilities		31,564,251	27,699,036
Total equity and liabilities		38,969,803	34,830,157

This condensed consolidated interim financial information was approved by the Board Audit and Risk Committee on 25 October 2015 and was signed on by:

.....
 Peter William England
 Chief Executive Officer

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

Condensed consolidated income statement (reviewed)

	Notes	Three months ended 30		Nine months ended 30	
		September		September	
		2015	2014	2015	2014
		AED'000	AED'000	AED' 000	AED '000
Interest income	23	749,917	715,055	2,168,900	2,074,183
Interest expense	23	(56,173)	(54,806)	(162,645)	(157,132)
Net interest income		693,744	660,249	2,006,255	1,917,051
Income from Islamic financing	24	108,741	59,074	296,269	132,070
Distribution to depositors	24	(9,140)	(7,377)	(25,059)	(22,288)
Income from Islamic financing net of distribution to depositors		99,601	51,697	271,210	109,782
Net interest income and income from Islamic products net of distribution to depositors		793,345	711,946	2,277,465	2,026,833
Net fees and commission income	25	174,437	169,477	513,939	489,233
Foreign exchange income		24,031	23,413	71,716	64,857
Gross insurance underwriting profit	26	21,855	-	24,888	-
Investment income /(loss)	27	(407)	5,100	170	7,144
Other operating income		21,706	17,257	52,627	38,146
Non-interest income		241,622	215,247	663,340	599,380
Operating income		1,034,967	927,193	2,940,805	2,626,213
Operating expenses	28	(386,837)	(387,453)	(1,149,540)	(1,127,672)
Operating profit before provision for impairment		648,130	539,740	1,791,265	1,498,541
Provision for impairment of loans and advances net of write backs	5(d)	(274,929)	(166,688)	(701,889)	(425,058)
Net profit for the period		373,201	373,052	1,089,376	1,073,483
Attributed to:					
Equity holders of the Bank		370,842	373,052	1,086,964	1,073,483
Non-controlling interests		2,359	-	2,412	-
Net profit for the year		373,201	373,052	1,089,376	1,073,483
Earnings per share					
Basic and diluted in AED	29	AED 0.22	AED 0.22	AED 0.65	AED 0.64

The notes 1 to 37 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)

	Notes	Three months ended 30		Nine months ended 30	
		September		September	
		2015	2014	2015	2014
		AED'000	AED'000	AED'000	AED'000
Profit for the period		373,201	373,052	1,089,376	1,073,483
Other comprehensive income:					
Net changes in fair value of available-for-sale investment securities	7	(3,882)	2,247	(10,224)	1,012
Other comprehensive income for the period		(3,882)	2,247	(10,224)	1,012
Total Comprehensive income for the period		369,319	375,299	1,079,152	1,074,495
Attributed to:					
Equity holders of the Bank		367,277	375,299	1,077,849	1,074,495
Non-controlling interests		2,042	-	1,303	-
Total Comprehensive income for the period		369,319	375,299	1,079,152	1,074,495

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

Condensed consolidated statement of changes in equity (reviewed)

Note	Share capital	Share premium	Retained earnings	Other reserves	Equity attributable to equity holders of the Bank	Non-controlling interests	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
At 1 January 2015	1,676,245	110,350	1,784,065	3,560,461	7,131,121	-	7,131,121
Non-controlling interest and treasury stock elimination on RAKNIC acquisition	-	-	-	(2,398)	(2,398)	36,178	33,780
Total comprehensive income for the year	-	-	1,086,964	(9,115)	1,077,849	1,303	1,079,152
Zakat	-	-	(378)	-	(378)	-	(378)
Dividend paid to equity holders of the Bank	-	-	(838,123)	-	(838,123)	-	(838,123)
At 30 September 2015	1,676,245	110,350	2,032,528	3,548,948	7,368,071	37,481	7,405,552
At 1 January 2014	1,676,245	110,350	1,452,439	3,277,036	6,516,070	-	6,516,070
Total comprehensive income for the year	-	-	1,073,483	1,012	1,074,495	-	1,074,495
Dividend paid to equity holders of the Bank	-	-	(838,123)	-	(838,123)	-	(838,123)
At 30 September 2014	1,676,245	110,350	1,687,799	3,278,048	6,752,442	-	6,752,442

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

Condensed consolidated statement of cash flows (reviewed)

	Notes	Nine months ended 30 September	
		2015 AED'000	2014 AED'000
Operating activities			
Net Profit for the period		1,089,376	1,073,483
Adjustments for:			
Provision for impairment of loans and advances net of write backs	5(d)	701,889	425,058
Depreciation	8	91,343	97,127
Amortisation of intangible assets	10	1,070	-
Provision for employees' end of service benefits		12,127	14,656
Gain on disposal of property and equipment		(459)	(333)
Amortisation of premium relating to investments	7	12,390	11,769
Gain on sale investment securities		-	(3,636)
Loss/(gain) on held for trading investment securities	7	462	(1,334)
Operating cash flows before payment of employees end of service benefits and changes in working capital:		1,908,198	1,616,790
Payment of employees' end of service benefits		(7,291)	(8,058)
Changes in working capital:			
Deposits with the UAE Central Bank	3	(292,161)	(1,146,314)
Due from other banks with original maturities of three months or over		34,364	(36,730)
Loans and advances, Islamic Financing assets net of provisions for impairment	5	(3,555,786)	(2,908,504)
Insurance contracts assets and receivables		4,488	-
Other assets		(123,527)	(32,651)
Due to other banks (net of amount due to Central Bank)	15	62,826	1,137,419
Deposits from customers	16	2,058,138	1,594,609
Insurance contracts liabilities and payables		(46,593)	-
Other liabilities		126,278	38,532
Net cash generated from operating activities		168,934	255,093
Investing activities			
Purchase of investment securities	7	(441,429)	(1,253,955)
Purchase of property and equipment	8	(54,316)	(26,366)
Investment in RAKNIC, net	37	(203,956)	-
Proceeds from maturity / disposal of investments	7	89,726	45,539
Proceeds from disposal of property and equipment		718	355
Net cash used in investing activities		(609,257)	(1,234,427)

The notes 1 to 37 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)

	Notes	Nine months ended 30 September	
		2015 AED'000	2014 AED'000
Financing activities			
Dividends paid	12	(838,123)	(838,123)
Zakat paid		(378)	-
Debt securities issued	18	1,233,682	1,653,809
Net cash used in financing activities		<u>395,181</u>	<u>815,686</u>
Net decrease in cash and cash equivalents		(45,142)	(163,648)
Cash and cash equivalents, beginning of the period		1,002,191	1,310,347
Cash and cash equivalents, end of the period	31	<u>957,049</u>	<u>1,146,699</u>

The notes 1 to 37 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 nine months ended 30 September 2015

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 five branches in the UAE.

