

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

**Interim condensed financial information
for the six months ended 30 June 2007**

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

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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 interim condensed balance sheet of The National Bank of Ras Al-Khaimah (P.S.C) ("the Bank") as of 30 June 2007 and the related condensed statements of income, changes in shareholders' equity and cash flows for the six months period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 – Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers
19 July 2007

Paul Suddaby
Registered Auditor Number 309
Dubai, United Arab Emirates

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

Condensed balance sheet

	Notes	30 June 2007 AED'000	31 December 2006 AED'000
ASSETS			
Cash and balances with the UAE Central Bank	3	1,092,384	832,760
Due from other banks		188,234	445,118
Loans and advances	4	7,455,412	6,813,469
Investment securities	5	518,656	498,699
Property and equipment		91,918	85,302
Other assets		143,080	166,946
Total assets		<u>9,489,684</u>	<u>8,842,294</u>
LIABILITIES			
Due to other banks		125,853	234,104
Due to customers		6,522,792	5,850,011
Debt security in issue		1,282,717	1,282,224
Other liabilities		189,110	213,394
Provision for employees' end of service benefits		18,901	15,463
Total liabilities		<u>8,139,373</u>	<u>7,595,196</u>
SHAREHOLDERS' EQUITY			
Share capital	6	616,688	536,250
Share premium		110,350	110,350
Retained earnings		255,939	234,688
Other reserves	7	367,334	365,810
Total shareholders' equity		<u>1,350,311</u>	<u>1,247,098</u>
Total liabilities and shareholders' equity		<u>9,489,684</u>	<u>8,842,294</u>

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

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

Condensed statement of income

	Notes	Three months ended		Six months ended	
		2007	30 June 2006	2007	30 June 2006
		AED'000	AED'000	AED'000	AED'000
Interest income		207,942	155,460	404,847	294,275
Interest expense		(76,398)	(67,549)	(153,403)	(120,033)
Net interest income		<u>131,544</u>	<u>87,911</u>	<u>251,444</u>	<u>174,242</u>
Fee and commission income		71,904	56,215	139,721	103,719
Foreign exchange income		6,842	4,118	12,324	7,935
Other operating income		10,074	7,950	18,119	12,889
Operating income		<u>220,364</u>	<u>156,194</u>	<u>421,608</u>	<u>298,785</u>
Operating expenses		(103,911)	(76,897)	(196,993)	(145,586)
Provision for impairment of loans and advances	4(c)	(20,403)	(15,061)	(42,488)	(33,252)
Net profit for the period		<u>96,050</u> =====	<u>64,236</u> =====	<u>182,127</u> =====	<u>119,947</u> =====
Earnings per share					
Basic	10	<u>AED 0.156</u> =====	<u>AED 0.104</u> =====	<u>AED 0.295</u> =====	<u>AED 0.194</u> =====

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

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

Condensed statement of changes in shareholders' equity

	Share capital AED'000	Share premium AED'000	Retained earnings AED'000	Other reserves AED'000	Total AED'000
At 1 January 2006	412,500	110,350	174,399	314,779	1,012,028
Issue of bonus shares (Note 6)	123,750	-	(123,750)	-	-
Net changes in available-for- sale investment securities (Note 5)	-	-	-	(21,500)	(21,500)
Net profit for the period	-	-	119,947	-	119,947
At 30 June 2006	<u>536,250</u>	<u>110,350</u>	<u>170,596</u>	<u>293,279</u>	<u>1,110,475</u>
	=====	=====	=====	=====	=====
At 1 January 2007	536,250	110,350	234,688	365,810	1,247,098
Issue of bonus shares (Note 6)	80,438	-	(80,438)	-	-
Dividend (Note 6)	-	-	(80,438)	-	(80,438)
Net changes in available-for- sale investment securities (Note 5)	-	-	-	1,524	1,524
Net profit for the period	-	-	182,127	-	182,127
At 30 June 2007	<u>616,688</u>	<u>110,350</u>	<u>255,939</u>	<u>367,334</u>	<u>1,350,311</u>
	=====	=====	=====	=====	=====

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

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

Condensed statement of cash flows

	Notes	Six months ended 30	
		2007 AED'000	June 2006 AED'000
Operating activities			
Net profit for the period		182,127	119,947
Adjustments for:			
Depreciation		10,105	8,608
Net charge for provision for impairment of loans and advances	4(c)	42,488	33,252
Provision for employees' end of service benefits (net of payments)		3,438	2,072
Gain on disposal of property and equipment		(42)	(78)
Amortisation of discount relating to investment securities held-to-maturity	5	(68)	(65)
Amortisation of discount relating to debt security in issue		493	(809)
		<u>238,541</u>	<u>162,927</u>
Operating cash flows before changes in assets and liabilities		238,541	162,927
Changes in assets and liabilities:			
Deposits with the UAE Central Bank		(127,066)	(104,385)
Loans and advances net of provisions and amounts written off	4	(684,431)	(817,940)
Other assets		23,866	(64,898)
Due to other banks		(108,251)	107,542
Due to customers		672,781	181,817
Other liabilities		(24,284)	57,481
		<u>(8,844)</u>	<u>(477,456)</u>
Net cash used in operating activities		(8,844)	(477,456)
Investing activities			
Purchase of investment securities	5	(18,365)	(183,650)
Purchase of property and equipment		(16,721)	(5,863)
Proceeds from sale of property and equipment		42	78
		<u>(35,044)</u>	<u>(189,435)</u>
Net cash used in investing activities		(35,044)	(189,435)
Financing activities			
Debt security in issue		-	550,950
Dividends paid		(80,438)	-
		<u>(80,438)</u>	<u>550,950</u>
Net cash (used in)/provided by financing activities	6	(80,438)	550,950
Net decrease in cash and cash equivalents		<u>(124,326)</u>	<u>(115,941)</u>
Cash and cash equivalents, beginning of the period		962,599	1,156,421
		<u>962,599</u>	<u>1,156,421</u>
Cash and cash equivalents, end of the period	12	<u>838,273</u>	<u>1,040,480</u>

