

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

**Condensed consolidated interim financial information  
For the six months ended 30 June 2013**

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

## **Condensed consolidated interim financial information for the six months ended 30 June 2013**

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

### **Introduction**

We have reviewed the accompanying condensed consolidated interim statement of financial position 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 June 2013 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the six 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  
18 July 2013

Jacques E Fakhoury  
Registered Auditor Number 379  
Dubai, United Arab Emirates

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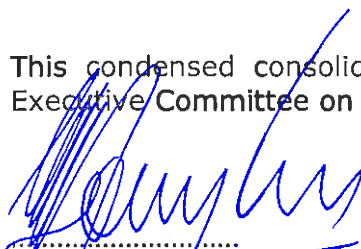
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# The National Bank of Ras Al-Khaimah (P.S.C.)

## Condensed consolidated statement of financial position

	Notes	30 June 2013 (reviewed) AED'000	31 December 2012 (audited) AED'000
<b>ASSETS</b>			
Cash and balances with UAE Central Bank	3	3,284,796	2,904,054
Due from other banks	4	295,629	1,195,831
Loans and advances	5	20,219,252	20,283,427
Islamic financing assets	6	648,356	-
Investment securities	7	2,588,173	1,586,878
Property and equipment	8	1,041,516	1,035,773
Other assets	9	278,515	244,174
<b>Total assets</b>		<b>28,356,237</b>	<b>27,250,137</b>
<b>LIABILITIES</b>			
Due to other banks		473,543	233,841
Deposits from customers	10	20,704,635	20,719,725
Islamic customer deposits	11	795,166	-
Other liabilities	12	455,307	539,914
Provision for employees' end of service benefits		64,729	61,442
<b>Total liabilities</b>		<b>22,493,380</b>	<b>21,554,922</b>
<b>Equity</b>			
Share capital	13	1,676,245	1,523,859
Share premium		110,350	110,350
Retained earnings		1,181,257	1,183,109
Other reserves	14	2,895,005	2,877,897
<b>Total equity</b>		<b>5,862,857</b>	<b>5,695,215</b>
<b>Total liabilities and equity</b>		<b>28,356,237</b>	<b>27,250,137</b>

This condensed consolidated interim financial information was approved by the Executive Committee on 18 July 2013 and was signed on its behalf by:

  
 .....  
 Graham Honeybill  
 Chief Executive Officer

The notes on pages 8 to 32 form an integral part of the condensed consolidated interim financial statements

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

## Condensed consolidated income statement (reviewed)

		<u>Three months ended</u>		<u>Six months ended</u>	
		<u>30 June</u>		<u>30 June</u>	
		2013	2012	2013	2012
	Notes	AED'000	AED'000	AED' 000	AED '000
Interest income	17	632,261	638,634	1,275,068	1,263,479
Interest expense	17	(63,269)	(88,697)	(135,806)	(175,333)
Net interest income		<u>568,992</u>	<u>549,937</u>	<u>1,139,262</u>	<u>1,088,146</u>
Income from Islamic financing	18	8,636	-	9,236	-
Distribution to depositors	18	(1,943)	-	(2,182)	-
Income from Islamic financing net of distribution to depositors		<u>6,693</u>	<u>-</u>	<u>7,054</u>	<u>-</u>
<b>Net interest income and income from Islamic products net of distribution to depositors</b>		<b>575,685</b>	<b>549,937</b>	<b>1,146,316</b>	<b>1,088,146</b>
Net fees and commission income	19	135,998	124,997	265,636	240,913
Foreign exchange income		19,877	17,198	36,889	32,185
Investment income	20	48,537	18,903	73,023	35,188
Other operating income		<u>10,355</u>	<u>4,650</u>	<u>20,985</u>	<u>11,772</u>
<b>Operating income</b>		<b>790,452</b>	<b>715,685</b>	<b>1,542,849</b>	<b>1,408,204</b>
Operating expenses		(341,634)	(318,135)	(664,624)	(624,875)
Provision for impairment of loans and advances net of write backs	5,6(a)	<u>(56,718)</u>	<u>(54,153)</u>	<u>(118,148)</u>	<u>(114,647)</u>
<b>Net profit for the period</b>		<b><u>392,100</u></b>	<b><u>343,397</u></b>	<b><u>760,077</u></b>	<b><u>668,682</u></b>
<b>Earnings per share</b>					
Basic and diluted	21	<u>AED0.23</u>	<u>AED0.20</u>	<u>AED 0.45</u>	<u>AED 0.40</u>