In the Ordinary General Assembly on 18 August 2014, the shareholders of the Bank approved the acquisition of a majority stake in Ras Al Khaimah National Insurance Company PSC (RAKNIC) at a cash price of AED 3.64 per share. The Bank received approval on 6 January 2015 from the Central Bank of UAE to proceed with the share purchase offer to the shareholders of RAKNIC. In May 2015 the Bank made a public offer to shareholders of RAKNIC to purchase their shareholding at a cash price of AED 3.64 per share. 79.23% of RAKNIC shareholders accepted this offer and on 28 May 2015 the bank acquired 79.23% stake in RAKNIC, which has been accounted for as a subsidiary from that date – see note 37 for details of the business combination. Accordingly, the consolidated results include the results of RAKNIC from the date of acquisition to 30 September 2015 and include the assets less liabilities of RAKNIC on 30 September 2015.

At 30 September 2015, The National Bank of Ras Al-Khaimah (P.S.C) comprises the Bank and five subsidiaries (together referred to as “the Group”). The condensed consolidated interim financial information for the nine months ended 30 September 2015 comprises the Bank and its subsidiaries.

Subsidiary	Authorised and issued capital	Ownership interest	Incorporated	Principal Activities
Ras Al Khaimah National Insurance Company PSC	AED 110 Million	79.23%	UAE	All type of insurance business.
RAK Islamic Finance Company Pvt. J.S.C	AED 100 million	99.9%	UAE	To sell sharia compliant financial products
BOSS FZCO	AED 500,000	80%	UAE	Back office support services to the Bank
RAK Technologies FZCO	AED 500,000	80%	UAE	Technological support services to the Bank
Rakfunding Cayman Limited	USD 100	99.9%	Cayman Island	To facilitate the issue of USD 800 million Euro medium term notes (EMTN) under the Bank’s USD 1 billion EMTN programme.

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

Notes to the condensed consolidated interim financial information for the nine months ended 30 September 2015 (continued)

2 Significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The condensed consolidated interim financial information has been prepared on a going concern basis in accordance with International Financial Reporting Standards (“IFRS”) and IFRS Interpretation Committee (IFRS IC) interpretations applicable to the companies reporting under IFRS. The condensed consolidated interim financial information is prepared under the historical cost convention except for held for trading and available-for-sale financial assets and derivative financial instruments which have been measured at fair value.

The preparation of condensed consolidated interim financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies.

The accounting policies and methods of computation applied by the Group in the condensed consolidated interim financial information are the same as those applied by the Group in its audited consolidated financial statements as at and for the year ended 31 December 2014. Additionally, policies regarding the Insurance business acquisition have also been included in the Group’s condensed consolidated interim financial information for the first time.

Standards, amendments and interpretations that are effective for the Group’s accounting period beginning on 1 January 2015

New standards and significant amendments to standards applicable to the Group	Effective date
<p>Annual improvements 2012</p> <p>These annual improvements amend standards from the 2010 - 2012 reporting cycle. It includes changes to:</p> <ul style="list-style-type: none">• IFRS 8, ‘Operating segments’ which is amended to require disclosure of the judgements made by management in applying the aggregation criteria to operating segments. It is also amended to require a reconciliation of segment assets to the entity’s assets when segment assets are reported.• IAS 16, ‘Property, plant and equipment’ and IAS 38, ‘Intangible assets’ are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.• IAS 24, ‘Related party disclosures’ is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the ‘management entity’). Disclosure of the amounts charged to the reporting entity is required.	1 July 2014

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

Notes to the condensed consolidated interim financial information for the nine months ended 30 September 2015 (continued)

2 Significant accounting policies (continued)

(a) Basis of preparation (continued)

New standards and significant amendments to standards applicable to the Group	Effective date
<p>Annual improvements 2013</p> <ul style="list-style-type: none"> IFRS 13 'Fair value measurement' on clarification of the portfolio exemption in IFRS 13 - The amendment clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9. 	1 July 2014
<p>IAS 19, Defined benefit plans : Employee contributions</p> <p>The amendment clarifies the accounting by entities with plans that require contributions linked only to service in each period.</p> <p>Entities with plans that require contributions that vary with service will be required to recognise the benefit of those contributions over employees' working lives. Management should consider how it will apply that model.</p>	1 July 2014

There is no impact of these provisions on the condensed consolidated interim financial information of the Group.

There are no other IFRSs or IFRIC interpretations that were effective for the first time for the financial year beginning on 01 January 2015 that have had a material impact on the Group's condensed consolidated interim financial information.

Standards, amendments and interpretations issued but not yet effective for the Group's accounting period beginning on 1 January 2015 and not early adopted

<p>Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' regarding depreciation and amortisation.</p> <p>This amendment clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.</p> <p>The presumption may only be rebutted in certain limited circumstances.</p> <p>IAS 1 Amendments to IAS 1, 'Presentation of financial statements' Disclosure initiative. The amendments clarify that it may be necessary to disaggregate some of the line items specified in IAS 1 paragraphs 54 (statement of financial position) and 82 (profit or loss). That disaggregation is required where it is relevant to an understanding of the entity's financial position or performance.</p>	1 January 2016
--	----------------

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

Notes to the condensed consolidated interim financial information for the nine months ended 30 September 2015 (continued)

2 Significant accounting policies (continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations issued but not yet effective for the Group's accounting period beginning on 1 January 2015 and not early adopted (continued)

<p>Annual improvements 2014</p> <p>These annual improvements amend standards from the 2012 - 2014 reporting cycle. It includes changes to:</p> <ul style="list-style-type: none">• IFRS 7, 'Financial instruments: Disclosures' – The amendment related to servicing contracts requires that if an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognise the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets.• IAS 19, 'Employee benefits' – The amendment clarifies, when determining the discount rate for post-employment benefit obligations, that it is the currency that the liabilities are denominated in that is important, not the country where they arise.• IAS 34, 'Interim financial reporting', regarding information disclosed elsewhere in the interim financial report. The amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. The amendment further amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information. The amendment is retrospective.	1 July 2016
<p>IFRS 15, 'Revenue from contracts with customers'</p> <p>This standard replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and related interpretations. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use of and obtain the benefits from the good or service. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.</p>	1 January 2018

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

Notes to the condensed consolidated interim financial information for the nine months ended 30 September 2015 (continued)

2 Significant accounting policies (continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations issued but not yet effective for the Group's accounting period beginning on 1 January 2015 and not early adopted (continued)

<p>IFRS 9, 'Financial instruments'</p> <p>The complete version of IFRS 9 replaces most of the guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.</p>	<p>1 January 2018</p> <p>Earlier application is permitted. If an entity elects to early apply it must apply all of the requirements at the same time.</p>
---	---

The Group is assessing the impact of the above new standards and amendments to published standards or IFRIC interpretations issued but not yet effective for the Group's financial year beginning on 1 January 2015.

There are no other applicable new standards and amendments to published standards or International Financial Reporting Interpretations Committee (interpretations that have been issued but are not effective for the first time for the Group's financial year beginning on 1 January 2015 that would be expected to have a material impact on 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 nine months ended 30 September 2015 (continued)

2 Significant accounting policies (continued)

(b) Consolidation

The condensed consolidated interim financial information incorporates the financial information of The National Bank of Ras Al-Khaimah (P.S.C.) and its subsidiaries (collectively referred to as "Group").