The notes on pages 6 to 12 form an integral part of the interim condensed financial information. (5)

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

Notes to the interim condensed financial information for the six months ended 30 June 2007

1 Incorporation and principal activities

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

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

2 Significant accounting policies

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

The accounting policies applied in the preparation of the interim condensed financial information are consistent with those applied in the annual financial statements for the year ended 31 December 2006.

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

The interim condensed financial information should be read in conjunction with the year ended 31 December 2006 financial statements.

Interpretations and amendments to published standards effective in 2007

Management has assessed the relevance of the interpretation and amendment to published standards effective in 1 January 2007 with respect to the Bank's operations and concluded that they are either not relevant to the Bank or do not have any significant impact on its financial position or the results of its operations except as follows:

IFRS 7 – Financial Instruments: Disclosures, and a complementary amendment to International Accounting Standard ("IAS") 1, Presentation of Financial Statements – Capital Disclosures (effective 1 January 2007). IFRS 7 requires disclosures relating to the nature and risks arising from financial instruments. The Bank has assessed the impact of IFRS 7 and the amendments to IAS 1 and has concluded that additional disclosures of significance will be required in respect of terms and conditions of pledges on financial assets, concentration of risk on financial instruments, maturity analysis of the financial liabilities and sensitivity analysis to market risk and the disclosures required by the amendments to IAS 1 relating to management of capital.

The application of IFRS 7 and IAS 1 will be reflected in the Bank's financial statements for the year ending 31 December 2007

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

Notes to the interim condensed financial information for the six months ended 30 June 2007 (continued)

3 Cash and balances with the UAE Central Bank

	30 June 2007 AED'000	31 December 2006 AED'000
Cash in hand	124,063	138,794
Balances with the UAE Central Bank	968,321	693,966
	<u>1,092,384</u>	<u>832,760</u>

Balances with the UAE Central Bank include statutory deposits of AED 392.35 million (31 December 2006: AED 315.2 million) that are not available to finance the day to day operations of the Bank.

4 Loans and advances

	30 June 2007 AED'000	31 December 2006 AED'000
4(a) Loans and advances		
Loans	7,080,268	6,432,988
Overdrafts	474,258	469,333
Loans against trust receipts	85,025	81,991
Bills discounted	21,852	22,397
Others	971	1,910
	<u>7,662,374</u>	<u>7,008,619</u>
Total loans and advances		
Provision for impairment	(206,962)	(195,150)
	<u>7,455,412</u>	<u>6,813,469</u>

4(b) Provision for impairment

Balance brought forward	195,150	169,339
Net charge for provision for impairment during the period /year	49,349	87,144
Written off during the period/year	(37,537)	(61,333)
	<u>206,962</u>	<u>195,150</u>

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

Notes to the interim condensed financial information for the six months ended 30 June 2007 (continued)

4 Loans and advances (continued)

4(c) Net charge for period

	Three months ended 30 June		Six months ended 30 June	
	2007 AED'000	2006 AED'000	2007 AED'000	2006 AED'000
Net charge for provision for impairment	24,770	16,173	49,349	33,260
Write back during the period	(4,367)	(1,112)	(6,861)	(8)
	-----	-----	-----	-----
	20,403	15,061	42,488	33,252
	=====	=====	=====	=====

4(d) Classified loans and advances

At 30 June 2007, the aggregate amount of non-performing loans amounted to AED 179.6 million (31 December 2006: AED 184.1 million). Provisions in relation to such loans amounted to AED 130.43 million as at 30 June 2007 (31 December 2006: AED 126.1 million).