The notes on pages 8 to 32 form an integral part of the condensed consolidated interim financial statements

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

### Condensed consolidated statement of comprehensive income (reviewed)

		<u>Three months ended</u> <u>30 June</u>		<u>Six months ended</u> <u>30 June</u>	
	Notes	2013 AED'000	2012 AED'000	2013 AED'000	2012 AED'000
<b>Profit for the period</b>		392,100	343,397	760,077	668,682
<b>Other comprehensive income:</b>					
Net changes in fair value of available-for-sale investment securities	7	15,282	3,613	17,108	8,754
Release of fair value loss / (profit) to income statement on maturity of available-for-sale investment securities		-	1,515	-	1,515
<b>Other comprehensive income for the period</b>		15,282	5,128	17,108	10,269
<b>Total Comprehensive income for the period</b>		407,382	348,525	777,185	678,951

The notes on pages 8 to 32 form an integral part of the condensed consolidated interim financial statements

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

### Condensed consolidated statement of changes in equity (reviewed)

	Share capital AED'000	Share premium AED'000	Retained earnings AED'000	Other reserves AED'000	Total AED'000
<b>At 1 January 2012</b>	1,385,327	110,350	1,157,426	2,043,769	4,696,872
Transfer to regulatory credit risk reserve (Note 14)	-	-	(240,000)	240,000	-
Issue of Bonus Shares (Note 13)	138,532	-	(138,532)	-	-
Dividend (Note 13)	-	-	(415,598)	-	(415,598)
Total comprehensive income for the period	-	-	668,682	10,269	678,951
<b>At 30 June 2012</b>	<u>1,523,859</u>	<u>110,350</u>	<u>1,031,978</u>	<u>2,294,038</u>	<u>4,960,225</u>
<b>At 1 January 2013</b>	1,523,859	110,350	1,183,109	2,877,897	5,695,215
Issue of bonus shares ( Note 13)	152,386	-	(152,386)	-	-
Dividend(note 13)	-	-	(609,543)	-	(609,543)
Total comprehensive income for the period	-	-	760,077	17,108	777,185
<b>At 30 June 2013</b>	<u>1,676,245</u>	<u>110,350</u>	<u>1,181,257</u>	<u>2,895,005</u>	<u>5,862,857</u>

The notes on pages 8 to 32 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)

	Notes	Six months ended 30 June	
		2013 AED'000	2012 AED'000
<b>Operating activities</b>			
Net Profit for the period		760,077	668,682
Adjustments:			
Provision for impairment of loans and advances net of write backs	5(d)	144,128	135,499
Provision for impairment of Islamic Financing assets	6(a)	165	
Depreciation	8	60,814	46,252
Provision for employees' end of service benefits		6,771	9,264
Gain on disposal of property and equipment		(242)	(323)
Amortisation of premium / (discount) relating to securities held to maturity	7	5,166	(1,833)
(Gain) / loss on sale investment securities		(13,014)	1,515
Operating cash flows before payment of employees end of service benefits and changes in assets and liabilities:		963,865	859,056
Payment of employees' end of service benefits		(3,484)	(3,627)
Changes in assets and liabilities:			
Deposits with the UAE Central Bank	3	(224,788)	(131,066)
Due from other banks with original maturities of three months or over		206,952	-
Loans and advances, Islamic Financing assets net of provisions for impairment	5,6	(728,474)	(1,317,664)
Other assets	9	(34,341)	(29,806)
Due to other banks (net of amount due to Central Bank)		373,078	(235,557)
Deposits from customers	10	(15,090)	1,987,147
Islamic customer deposits	11	795,166	-
Other liabilities	12	(84,607)	(41,001)
Net cash generated from operating activities		1,248,277	1,087,482
<b>Investing activities</b>			
Purchase of investment securities	7	(1,468,168)	(641,073)
Purchase of property and equipment	8	(66,739)	(109,153)
Proceeds from maturity / disposal of investments		491,829	228,970
Proceeds from disposal of property and equipment		424	727
Net cash used in investing activities		(1,042,654)	(520,529)