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

Transactions eliminated on consolidation

Intra-group balances and income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the condensed consolidated interim financial information. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Acquisition accounting

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest, and the Group allocates the purchase price to these net assets acquired. The measurement period for purchase price allocations ends as soon as information on the facts and circumstances becomes available, but does not exceed 12 months. The Group policy is aligned with that laid out in IFRS 3.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services which are charged to the income statement.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis.

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

Notes to the condensed consolidated interim financial information for the nine months ended 30 September 2015 (continued)

2 Significant accounting policies (continued)

(b) Consolidation (continued)

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date.

(c) 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 financial position 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 National Bank of Ras Al-Khaimah (P.S.C.)

Notes to the condensed consolidated interim financial information for the nine months ended 30 September 2015 (continued)

2 Significant accounting policies (continued)

(c) Loans and advances and provision for impairment (continued)

The Group first assesses whether objective evidence of impairment exists either 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 condensed 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 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 (i.e. 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.

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

Notes to the condensed consolidated interim financial information for the nine months ended 30 September 2015 (continued)

2 Significant accounting policies (continued)

(c) Loans and advances and provision for impairment (continued)

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 condensed consolidated income statement. Subsequent recoveries are credited to the condensed consolidated income statement.

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.

(d) 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 and liabilities are as per Note 2(c).

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.

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

Notes to the condensed consolidated interim financial information for the nine months ended 30 September 2015 (continued)

2 Significant accounting policies (continued)

(d) Islamic financing (continued)

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.

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.

(e) Intangible assets

Intangible assets acquired in a business combination are measured on initial recognition at cost, which is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of income in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

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

Notes to the condensed consolidated interim financial information for the nine months ended 30 September 2015 (continued)

2 Significant accounting policies (continued)

(e) Intangible assets (continued)

(i) License

The license represents the right to conduct insurance operations, which is granted by the relevant insurance regulator. This license is assessed as having an indefinite useful life.

(ii) Customer relationships

The value of customer relationships represents the value of future cash flows expected from renewals and the cross-selling of new products to customers known and identified at the time of the acquisition and will be amortised on a straight line basis over the estimated useful life which is 4 years.

(f) Insurance contracts

(i) Insurance and reinsurance contracts held

The Group issues contracts that transfer insurance risks in the general insurance category. The general insurance category comprises Casualty, Group Life, Financial Lines, Fire, Marine, Energy and Accident and Health.

The Group writes the following types of insurance contracts:

- Accident insurance
- Property insurance
- Motor insurance
- Fire insurance
- Casualty insurance
- Medical insurance
- Marine insurance
- Engineering insurance
- Group life insurance

Premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received in respect of in-force contracts that relates to unexpired risks at the statement of financial position date is reported as unearned premium liability. Premiums are shown before deduction of commission.

Claim and loss adjustment expenses are charged to the income statement as incurred, based on the estimated liability for compensation owed to insurance contract holders. Such expenses include direct and indirect claims settlement costs and arise from events that have occurred up to the statement of financial position date even if they have not yet been reported to the Group. The Group does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and the Group's statistical analysis for the claims Incurred But Not Reported ("IBNR"). IBNR is reviewed by an independent actuary on a yearly basis.

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

Notes to the condensed consolidated interim financial information for the nine months ended 30 September 2015 (continued)

2 Significant accounting policies (continued)

(f) Insurance contracts (continued)

Contracts entered into by the Group with other reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within insurance contract assets and receivables, as well as the reinsurance portion of gross claims outstanding including IBNR that are dependent on the expected claims and benefits arising under the related reinsured contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense proportionally over the period of coverage.

The Group assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement. Objective evidence that a reinsurance asset is impaired includes observable data that comes to the attention of the Group about events such as significant financial difficulty of the debtor, breach of contract and it becomes probable that the debtor will enter bankruptcy or other financial reorganisation.

(ii) Liability adequacy test

At the end of each reporting period, the Group assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in profit or loss and an unexpired risk provision is created.

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

Notes to the condensed consolidated interim financial information for the nine months ended 30 September 2015 (continued)

2 Significant accounting policies (continued)

(f) Insurance contracts (continued)

Provision is made for premium deficiency arising from general insurance contracts where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the reporting date exceeds the unearned premiums provision and already recorded claim liabilities in relation to such policies. The provision for premium deficiency is calculated by reference to classes of business which are managed together, after taking into account the future investment return on investments held to back the unearned premiums and claims provisions.

(iii) Insurance and other receivables

Insurance and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less impairment losses. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future statement of cash flows, discounted at the effective interest rate.

The carrying amount of the receivable is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within general and administration expenses. When a receivable is uncollectible, it is written off against the allowance account for that receivable. Subsequent recoveries of amounts previously written off are credited against other operating expenses in the income statement.

(iv) Deferred acquisition costs

The costs attributable to the acquisition of new business for insurance contracts and renewing existing contracts are capitalised as an intangible asset under Deferred Acquisition Costs (DAC). All other costs are recognised as expenses when incurred. DAC are subsequently amortised over the life of the contracts as premium is earned.

Deferred acquisition costs are reviewed by category of business at the end of each reporting period and are written off where they are no longer considered to be recoverable.

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

Notes to the condensed consolidated interim financial information for the nine months ended 30 September 2015 (continued)

3 Cash and balances with the UAE Central Bank

	30 September 2015 (Reviewed) AED'000	31 December 2014 (Audited) AED'000
Cash in hand	712,843	696,244
Statutory deposit with the UAE Central Bank	2,813,386	2,521,225
Certificates of deposit with the UAE Central Bank	1,000,000	1,000,000
	<u>4,526,229</u>	<u>4,217,469</u>

4 Due from other banks

	30 September 2015 (Reviewed) AED'000	31 December 2014 (Audited) AED'000
Placements with other banks	164,250	73,460
Demand deposits	112,460	124,036
Clearing account balances	38,136	108,451
	<u>314,846</u>	<u>305,947</u>

The below represents deposits and balances due from banks by resident country:

Banks in UAE	259,098	182,211
Banks outside UAE	55,748	123,736
	<u>314,846</u>	<u>305,947</u>

5 Loans and advances, net (Including Islamic financing)

(a) Loans and advances

	30 September 2015 (Reviewed) AED'000	31 December 2014 (Audited) AED'000
Retail loans	24,892,787	23,597,597
Business Banking loans	3,921,167	2,208,105
Loans and advances (Note 5(b))	28,813,954	25,805,702
Provision for impairment (Note 5(c))	(693,582)	(539,227)
Net loans and advances	<u>28,120,372</u>	<u>25,266,475</u>

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

Notes to the condensed consolidated interim financial information for the nine months ended 30 September 2015 (continued)

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

(b) Analysis of loans and advances

	30 September 2015 (Reviewed) AED'000	31 December 2014 (Audited) AED'000
Personal loans	6,613,849	6,936,049
Mortgage loans	4,131,339	3,897,384
Credit cards	3,273,217	3,037,809
Auto loans	3,206,684	2,833,664
RAKfinance business loans	6,261,610	5,766,567
Business banking loans	3,921,167	2,208,105
Other retail loans	1,406,088	1,126,124
Total loans and advances	<u>28,813,954</u>	<u>25,805,702</u>