5 Investment securities

	30 June 2007 AED'000	31 December 2006 AED'000
Securities available-for-sale		
Quoted equity securities	15,600	14,800
Quoted debt securities	128,938	110,005
Unquoted debt securities	238,902	238,746
	-----	-----
	383,440	363,551
Securities held-to-maturity		
Quoted debt securities	135,216	135,148
	-----	-----
Total investment securities	518,656	498,699
	=====	=====

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

Notes to the interim condensed financial information for the six months ended 30 June 2007 (continued)

5 Investment securities (continued)

The movement in investment securities is summarised as follows:

	Securities available-for- sale AED'000	Securities held – to – maturity AED'000	Total AED'000
At 1 January 2006	186,135	135,015	321,150
Purchases	183,650	-	183,650
Changes in fair value	(21,500)	-	(21,500)
Amortisation of discount		65	65
	-----	-----	-----
At 30 June 2006	348,285	135,080	483,365
	=====	=====	=====
At 1 January 2007	363,551	135,148	498,699
Purchases	18,365	-	18,365
Changes in fair value	1,524	-	1,524
Amortisation of discount	-	68	68
	-----	-----	-----
At 30 June 2007	383,440	135,216	518,656
	=====	=====	=====

6 Share capital

At 30 June 2007, the authorised, issued and fully paid share capital of the Bank comprises 616.68 million shares of AED 1 each (31 December 2006: 536.25 million shares of AED 1 each).

At the Annual General Meeting of the Shareholders held on 25 February 2007, the shareholders of the Bank approved a stock dividend (issue of bonus shares) in respect of 2006 at 15% of the issued and paid up capital amounting to AED 80.44 million (2006: AED 123.75 million) and cash dividend at 15% of the issued and paid up capital amounting to AED 80.44 million (2006: Nil).

7 Other reserves

Other reserves include legal reserve and voluntary reserve. In accordance with the Articles of Association of the Bank, 10% of the net profit for the year is to be transferred to a legal reserve until such time as the balance in the reserve equals 50% of the issued share capital and 10% of the net profit for the year is to be transferred to a voluntary reserve until such time as the balance in the reserve equals 20% of the issued share capital. No allocations to the legal reserve and the voluntary reserve have been made for the six month period ended 30 June 2007, as these will be effected at the year end, based on the Bank's results for the year ended 31 December 2007.

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

Notes to the interim condensed financial information for the six months ended 30 June 2007 (continued)

8 Contingencies and commitments

	30 June 2007 AED'000	31 December 2006 AED'000
Letters of guarantee	366,229	520,223
Letters of credit	107,726	95,479
Acceptances	47,367	32,127
Commitments to extend credit	797,165	648,759
Other	424	124
	<u>1,318,911</u>	<u>1,296,712</u>
	=====	=====

9 Forward foreign exchange contracts

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

Outstanding foreign forward exchange transactions at 30 June 2007 and 31 December 2006 are as follows:

	Contract amount AED'000	Fair value AED'000
30 June 2007	104,397	81
	=====	=====
31 December 2006	116,056	52
	=====	=====

10 Earnings per share

The basic earnings per share is calculated by dividing the net profit attributable to shareholders by the number of ordinary shares in issue during the period. In accordance with IAS 33 "Earnings Per Share", the impact of bonus shares issued have been considered retrospectively while computing the number of ordinary shares during all periods presented. The number of ordinary shares during the period ended 30 June 2007 amounted to 616,687,500 shares (30 June 2006: 616,687,500 shares)

11 Fiduciary activities

The Bank holds assets in a fiduciary capacity for its customers without recourse to itself. At 30 June 2007, such assets amounted to AED 339.54 million (31 December 2006: AED 287.94 million) and are excluded from the financial statements of the Bank.

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

Notes to the interim condensed financial information for the six months ended 30 June 2007 (continued)

12 Cash and cash equivalents

	30 June 2007 AED'000	30 June 2006 AED'000
Cash (Note 3)	124,063	100,736
Current account with the UAE Central Bank	180,976	-
Certificate of deposits with UAE Central Bank	345,000	577,000
Due from other banks	188,234	362,744
	<u>838,273</u>	<u>1,040,480</u>
	=====	=====

13 Business segments

Primary segment information

	Retail banking AED' 000	Business segment AED' 000	Treasury and others AED' 000	Elimination AED' 000	Total AED' 000
Six months ended 30 June 2007					
External revenue	501,393	30,013	43,605	-	575,011
Revenue from other segments	71,576	28,971	72,462	(173,009)	-
	<u>572,969</u>	<u>58,984</u>	<u>116,067</u>	<u>(173,009)</u>	<u>575,011</u>
Total revenue					
Segment result	172,658	20,565	27,369	-	220,592
Unallocated costs					(38,465)
					<u>182,127</u>
					=====
Six months ended 30 June 2006					
External revenue	361,168	19,635	38,015	-	418,818
Revenue from other segments	42,980	26,844	53,264	(123,088)	-
	<u>404,148</u>	<u>46,479</u>	<u>91,279</u>	<u>(123,088)</u>	<u>418,818</u>
Total revenue					
Segment result	99,371	18,595	25,891	-	143,857
Unallocated costs	-	-	-	-	(23,910)
					<u>119,947</u>
					=====
Net profit for the period					119,947
					=====

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

Notes to the interim condensed financial information for the six months ended 30 June 2007 (continued)

14 Related party balances

Related parties comprise key management, businesses controlled by shareholders and directors as well as businesses over which they exercise significant influence. The outstanding balances arising from related party transactions are as follows:

	30 June 2007 AED	31 December 2006 AED
Balances		
Loans and advances	56,547	64,446
Due to customers	360,483	390,128
Irrevocable commitments and contingent liabilities	61,669	58,735