The notes on pages 8 to 32 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	Six months ended 30 June	
		2013 AED'000	2012 AED'000
<b>Financing activities</b>			
Dividends Paid		(609,543)	(415,598)
Subordinated debt repayment		-	(300,000)
Net cash used in financing activities		(609,543)	(715,598)
<b>Net decrease in cash and cash equivalents</b>		(403,920)	(148,645)
Cash and cash equivalents, beginning of the period		1,364,199	2,233,818
Cash and cash equivalents, end of the period	23	960,279	2,085,173

The notes on pages 8 to 32 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 six months ended 30 June 2013**

### **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 three branches in the UAE.

At 30 June 2013, The National Bank of Ras Al-Khaimah (P.S.C) comprises the Bank and two subsidiaries (together the "Group"). These subsidiaries are RAK Islamic Finance Pvt. J.S.C in which the Bank owns 99.9% and BOSS FZCO in which the Bank owns 80%. RAK Islamic Finance Pvt. J.S.C has an authorised and issued capital of AED 100 million, and was incorporated to enable the Bank to sell sharia compliant financial products. BOSS FZCO has been incorporated to provide back office support services to the Bank. BOSS FZCO has an authorised and issued share capital of AED 500,000 and was formed under the Dubai Silicon Oasis Authority guidelines.

The condensed consolidated interim financial information for the six months ended 30 June 2013 comprises the Bank and its subsidiaries (together referred to as "the Group").

### **2 Significant accounting policies**

#### **2.1 Basis of preparation**

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

The accounting policies applied in the preparation of the condensed consolidated interim financial information are consistent with those applied in the annual financial statements for the year ended 31 December 2012. The policies below are not a complete list of significant accounting policies which are included in the 2012 Financial Statements.

The condensed consolidated interim financial information should therefore be read in conjunction with the annual financial statements for year ended 31 December 2012.

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

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

### **Notes to the condensed consolidated interim financial information for the six months ended 30 June 2013** (continued)

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

##### **2.1 Basis of preparation** (continued)

###### Standards and amendments to published standards effective for the Group's accounting period beginning on 1 January 2012

The following applicable new standards and amendment to an existing standard have been published and are effective for the Bank's accounting periods beginning on 1 January 2013.

- Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income (effective 1 July 2012). These amendments require entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially re-classifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.
- IFRS 10 'Consolidated financial statements' (effective 1 January 2013). This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess.
- IAS 27, (revised 2011) 'Separate financial statements' (effective 1 January 2013). This standard includes the provision on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. This standard shall be applied in accounting for investments in subsidiaries, joint ventures and associates when an entity prepares or elects to prepare separate financial statements.
- IFRS 13, 'Fair value measurement' (effective 1 January 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS or US GAAP.

Management has assessed the impact of the above new standards and amendment to existing standard and has concluded that there is no significant impact expected from the same on the Bank's condensed consolidated interim financial statements, but is expected to result in additional disclosures in the consolidated financial statements for the year ended 31 December 2013.

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

### **Notes to the condensed consolidated interim financial information for the six months ended 30 June 2013** (continued)

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

##### **2.1 Basis of preparation** (continued)

The following applicable new standard has been issued but is not effective for the Group's accounting period beginning 1 January 2013 and has not been early adopted by the Group:

- IFRS 9, 'Financial instruments' (effective 1 January 2015), addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the consolidated income statement, unless this creates an accounting mismatch.

The Group is in the process of assessing the impact of the above standard.

##### **2.2 Functional and presentation currency**

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

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

### **Notes to the condensed consolidated interim financial information for the six months ended 30 June 2013** (continued)

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

##### **2.3 Basis of consolidation**

###### **Subsidiaries**

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

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

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

###### **Transactions and balances eliminated on consolidation**

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

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

### **Notes to the condensed consolidated interim financial information for the six months ended 30 June 2013** (continued)

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

##### **2.4 Loans and advances and provision for impairment**

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

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

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

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

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

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

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

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

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

### **Notes to the condensed consolidated interim financial information for the six months ended 30 June 2013** (continued)

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

##### **2.4 Loans and advances and provision for impairment** (continued)

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

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

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

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

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

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



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

### **Notes to the condensed consolidated interim financial information for the six months ended 30 June 2013** (continued)

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

##### **2.5 Investment securities**

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

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

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

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

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

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

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

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

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



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

### **Notes to the condensed consolidated interim financial information for the six months ended 30 June 2013** (continued)

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

##### **2.5 Investment securities** (continued)

Interest earned whilst holding investment securities is reported as income from investment securities in the consolidated income statement.