(c) Provision for impairment

	Retail loans AED'000	Corporate loans AED'000	Total AED'000
Balance brought forward 1 January 2015	505,816	33,411	539,227
Impairment charge (Note 5(d))	715,384	22,824	738,208
Written off during the period	(552,207)	(31,646)	(583,853)
Balance carried forward 30 September 2015	<u>668,993</u>	<u>24,589</u>	<u>693,582</u>
Balance brought forward 1 January 2014	365,032	30,581	395,613
Impairment charge	642,404	3,162	645,566
Written off during the year	(501,620)	(332)	(501,952)
Balance carried forward 31 December 2014	<u>505,816</u>	<u>33,411</u>	<u>539,227</u>

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

Notes to the condensed consolidated interim financial information for the nine months ended 30 September 2015 (continued)

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

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

	Retail loans AED'000	Corporate loans AED'000	Total AED'000
Three months ended 30 September 2015 (reviewed)			
Impairment charge	273,949	13,077	287,026
Recovery during the period	(12,097)	-	(12,097)
	<u>261,852</u>	<u>13,077</u>	<u>274,929</u>
Three months ended 30 September 2014 (reviewed)			
Impairment Charge	177,150	-	177,150
Recovery during the period	(10,462)	-	(10,462)
	<u>166,688</u>	<u>-</u>	<u>166,688</u>
Nine months ended 30 September 2015 (reviewed)			
Impairment charge	715,384	22,824	738,208
Recovery during the period	(36,319)	-	(36,319)
	<u>679,065</u>	<u>22,824</u>	<u>701,889</u>
Nine months ended 30 September 2014 (reviewed)			
Impairment charge	463,951	244	464,195
Recovery during the period	(39,137)	-	(39,137)
	<u>424,814</u>	<u>244</u>	<u>425,058</u>

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

(e) Impaired loans and advances provision coverage

	30 September 2015 (Reviewed) AED'000	31 December 2014 (Audited) AED'000
Aggregate impaired loans	847,642	618,762
Provision held	<u>693,582</u>	<u>539,227</u>
Coverage ratio	<u>81.82%</u>	<u>87.15%</u>

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

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

Notes to the condensed consolidated interim financial information for the nine months ended 30 September 2015 (continued)

6 Islamic Financing assets

(a) Islamic financing assets (included in loans and advances-note 5)

	30 September 2015 (Reviewed) AED'000	31 December 2014 (Audited) AED'000
Islamic business banking assets	59,594	-
Islamic retail financing asset	4,509,638	3,402,676
Total Islamic financing assets	4,569,232	3,402,676
Provision for impairment	(117,755)	(43,217)
	<u>4,451,477</u>	<u>3,359,459</u>

(b) Analysis of Islamic financing assets

	30 September 2015 (Reviewed) AED'000	31 December 2014 (Audited) AED'000
Islamic salam personal finance	1,813,311	1,606,126
Islamic auto murabaha	1,168,783	876,169
Islamic business finance	1,040,786	649,578
Islamic Ijara Property finance	324,702	128,176
Islamic credit cards	161,580	142,381
Islamic business banking	59,594	-
Islamic finance - Others	476	246
	<u>4,569,232</u>	<u>3,402,676</u>

7 Investment securities

	30 September 2015 (Reviewed) AED'000	31 December 2014 (Audited) AED'000
Securities available-for-sale		
Quoted equity securities	52,355	18,361
Unquoted equity securities	107	-
Quoted debt securities	37,418	41,839
	<u>89,880</u>	<u>60,200</u>
Held for trading		
Quoted mutual funds fair valued through profit and loss	4,303	-
Securities held-to-maturity		
Unquoted debt securities	220,380	-
Quoted debt securities *	3,851,275	3,725,089
	<u>4,071,655</u>	<u>3,725,089</u>
Investment securities	<u>4,165,838</u>	<u>3,785,289</u>

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

Notes to the condensed consolidated interim financial information for the nine months ended 30 September 2015 (continued)

7 Investment securities (continued)

*Quoted debt securities with book value of AED 18.42 million as at 30 September 2015 has been given as collateral against repo borrowing of AED 18.91 million (refer note 15).

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

	30 September 2015 (Reviewed) AED'000	31 December 2014 (Audited) AED'000
Federal and local Government – UAE	702,939	705,654
Government related entity – UAE	1,037,141	1,131,698
Government – GCC	37,168	37,217
Government related entity – GCC	87,341	86,961
Banks and financial institutions – UAE	627,884	628,659
Banks and financial institutions – GCC	58,748	58,795
Banks and financial institutions – India	824,265	605,198
Banks and financial institutions – Turkey	220,826	-
Public limited companies – UAE	185,120	185,213
Public limited companies – India	327,641	327,533
Total Debt securities	4,109,073	3,766,928
Quoted equity securities	52,355	18,361
Quoted mutual funds	4,303	-
Unquoted equity securities	107	-
Total investment securities	4,165,838	3,785,289

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 2015	60,200	-	3,725,089	3,785,289
Investment acquired on RAKNIC acquisition	43,450	4,765	3,707	51,922
Purchases	256	-	441,173	441,429
Disposal /maturities	(3,673)	-	(86,053)	(89,726)
Net changes in fair value	(10,224)	(462)	-	(10,686)
Amortisation of premium	(129)	-	(12,261)	(12,390)
At 30 September 2015	<u>89,880</u>	<u>4,303</u>	<u>4,071,655</u>	<u>4,165,838</u>
At 1 January 2014	42,268	-	2,653,684	2,695,952
Purchases	50,676	9,359	1,193,920	1,253,955
Disposals / Maturities	(34,846)	(10,693)	-	(45,539)
Net changes in fair value	1,012	-	-	1,012
Amortisation of premium	(80)	-	(11,689)	(11,769)
Profit on sale	3,636	1,334	-	4,970
At 30 September 2014 (Reviewed)	<u>62,666</u>	<u>-</u>	<u>3,835,915</u>	<u>3,898,581</u>

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

Notes to the condensed consolidated interim financial information for the nine months ended 30 September 2015 (continued)

8 Property and equipment, net

	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 2015	643,532	123,956	790,613	10,744	1,568,845
RAKNIC acquisition	16,068	-	3,141	-	19,209
Additions	-	71	27,499	26,746	54,316
Transfers	2,215	1,562	16,200	(19,977)	-
Disposals	-	-	(4,104)	-	(4,104)
At 30 September 2015	<u>661,815</u>	<u>125,589</u>	<u>833,349</u>	<u>17,513</u>	<u>1,638,266</u>
Accumulated depreciation					
At 1 January 2015	86,676	87,439	457,016	-	631,131
Charge for the period	16,409	10,969	63,965	-	91,343
Disposals	-	-	(3,845)	-	(3,845)
At 30 September 2015	<u>103,085</u>	<u>98,408</u>	<u>517,136</u>	<u>-</u>	<u>718,629</u>
Net book amount					
At 30 September 2015	<u>558,730</u>	<u>27,181</u>	<u>316,213</u>	<u>17,513</u>	<u>919,637</u>
At 31 December 2014	<u>556,856</u>	<u>36,517</u>	<u>333,597</u>	<u>10,744</u>	<u>937,714</u>

Other fixed assets include computer equipment, furniture and fixtures, equipment and motor vehicles. Capital work in progress mainly comprises of the costs pertaining to various system enhancements 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 nine months ended 30 September 2015 (continued)

8 Property and equipment, net (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 2014	609,162	119,378	764,082	41,982	1,534,604
Additions	-	-	10,140	16,226	26,366
Transfers	3,396	5,141	15,647	(24,184)	-
Disposals	-	(169)	(1,476)	-	(1,645)
At 30 September 2014	<u>612,558</u>	<u>124,350</u>	<u>788,393</u>	<u>34,024</u>	<u>1,559,325</u>
Accumulated depreciation					
At 1 January 2014	66,255	72,602	366,874	-	505,731
Charge for the period	15,617	11,548	69,962	-	97,127
Disposals	-	(169)	(1,454)	-	(1,623)
At 30 September 2014	<u>81,872</u>	<u>83,981</u>	<u>435,382</u>	<u>-</u>	<u>601,235</u>
Net book amount					
At 30 September 2014	<u>530,686</u>	<u>40,369</u>	<u>353,011</u>	<u>34,024</u>	<u>958,090</u>
At 31 December 2013	<u>542,907</u>	<u>46,776</u>	<u>397,208</u>	<u>41,982</u>	<u>1,028,873</u>

9 Insurance contract assets and receivables

	30 September 2015 (Reviewed) AED'000	31 December 2014 (Audited) AED'000
Reinsurance contract assets		
Claims reported unsettled	55,392	-
Claims incurred but not reported	2,769	-
Deferred insurance premium and commission	56,086	-
Total reinsurance contract assets	<u>114,247</u>	<u>-</u>
Insurance related receivables		
Premium receivables	173,330	-
Reinsurance companies	12,665	-
Insurance agents and brokers	4,481	-
Gross insurance related receivables	<u>190,476</u>	<u>-</u>
Provision for doubtful receivables	(10,865)	-
Net insurance related receivables	<u>179,611</u>	<u>-</u>
Insurance contract assets & receivables	<u>293,858</u>	<u>-</u>

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

Notes to the condensed consolidated interim financial information for the nine months ended 30 September 2015 (continued)

10 Goodwill and other intangible assets

	Provisional	Other Intangible Assets		Goodwill and other intangible assets
	Goodwill	Customer Relationships	Insurance License	assets
	AED'000	AED'000	AED'000	AED'000
Cost				
As at 1 January 2015	-	-	-	-
RAKNIC acquisition	100,782	12,835	65,604	179,221
As at 30 September 2015	100,782	12,835	65,604	179,221
Accumulated Amortization				
As at 1 January 2015	-	-	-	-
Charge for the period	-	(1,070)	-	(1,070)
As at 30 September 2015	-	(1,070)	-	(1,070)
Net Book amount				
As at 30 September 2015	100,782	11,765	65,604	178,151

IFRS 3 allows initial accounting for a business combination to be determined only provisionally by the end of the period in which the business combination occurs, pending completion of the fair valuation and purchase price allocation exercises. This initial accounting should be completed in a period not exceeding twelve months from the acquisition date. Hence, goodwill has been identified as provisional.

11 Other assets

	30 September 2015 (Reviewed) AED'000	31 December 2014 (Audited) AED'000
Interest receivable	214,594	182,985
Profit receivable on Islamic financing assets	43,375	36,175
Prepayments and deposits	63,518	59,252
Interest rate swaps	59,879	12,789
Others	69,506	26,062
	<u>450,872</u>	<u>317,263</u>

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

Notes to the condensed consolidated interim financial information for the nine months ended 30 September 2015 (continued)

12 Share capital and dividend

At 30 September 2015, the authorised, issued and fully paid share capital of the Group comprised 1,676.25 million shares of AED 1 each (31 December 2014: 1,676.25 million shares of AED 1 each).

At the meeting of shareholders held on 9 April 2015, the shareholders of the Bank approved a cash dividend of 50% of issued and paid up capital amounting to AED 838.12 million (2014: AED 838.12 million). These dividends were paid out during the second quarter of 2015.

13 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 nine month period ended 30 September 2015, as these will be effected at the year end based on the Group's audited results for the year ending 31 December 2015. 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.

On acquisition, RAKNIC was holding and continued to hold at 30 September 2015 312,585 of the Bank's shares with a value of AED 2,201 thousand in its investment securities portfolio. The investment in these shares has been treated as treasury shares and deducted from the Bank's reserves.

14 Non-controlling interests

	For the period 28 May to 30 September 2015 AED'000 (Reviewed)	Year ended 31 December 2014 AED'000 (Audited)
Balance at the beginning of the period	-	-
RAKNIC acquisition *	36,178	-
Profit for the period	2,412	-
Other comprehensive loss for the period	(1,109)	-
Balance at the end of the period	<u>37,481</u>	<u>-</u>

*On 28 May 2015 RAKBANK acquired 79.23% stake in RAKNIC through public offer. Non-controlling interest on acquisition of AED 36.178 million amounts to 20.77% of the fair value of net assets on acquisition date.

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

Notes to the condensed consolidated interim financial information for the nine months ended 30 September 2015 (continued)

15 Due to other banks

	30 September 2015 AED'000 (Reviewed)	31 December 2014 AED'000 (Audited)
Term deposits	414,292	744,067
Repurchase agreements	18,902	-
Current account balance with the UAE Central Bank	319,359	16,946
Demand deposits	72,080	794
	<u>824,633</u>	<u>761,807</u>

16 Deposits from customers

	30 September 2015 (Reviewed) AED'000	31 December 2014 (Audited) AED'000
Time deposits	7,669,309	7,070,328
Current accounts	13,918,051	12,446,336
Savings deposits	3,770,846	3,866,388
Call deposits	1,351,340	1,268,356
	<u>26,709,546</u>	<u>24,651,408</u>

Time deposits include AED 485 million (2014: AED 296 million) held by the Group as cash collateral for loans and advances granted to customers.

17 Islamic customer deposits (included in deposits from customers-note 16)

	30 September 2015 (Reviewed) AED'000	31 December 2014 (Audited) AED'000
Wakala deposits	1,584,067	1,534,249
Mudaraba term investment deposits	44,279	76,625
Qard-E-Hasan -current accounts	496,201	338,295
Mudaraba -current accounts	770,840	485,852
Mudaraba -savings deposits	156,085	153,499
Mudaraba-call deposits	29,527	3,032
	<u>3,080,999</u>	<u>2,591,552</u>

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

Notes to the condensed consolidated interim financial information for the nine months ended 30 September 2015 (continued)

18 Debt security in issue

	30 September 2015 AED'000	31 December 2014 AED'000
USD 500 million medium term note issued at discount in June 2014	1,826,252	1,824,467
USD 300 million medium term note issued at premium in March 2015	1,110,609	-
Less : Own investment in debt security issued	(84,022)	(160,553)
Less : Debt security issue costs	(11,407)	(9,074)
Fair value adjustment on hedged debt securities in issue	59,879	12,789
	<u>2,901,311</u>	<u>1,667,629</u>

The Group issued USD 500 million medium term note in June 2014 under its USD 1 billion medium term note programme through its subsidiary RAKFunding Cayman Limited. The initial tranche of the note was issued at a discounted rate of 99.275%. In March 2015 second tranche of USD 300 million notes were issued under this programme at a premium rate of 100.875%. These notes mature in 2019 and carry a fixed interest rate of 3.25% per annum. Interest on these medium term notes is payable half-yearly in arrears.