Dividends on available-for-sale equity instruments are recognised in the consolidated income statement when the entity's right to receive payment is established.

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

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

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

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

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

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

### **Notes to the condensed consolidated interim financial information for the six months ended 30 June 2013** (continued)

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

	30 June 2013 (reviewed) AED'000	31 December 2012 (audited) AED'000
Cash in hand	459,998	508,696
Balances with the UAE Central Bank	204,652	-
Statutory deposit with the UAE Central Bank	1,870,146	1,645,358
Certificates of deposit with the UAE Central Bank	750,000	750,000
	<u>3,284,796</u>	<u>2,904,054</u>

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

#### **4 Due from other banks**

	30 June 2013 (reviewed) AED'000	31 December 2012 (audited) AED'000
Placements with other banks	-	664,580
Demand deposits	191,895	413,786
Clearing account balances	103,734	117,465
	<u>295,629</u>	<u>1,195,831</u>
The below represents deposits and balances due from:		
Banks in UAE	103,784	782,095
Banks outside UAE	191,845	413,736
	<u>295,629</u>	<u>1,195,831</u>

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

### Notes to the condensed consolidated interim financial information for the six months ended 30 June 2013 (continued)

#### 5 Loans and advances

	30 June 2013 (reviewed) AED'000	31 December 2012 (audited) AED'000
<b>5(a) Loans and advances</b>		
Retail loans	19,815,940	20,082,704
Corporate loans	701,107	524,833
Loans and advances (Note 5(b))	20,517,047	20,607,537
Provision for impairment (Note 5(c))	(297,795)	(324,110)
<b>Net loans and advances</b>	<b>20,219,252</b>	<b>20,283,427</b>

#### 5(b) Analysis of loans and advances

Commercial loans and overdrafts	9,418,931	9,600,684
Retail loans	6,836,897	7,051,179
Credit cards	2,731,462	2,713,784
Auto loans	1,529,757	1,241,890
<b>Total loans and advances</b>	<b>20,517,047</b>	<b>20,607,537</b>

#### 5(c) Provision for impairment

	Retail Loans AED'000	Corporate loans AED'000	Total AED'000
Balance brought forward			
1 January 2013	292,203	31,907	324,110
Impairment charge (Note 5(d))	143,720	408	144,128
Written off during the period	(170,168)	(275)	(170,443)
Balance carried forward			
30 June 2013 (reviewed)	265,755	32,040	297,795
Balance brought forward			
1 January 2012	305,351	32,627	337,978
Impairment charge/(release)	250,751	(302)	250,449
Written off during the year	(263,899)	(418)	(264,317)
Balance carried forward			
31 December 2012 (audited)	292,203	31,907	324,110

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

### Notes to the condensed consolidated interim financial information for the six months ended 30 June 2013 (continued)

#### 5 Loans and advances (continued)

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

	Retail Loans AED'000	Corporate loans AED'000	Total AED'000
<u>Three months ended</u> <u>30 June 2013 (reviewed)</u>			
Impairment Charge	68,774	(94)	68,680
Recovery during the period	(12,127)	-	(12,127)
	<u>56,647</u>	<u>(94)</u>	<u>56,553</u>
<u>30 June 2012 (reviewed)</u>			
Impairment Charge	65,396	26	65,422
Recovery during the period	(11,269)	-	(11,269)
	<u>54,127</u>	<u>26</u>	<u>54,153</u>
	Retail loans AED'000	Corporate Loans AED'000	Total AED'000
<u>Six months ended</u> <u>30 June 2013 (reviewed)</u>			
Impairment charge	143,720	408	144,128
Recovery during the period	(26,145)	-	(26,145)
	<u>117,575</u>	<u>408</u>	<u>117,983</u>
<u>30 June 2012 (reviewed)</u>			
Impairment charge/(release)	135,531	(32)	135,499
Recovery during the period	(20,852)	-	(20,852)
	<u>114,679</u>	<u>(32)</u>	<u>114,647</u>