19 Insurance contract liabilities and payables

	30 September 2015 (Reviewed) AED'000	31 December 2014 (Audited) AED'000
Insurance contract liabilities		
Claims reported unsettled	98,871	-
Claims incurred but not reported	4,944	-
Unearned premiums	168,460	-
Deferred acquisition cost	3,730	-
Total insurance contract liabilities	<u>276,005</u>	<u>-</u>
Insurance related payables		
Creditors	9,364	-
Reinsurance payables	61,967	-
Commission payables	14,103	-
Total insurance related payables	<u>85,434</u>	<u>-</u>
Insurance contract liabilities and payables	<u>361,439</u>	<u>-</u>

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

Notes to the condensed consolidated interim financial information for the nine months ended 30 September 2015 (continued)

20 Other liabilities

	30 September 2015 (Reviewed) AED'000	31 December 2014 (Audited) AED'000
Interest payable	50,421	26,099
Profit distributable on Islamic deposits	15,841	15,629
Accrued expenses	228,692	212,080
Managers cheques issued	147,093	148,036
Others	243,885	143,351
	<u>685,932</u>	<u>545,195</u>

21 Contingencies and commitments

	30 September 2015 (Reviewed) AED'000	31 December 2014 (Audited) AED'000
Commitments to extend credit	39,395	36,069
Letters of guarantee	708,397	678,812
Letters of credit	57,019	78,868
Acceptances	72,013	50,863
Capital commitments	22,239	10,182
	<u>899,063</u>	<u>854,794</u>

Commitments to extend credit represents unfunded amounts out of approved limits offered to customers, of which AED 8,523 million (31 December 2014 AED 7,768 million) are revocable at the discretion of the Group.

22 Forward foreign exchange and interest rate swap 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. Interest rate swap contracts comprise of deals to convert fixed rate into a floater or vice versa.

Outstanding forward foreign exchange transactions at 30 September 2015 and 31 December 2014 are as follows:

	Contract amount AED'000	Fair value AED'000
30 September 2015	<u>940,931</u>	<u>418</u>
31 December 2014	<u>980,115</u>	<u>361</u>

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

Notes to the condensed consolidated interim financial information for the nine months ended 30 September 2015 (continued)

22 Forward foreign exchange and interest rate swap contracts (continued)

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

Outstanding interest rate swap transactions at 30 September 2015 and 31 December 2014 are as follows:

	Contract amount AED'000	Fair value AED'000
30 September 2015	2,850,248	59,879
31 December 2014	1,674,888	12,789

23 Interest income and expense

	Three months ended 30 September (Reviewed)		Nine months ended 30 September (Reviewed)	
	2015 AED'000	2014 AED'000	2015 AED'000	2014 AED'000
Interest income				
Personal loans	94,743	113,641	292,312	369,626
Mortgage loans	43,552	51,409	133,033	155,611
Credit cards	190,860	163,039	519,303	476,120
Auto loans	37,766	36,498	111,971	103,895
RAKFinance loans	241,927	250,469	733,166	719,280
Business Banking loans	74,406	41,580	191,339	97,534
Other retail banking loans	19,489	12,497	53,253	29,980
Investment securities	45,567	42,926	129,738	115,144
Deposits with Central Bank of UAE	805	1,630	2,825	3,464
Other banks	802	1,366	1,960	3,529
Total interest income	<u>749,917</u>	<u>715,055</u>	<u>2,168,900</u>	<u>2,074,183</u>
	Three months ended 30 September (Reviewed)		Nine months ended 30 September (Reviewed)	
	2015 AED'000	2014 AED'000	2015 AED'000	2014 AED'000
Interest expense				
Due to customers	41,316	46,449	123,900	147,810
Euro medium term notes	13,463	7963	36,073	8,533
Borrowings from other banks	1,394	394	2,672	789
Total interest expense	<u>56,173</u>	<u>54,806</u>	<u>162,645</u>	<u>157,132</u>
Net interest income	<u>693,744</u>	<u>660,249</u>	<u>2,006,255</u>	<u>1,917,051</u>

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

Notes to the condensed consolidated interim financial information for the nine months ended 30 September 2015 (continued)

24 Income from Islamic financing and distribution to depositors

	Three months ended 30 September (Reviewed)		Nine months ended 30 September (Reviewed)	
	2015 AED'000	2014 AED'000	2015 AED'000	2014 AED'000
Income from Islamic Financing				
Islamic salam personal finance	36,034	28,335	105,298	68,530
Islamic auto murabaha	20,586	13,362	57,376	32,331
Islamic business finance	48,385	16,704	125,493	29,667
Islamic investments	-	405	-	1,188
Islamic asset based finance	943		1,429	-
Islamic property finance	2,793	268	6,673	354
Total income from Islamic Financing	108,741	59,074	296,269	132,070
Distribution to Islamic term depositors	(7,609)	(6,159)	(21,354)	(17,767)
Distribution to Islamic demand depositors	(1,531)	(1,218)	(3,705)	(4,521)
Distribution to Islamic depositors	(9,140)	(7,377)	(25,059)	(22,288)
Income from Islamic financing net of distribution to depositors	99,601	51,697	271,210	109,782

25 Net fees and commission income

	Three months ended 30 September (Reviewed)		Nine months ended 30 September (Reviewed)	
	2015 AED'000	2014 AED'000	2015 AED'000	2014 AED'000
Personal loans	6,817	7,700	21,222	23,453
Mortgage loans	7,594	8,040	24,013	25,602
Credit cards	66,262	54,888	182,509	153,657
Auto loans	3,477	10,484	13,037	30,283
RAKFinance loans	16,052	19,430	52,588	55,900
Business banking loans	16,156	13,537	44,032	37,465
Fiduciary income	18,018	20,790	64,271	60,978
Bancassurance	18,305	14,099	49,789	46,547
Other retail banking	21,756	20,509	62,478	55,348
	174,437	169,477	513,939	489,233

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

Notes to the condensed consolidated interim financial information for the nine months ended 30 September 2015 (continued)

26 Gross insurance underwriting profit

	Three months ended 30 September (Reviewed)		Nine months ended 30 September (Reviewed)	
	2015 AED'000	2014 AED'000	2015 AED'000	2014 AED'000
Gross insurance premium	81,343		127,228	-
Less: insurance premium ceded to reinsurers	(6,797)		(24,607)	-
Net retained premium	74,546		102,621	-
Net change in unearned premium reserve	1,318		(6,880)	-
Net insurance premium	75,864		95,741	-
Gross claims incurred	(70,049)		(83,910)	-
Insurance claims recovered from reinsurers	12,038		11,035	-
Net claims incurred	(58,011)		(72,875)	-
Gross commission earned	(1,762)		(216)	-
Less: commission incurred	5,764		2,238	-
Net commission incurred	4,002		2,022	-
Gross underwriting profit	21,855		24,888	-

The acquisition for RAKNIC was completed on 28 May 2015; the results for RAKNIC have been consolidated into the Group's book from that day onwards.