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

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

### **Notes to the condensed consolidated interim financial information for the six months ended 30 June 2013** (continued)

#### **5 Loans and advances** (continued)

##### **5(e) Impaired loans and advances provision coverage**

	30 June 2013 AED'000 (reviewed)	31 December 2012 AED'000 (audited)
Aggregate impaired loans	471,298	516,509
Provision held	297,795	324,110
Coverage ratio	63.19%	62.75 %

The ratio of provisions held to aggregate impaired loans ("coverage ratio") is an indicator of the Group's achievements in managing lower default rates and improving recovery rates. It does not take into account collateral available, including cash, property and other realizable assets.

#### **6 Islamic Financing assets**

##### **6(a) Islamic Financing assets**

Islamic retail financing asset	648,521	-
Total Islamic financing assets	648,521	-
Provision for impairment	(165)	-
	<u>648,356</u>	<u>-</u>

##### **6(b) Analysis of Islamic financing assets**

Islamic Salam Personal Finance	493,590	-
Islamic Auto Murabaha	145,881	-
Islamic Credit Cards	9,050	-
	<u>648,521</u>	<u>-</u>

The Islamic operations were launched in January 2013 and hence there are no comparatives to report.

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

## Notes to the condensed consolidated interim financial information for the six months ended 30 June 2013 (continued)

### 7 Investment securities

	30 June 2013 (reviewed) AED'000	31 December 2012 (audited) AED'000
<b>Securities available-for-sale</b>		
Quoted equity securities	103,621	-
Quoted debt securities	42,042	42,688
	<u>145,663</u>	<u>42,688</u>
<b>Securities held-to-maturity</b>		
Quoted debt securities	2,442,510	1,544,190
<b>Total investment securities</b>	<u>2,588,173</u>	<u>1,586,878</u>

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

	30 June 2013 AED'000	31 December 2012 AED'000
UAE	2,062,173	1,472,095
Other GCC countries	153,310	96,245
India	354,175	-
Others	18,515	18,538
	<u>2,588,173</u>	<u>1,586,878</u>

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

	30 June 2013 AED'000	31 December 2012 AED'000
AED	403,307	593,096
USD	2,184,866	993,782
	<u>2,588,173</u>	<u>1,586,878</u>

The movement in investment securities is as follows:

	<b>Securities available-for- sale</b> AED'000	<b>Securities held - to - maturity</b> AED'000	<b>Total</b> AED'000
At 1 January 2013	42,688	1,544,190	1,586,878
Purchases	106,483	1,361,685	1,468,168
Disposals* / Maturities	(20,616)	(458,199)	(478,815)
Net changes in fair value	17,108	-	17,108
Amortisation of premium	-	(5,166)	(5,166)
At 30 June 2013 (reviewed)	<u>145,663</u>	<u>2,442,510</u>	<u>2,588,173</u>
At 1 January 2012	151,426	1,012,387	1,163,813
Purchases	-	641,073	641,073
Disposals / Maturities	(118,365)	(110,605)	(228,970)
Changes in fair value	8,754	-	8,754
Amortisation of discount	-	1,833	1,833
At 30 June 2012(reviewed)	<u>41,815</u>	<u>1,544,688</u>	<u>1,586,503</u>

\* Management undertook a review of the held to maturity bonds portfolio in the period and a decision was taken to exit two bonds with carrying value of AED 165.2 million.

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

### Notes to the condensed consolidated interim financial information for the six months ended 30 June 2013 (continued)

#### 8 Property and equipment

	Land and buildings AED'000	Leasehold Improvements AED'000	Other fixed assets AED'000	Capital work in progress AED'000	Total AED'000
<b>Cost</b>					
At 1 January 2013	519,473	105,228	672,990	121,540	1,419,231
Additions	14,522	74	9,691	42,452	66,739
Transfers	12,043	2,977	49,626	(64,646)	-
Disposals	(225)	-	(805)	-	(1,030)
At 30 June 2013	545,813	108,279	731,502	99,346	1,484,940
<b>Depreciation</b>					
At 1 January 2013	48,074	59,425	275,959	-	383,458
Charge for the period	8,352	6,991	45,471	-	60,814
Disposals	(160)	-	(688)	-	(848)
At 30 June 2013	56,266	66,416	320,742	-	443,424
<b>Net book amount</b>					
At 30 June 2013 (reviewed)	489,547	41,863	410,760	99,346	1,041,516
At 31 December 2012 (audited)	471,399	45,803	397,031	121,540	1,035,773

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

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

### Notes to the condensed consolidated interim financial information for the six months ended 30 June 2013 (continued)

#### 8 Property and equipment (continued)

	Land and buildings AED'000	Leasehold improvements AED'000	Other fixed assets AED'000	Capital work in progress AED'000	Total AED'000
<b>Cost</b>					
At 1 January					
2012	503,297	94,339	368,612	271,677	1,237,925
Additions	9,363	265	8,027	91,498	109,153
Transfers	6,813	4,349	242,988	(254,150)	-
Disposals	-	(1,063)	(1,009)	-	(2,072)
At 30 June					
2012	519,473	97,890	618,618	109,025	1,345,006
<b>Depreciation</b>					
At 1 January	32,065	47,108	206,585	-	285,758
2012				-	
Charge for the					
period	7,832	6,462	31,958	-	46,252
Disposals	-	(813)	(855)	-	(1,668)
At 30 June					
2012	39,897	52,757	237,688	-	330,342
<b>Net book amount</b>					
At 30 June					
2012(reviewed)	<u>479,576</u>	<u>45,133</u>	<u>380,930</u>	<u>109,025</u>	<u>1,014,664</u>
At 31					
December 2011					
(audited)	<u>471,232</u>	<u>47,231</u>	<u>162,027</u>	<u>271,677</u>	<u>952,167</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 office buildings, staff accommodations and improvement or set up costs for branches.



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

### **Notes to the condensed consolidated interim financial information for the six months ended 30 June 2013** (continued)

#### **9 Other assets**

	30 June 2013 (reviewed) AED'000	31 December 2012 (audited) AED'000
Interest receivable	169,725	164,794
Profit receivable on Islamic financing assets	3,866	-
Prepayments and deposits	72,546	61,324
Others	32,378	18,056
	<u>278,515</u>	<u>244,174</u>

#### **10 Deposits from customers**

	30 June 2013 (reviewed) AED'000	31 December 2012 (audited) AED'000
Time deposits	7,668,518	9,249,064
Current accounts	9,021,373	7,817,296
Savings deposits	3,159,464	2,749,198
Call deposits	855,280	904,167
	<u>20,704,635</u>	<u>20,719,725</u>

Time deposits include AED 261million (2012: AED 280 million) held by the Group as cash collateral for loans and advances granted to customers.

#### **11 Islamic customer deposits**

	30 June 2013 (reviewed) AED'000	31 December 2012 (audited) AED'000
Time deposits	342,475	-
Current accounts	373,156	-
Savings deposits	74,194	-
Call deposits	5,341	-
	<u>795,166</u>	<u>-</u>

The Islamic operations were launched in January 2013 and hence there are no comparatives to report.

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

### **Notes to the condensed consolidated interim financial information for the six months ended 30 June 2013** (continued)

#### **12 Other liabilities**

	30 June 2013 (reviewed) AED'000	31 December 2012 (audited) AED'000
Interest payable	55,829	94,931
Profit distributable on Islamic deposits	1,974	-
Accrued expenses	120,060	175,797
Managers cheques issued	178,938	151,215
Others	98,506	117,971
	<u>455,307</u>	<u>539,914</u>

#### **13 Share capital and dividend**

At 30 June 2013, the authorised, issued and fully paid share capital of the Group comprised 1,676.25 million shares of AED 1 each (31 December 2012: 1,523.86 million shares of AED 1 each).