27 Investment income

	Three months ended 30 September (Reviewed)		Nine months ended 30 September (Reviewed)	
	2015 AED'000	2014 AED'000	2015 AED'000	2014 AED'000
Profit/(loss)- unrealized	(407)	130	(462)	-
Profit/ (loss) – realized	-	4,970	-	4,970
Dividend and other income	-	-	632	2,174
	(407)	5,100	170	7,144

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

Notes to the condensed consolidated interim financial information for the nine months ended 30 September 2015 (continued)

28 Operating expense

	Three months ended 30 September (Reviewed)		Nine months ended 30 September (Reviewed)	
	2015 AED'000	2014 AED'000	2015 AED'000	2014 AED'000
Staff costs	167,620	166,740	496,733	477,315
Occupancy costs	25,112	24,108	71,050	68,886
Marketing expenses	4,369	8,125	24,461	27,375
Depreciation and amortisation	31,310	32,944	92,413	97,127
Communication costs	9,583	9,745	27,141	28,007
Legal and consultancy fees	14,944	9,451	39,354	30,423
Computer expenses	20,225	19,355	61,079	57,391
Outsourced staff costs	93,207	92,737	278,950	272,445
Others	20,467	24,248	58,359	68,703
	<u>386,837</u>	<u>387,453</u>	<u>1,149,540</u>	<u>1,127,672</u>

29 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 30 September 2015 amounted to 1,676,245,428 shares (30 September 2014: 1,676,245,428 shares).

30 Fiduciary activities

The Group holds assets in a fiduciary capacity for its customers without recourse to itself. At 30 September 2015, such assets amounted to AED 1,802.62 million (31 December 2014: AED 1,775.5 million) and are excluded from the condensed consolidated interim financial information of the Group.

31 Cash and cash equivalents

	At 30 September	
	2015 (Reviewed) AED'000	2014 (Reviewed) AED'000
Cash in hand and current account with the UAE Central Bank (Note 3)	712,843	710,627
Due from other banks (Note 4)	314,846	472,802
	<u>1,027,689</u>	<u>1,183,429</u>
Less; due from other banks with original maturity of three months or more	<u>(70,640)</u>	<u>(36,730)</u>
	<u>957,049</u>	<u>1,146,699</u>

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

Notes to the condensed consolidated interim financial information for the nine months ended 30 September 2015 (continued)

32 Operating segments

Operating segments are reported in accordance with the internal reporting provided to the Management, which is responsible for allocating resources to the reportable segments and assesses its performance.

The Group has four main business segments:

- Retail banking – incorporating private customer current accounts, savings accounts, deposits, credit and debit cards, customer loans and mortgages;
- Business banking – incorporating transactions with corporate bodies including government and public bodies, small and medium entities; and comprising of loans, advances, deposits and trade finance transactions;
- 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; and
- Insurance business – incorporating all insurance related transactions of its subsidiary Ras Al Khaimah National Insurance Company PSC

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

As the Group's most of the 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 cost of funds 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 condensed consolidated interim statement of financial position items.

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

Notes to the condensed consolidated interim financial information for the nine months ended 30 September 2015 (continued)

32 Operating segments (continued)

The segment information provided to the Management for the reportable segments for the period ended 30 September 2015 and 2014 is as follows:

	Retail banking AED'000	Business banking AED'000	Treasury and others AED'000	Insurance business AED'000	Unallocated Cost AED'000	Total AED'000
30 September 2015						
Net external interest income	1,746,307	172,614	86,314	1,020	-	2,006,255
Income from Islamic financing net of distribution to depositors	269,784	1,426	-	-	-	271,210
Transfer pricing income / expense	(28,951)	3,552	25,399	-	-	-
Net Interest /Income from Islamic financing	1,987,140	177,592	111,713	1,020	-	2,277,465
Non interest income	536,097	57,779	44,844	24,620	-	663,340
Operating income	2,523,237	235,371	156,557	25,640	-	2,940,805
Operating expense excluding depreciation and amortisation	(774,624)	(62,631)	(5,291)	(13,538)	(201,043)	(1,057,127)
Depreciation and amortisation	(37,308)	(1,879)	(99)	(1,564)	(51,563)	(92,413)
Total Operating expense	(811,932)	(64,510)	(5,390)	(15,102)	(252,606)	(1,149,540)
Impairment charge, net	(679,065)	(22,824)	-	-	-	(701,889)
Net profit / (loss)	1,032,240	148,037	151,167	10,538	(252,606)	1,089,376
Segment assets	25,195,202	3,902,185	8,118,572	790,934	-	38,006,893
Unallocated assets	-	-	-	-	962,910	962,910
Total assets	25,195,202	3,902,185	8,118,572	790,934	962,910	38,969,803
Segment liabilities	21,754,602	4,367,548	4,539,163	442,589	-	31,103,902
Unallocated liabilities	-	-	-	-	460,349	460,349
Total liabilities	21,754,602	4,367,548	4,539,163	442,589	460,349	31,564,251

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

Notes to the condensed consolidated interim financial information for the nine months ended 30 September 2015 (continued)

32 Operating segments (continued)

	Retail banking AED'000	Business banking AED'000	Treasury and others AED'000	Insurance business AED'000	Unallocated Cost AED'000	Total AED'000
30 September 2014						
Net external interest income	1,742,159	78,277	96,615	-	-	1,917,051
Income from Islamic financing net of distribution to depositors	109,782 (24,032)	-	-	-	-	109,782
Transfer pricing income / expense	8,807	8,807	15,225	-	-	-
Net Interest / Income from Islamic financing	1,827,909	87,084	111,840	-	-	2,026,833
Non interest income	510,987	48,646	39,747	-	-	599,380
Operating income	2,338,896	135,730	151,587	-	-	2,626,213
Operating expense excluding depreciation	(770,440)	(45,034)	(4,623)	-	(210,448)	(1,030,545)
Depreciation	(43,023)	(1,147)	(44)	-	(52,913)	(97,127)
Total Operating expense	(813,463)	(46,181)	(4,667)	-	(263,361)	(1,127,672)
Impairment charge, net	(424,814)	(244)	-	-	-	(425,058)
Net profit / (loss)	1,100,619	89,305	146,920	-	(263,361)	1,073,483
Segment assets	23,869,055	1,739,272	8,146,861	-	-	33,755,188
Unallocated assets	-	-	-	-	1,038,920	1,038,920
Total assets	23,869,055	1,739,272	8,146,861	-	1,038,920	34,794,108
Segment liabilities	19,806,960	3,307,900	4,502,887	-	-	27,617,747
Unallocated liabilities	-	-	-	-	423,919	423,919
Total liabilities	19,806,960	3,307,900	4,502,887	-	423,919	28,041,666