At the meeting of shareholders held on 24 March 2013, the shareholders of the Bank approved a stock dividend (issue of bonus shares) in respect of the year ended 31 December 2012 at 10% of the issued and paid up capital amounting to AED 152.39 million (2011: AED 138.53 million) and a cash dividend of 40% of issued and paid up capital amounting to AED 609.54 million (2011: AED 415.6 million). Accordingly, the authorised and issued share capital of the Bank was increased by the amount of stock dividend issued on 3 April 2013.

#### **14 Other reserves**

Other reserves include legal reserve and voluntary reserve. In accordance with the Articles of Association of the Group, 10% of the net profit for the year is to be transferred to a legal reserve until such time as the balance in the reserve equals 50% of the issued share capital and 10% of the net profit for the year is to be transferred to a voluntary reserve until such time as the balance in the reserve equals 20% of the issued share capital. No allocations to the legal reserve and the voluntary reserve have been made for the six month period ended 30 June 2013, as these will be effected at the year end based on the Group's results for the year ending 31 December 2013. The movement in other reserves is on account of fair value gains on investment securities.

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

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

### **Notes to the condensed consolidated interim financial information for the six months ended 30 June 2013** (continued)

#### **15 Contingencies and commitments**

	30 June 2013 (reviewed) AED'000	31 December 2012 (audited) AED'000
Commitments to extend credit	6,366,269	5,980,372
Letters of guarantee	504,971	492,854
Letters of credit	49,485	111,708
Acceptances	37,745	30,702
Capital commitments	19,818	37,324
	<u>6,978,288</u>	<u>6,652,960</u>

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

#### **16 Forward foreign exchange contracts**

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

Outstanding forward foreign exchange transactions at 30 June 2013 and 31 December 2012 are as follows:

	Contract amount AED'000	Fair value AED'000
30 June 2013 (reviewed)	<u>352,702</u>	<u>88</u>
31 December 2012 (audited)	<u>51,017</u>	<u>35</u>

The fair values of the outstanding foreign exchange forward contracts are positive and recorded in other assets.

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

### Notes to the condensed consolidated interim financial information for the six months ended 30 June 2013 (continued)

#### 17 Interest income and expense

	Three months ended 30 June (reviewed)		Six months ended 30 June (reviewed)	
	2013	2012	2013	2012
	AED'000	AED'000	AED'000	AED'000
<b>Interest income</b>				
Commercial loans and overdrafts	322,391	322,764	650,146	633,380
Retail loans	127,148	140,101	261,442	279,520
Credit cards	151,134	153,614	303,132	308,099
Auto loans	30,043	20,798	57,177	39,682
Other banks	596	1,212	1,282	2,512
Deposits with the UAE Central Bank	949	145	1,889	286
<b>Total interest income</b>	<b>632,261</b>	<b>638,634</b>	<b>1,275,068</b>	<b>1,263,479</b>
<b>Interest expense</b>				
Due to customers	62,927	80,891	135,314	159,712
Subordinated debt	-	7,786	-	15,572
Borrowings from other banks	342	20	492	49
	63,269	88,697	135,806	175,333
<b>Net interest income</b>	<b>568,992</b>	<b>549,937</b>	<b>1,139,262</b>	<b>1,088,146</b>

#### 18 Income from Islamic financing and distribution to depositors

<b>Income from Islamic Financing</b>				
Profit from Islamic personal financing	7,157	-	7,630	-
Profit from Islamic auto financing	1,479	-	1,606	-
<b>Total income from Islamic Financing</b>	<b>8,636</b>	<b>-</b>	<b>9,236</b>	<b>-</b>
Distribution to Islamic depositors	(1,943)	-	(2,182)	-
<b>Income from Islamic financing net of distribution to depositors</b>	<b>6,693</b>	<b>-</b>	<b>7,054</b>	<b>-</b>

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

### Notes to the condensed consolidated interim financial information for the six months ended 30 June 2013 (continued)

#### 19 Net fees and commission income

	<u>Three months ended</u> <u>30 June (reviewed)</u>		<u>Six months ended 30</u> <u>June (reviewed)</u>	
	2013 AED'000	2012 AED'000	2013 AED'000	2012 AED'000
Credit cards	44,107	49,226	89,105	96,172
Commercial loans	19,651	17,463	38,530	36,864
Retail loans	3,717	3,229	7,037	6,440
Mortgage loans	8,462	5,712	15,158	11,639
Auto loans	6,821	4,142	13,095	7,984
Trade finance	3,588	3,917	7,177	6,929
Fiduciary income	21,362	19,308	39,918	32,307
Others	28,290	22,000	55,616	42,578
	<u>135,998</u>	<u>124,997</u>	<u>265,636</u>	<u>240,913</u>