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

Notes to the condensed consolidated interim financial information for the nine months ended 30 September 2015 (continued)

33 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:

	Nine months ended 30 September	
	2015 (Reviewed) AED'000	2014 (Reviewed) AED'000
Transactions during the period		
Interest income	160	352
Interest expense	5,514	7,317
Commission income	429	1,014
Directors' remuneration	5,766	6,337
Remuneration payable to key management Personnel	6,611	6,546
	30 September 2015 (Reviewed) AED'000	31 December 2014 (Audited) AED'000
Balances		
Loans and advances:		
- Shareholders and their related companies	134	-
- Directors and their related companies	55	220
- Key management personnel	5,194	6,386
	<u>5,383</u>	<u>6,606</u>
Due to customers:		
- Shareholders and their related companies	1,603,372	1,349,557
- Directors and their related companies	33,772	66,728
- Key management personnel	10,013	3,915
	<u>1,647,157</u>	<u>1,420,200</u>
Commitments and contingent liabilities and forward contracts		
- Shareholders and their related companies	121,360	122,860
- Directors and their related companies	426	456
	<u>121,786</u>	<u>123,316</u>
Insurance related receivable		
- Due from policy holders	17,219	-
Insurance related payables		
- Due to policy holders	788	-

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

Notes to the condensed consolidated interim financial information for the nine months ended 30 September 2015 (continued)

34 Capital adequacy

Capital structure and capital adequacy as per Basel II requirement as at 30 September 2015

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 standardised approach is followed for capital charge calculation under Pillar1.

	30 September 2015 (Reviewed) AED'000	31 December 2014 (Audited) AED'000
Tier 1 capital		
Ordinary share capital	1,676,245	1,676,245
Share premium	110,350	110,350
Statutory and other reserves	3,555,574	3,560,461
Retained earnings	945,564	945,942
Total	<u>6,287,733</u>	<u>6,292,998</u>
Deductions		
Investment in RAKNIC	(317,244)	-
Tier 1 capital	<u>5,970,489</u>	<u>6,292,998</u>
Tier 2 capital	-	-
Total regulatory capital	<u>5,970,489</u>	<u>6,292,998</u>
Risk weighted assets		
Credit risk	24,262,763	22,206,238
Market risk	30,404	29,590
Operational risk	1,498,386	1,498,386
Total risk weighted assets	<u>25,791,553</u>	<u>23,734,214</u>
Capital adequacy ratio on regulatory capital	<u>23.15%</u>	<u>26.51%</u>
Capital adequacy ratio on Tier 1 capital	<u>23.15%</u>	<u>26.51%</u>

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

Notes to the condensed consolidated interim financial information for the nine months ended 30 September 2015 (continued)

35 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 30 September 2015, the carrying value of the Group's financial assets and liabilities approximate their fair values, except for the below mentioned financial assets and liabilities:

	Fair value		Carrying value	
	30 September 2015 AED'000	31 December 2014 AED'000	30 September 2015 AED'000	31 December 2014 AED'000
Assets				
Loans and advances	28,231,199	25,437,913	28,120,372	25,266,475
Investment securities	4,273,281	3,916,880	4,165,838	3,785,289
Cash and balances with the UAE central Bank	4,524,306	4,217,469	4,526,229	4,217,469
Due from other Banks	94,184	305,947	314,846	305,947
Total financial assets	37,122,970	33,878,209	37,127,285	33,575,180
Liabilities				
Due to banks	823,103	761,674	824,633	761,807
Due to customer	26,696,447	24,673,563	26,709,546	24,651,408
Debt securities issued	2,901,311	1,667,629	2,901,311	1,667,629
Total financial liabilities	30,420,861	27,102,866	30,435,490	27,080,844

36 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.

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

Notes to the condensed consolidated interim financial information for the nine months ended 30 September 2015 (continued)

36 Fair value hierarchy (continued)

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.

	Quoted market prices Level 1 AED '000	Observable inputs Level 2 AED '000	Significant unobservable inputs Level 3 AED '000	Total AED'000
30 September 2015				
Asset at fair value				
Available for sale financial assets				
- Investment securities – debt	37,418	-	-	37,418
- Investment securities – equity	32,355	107	-	32,462
- Foreign exchange contracts	-	418	-	418
Derivative financial instruments	-	72,994	-	72,994
Held for trading				
- Investments market fund	4,303	-	-	4,303
Asset at amortised cost				
Investment securities	3,976,844	222,254	-	4,199,098
	4,050,920	295,773	-	4,346,693
31 December 2014				
Asset at fair value				
Available for sale financial assets				
- Investment securities – debt	41,839	-	-	41,839
- Investment securities – equity	18,361	-	-	18,361
- Foreign exchange contracts	-	361	-	361
Derivative financial instruments	-	12,789	-	12,789
Asset at amortised cost				
Investment securities	3,856,680	-	-	3,856,680
	3,916,880	13,150	-	3,930,030

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

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

Notes to the condensed consolidated interim financial information for the nine months ended 30 September 2015 (continued)

37 Business combination

On 28 May 2015 the Bank acquired a 79.23% stake in insurance provider Ras Al Khaimah National Insurance Company PSC (RAKNIC) operating in UAE through a public offer made to shareholders of RAKNIC. Management assessed the acquisition as a business combination under IFRS 3, 'Business Combinations'. As a result of the acquisition, the Bank further consolidated its position in insurance market which was earlier through its Bancassurance window.

The following table summarises the consideration paid for acquisition and the fair value of identifiable assets acquired at the acquisition date:

	AED'000	AED'000
Consideration		
Total cash consideration (a)		317,244
Recognised amounts of identifiable intangible assets acquired		
	Book value	Fair Value
Property and equipment	9,092	19,209
Investment securities	54,320	34,320
Cash & cash equivalents	113,288	113,288
Net receivables	56,914	7,384
Value of identifiable net assets on acquisition - (b)	233,614	174,201
Fair value of identifiable net assets acquired : (b x 79.23%) - (c)		138,023
Intangibles :		
Customer relationships		12,835
Licenses		65,604
Total Intangibles (Note 10) - (d)		78,439
Provisional goodwill (Note 10) : (a) - (c) - (d)		100,782
Cash consideration transferred		317,244
Cash & cash equivalents acquired		(113,288)
Net cash out flow on RAKNIC acquisition		203,956

The insurance business has reported an operating income of AED 3,339 thousand and net loss AED 9 thousand since 28 May 2015. The provisional goodwill acquired can be attributed to the well positioned business of RAKNIC which has an established franchise and reputation in UAE. RAKNIC has a sound management team and skilled workforce with strong sales and risk management skills. There are substantial synergies of the acquisition with the Bank which will be exploited in the future.

IFRS 3 'business combinations' allows initial accounting for a business combination to be determined only provisionally by the end of the period in which the business combination occurs. This initial accounting should be completed in a period not exceeding twelve months from the acquisition date. Hence, goodwill has been identified as provisional.