#### 20 Investment income

	<u>Three months ended</u> <u>30 June (reviewed)</u>		<u>Six months ended 30</u> <u>June (reviewed)</u>	
	2013 AED'000	2012 AED'000	2013 AED'000	2012 AED'000
Net Interest income from bonds	29,360	20,418	53,687	36,703
Profit/ (loss) on sale	13,014	(1,515)	13,014	(1,515)
Dividend income	6,163	-	6,322	-
	<u>48,537</u>	<u>18,903</u>	<u>73,023</u>	<u>35,188</u>

#### 21 Earnings per share

The basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the period. The weighted average number of ordinary shares during the period ended 30 June 2013 amounted to 1,676,245,428 shares (30 June 2012: 1,676,245,428 shares).

#### 22 Fiduciary activities

The Group holds assets in a fiduciary capacity for its customers without recourse to itself. At 30 June 2013, such assets amounted to AED 1,476.79 million (31 December 2012: AED 1,109.14 million) and are excluded from the condensed consolidated interim financial information of the Group.

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

### **Notes to the condensed consolidated interim financial information for the six months ended 30 June 2013** (continued)

#### **23 Cash and cash equivalents**

	<u>At 30 June</u>	
	2013	2012
	(reviewed)	(reviewed)
	AED'000	AED'000
Cash in hand and current account with the UAE Central Bank (Note 3)	664,650	927,036
Due from other banks (Note 4)	295,629	1,158,137
	<u>960,279</u>	<u>2,085,173</u>

#### **24 Operating segments**

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

The Group has three main business segments:

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

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

As the Group's segment operations are all financial with a majority of revenues deriving from interest and fees and commission income, the Executive Committee 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 balance sheet items.

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

### Notes to the condensed consolidated interim financial information for the six months ended 30 June 2013 (continued)

#### 24 Operating segments (continued)

The segment information provided to the Executive Committee for the reportable segments for the period ended 30 June 2013 and 30 June 2012 is as follows:

	<b>Retail banking</b> AED'000	<b>Corporate banking</b> AED'000	<b>Treasury and others</b> AED'000	<b>Unallocated Cost</b> AED'000	<b>Total</b> AED'000
<b>30 June 2013</b>					
Net external interest income	1,161,160	(13,037)	(8,861)	-	1,139,262
Income from Islamic financing net of distribution to depositors	7,653	(599)	-	-	7,054
Transfer pricing income / expense	(37,055)	25,052	12,003	-	-
<b>Net Interest /Income from Islamic financing</b>	<b>1,131,758</b>	<b>11,416</b>	<b>3,142</b>	<b>-</b>	<b>1,146,316</b>
Non interest income	273,535	31,679	91,319	-	396,533
<b>Operating income</b>	<b>1,405,293</b>	<b>43,095</b>	<b>94,461</b>	<b>-</b>	<b>1,542,849</b>
Operating expense excluding depreciation	(432,167)	(38,627)	(2,575)	(130,441)	(603,810)
Depreciation	(26,408)	(1,022)	(30)	(33,354)	(60,814)
<b>Total Operating expense</b>	<b>(458,575)</b>	<b>(39,649)</b>	<b>(2,605)</b>	<b>(163,795)</b>	<b>(664,624)</b>
Impairment charge net of write off / recovery	(117,740)	(408)	-	-	(118,148)
<b>Net profit / ( loss)</b>	<b>828,978</b>	<b>3,038</b>	<b>91,856</b>	<b>(163,795)</b>	<b>760,077</b>
Segment assets	20,973,350	670,838	5,478,229	-	27,122,417
Unallocated assets				1,233,820	1,233,820
<b>Total assets</b>	<b>20,973,350</b>	<b>670,838</b>	<b>5,478,229</b>	<b>1,233,820</b>	<b>28,356,237</b>
Segment liabilities	12,841,197	7,656,267	1,602,663	-	22,100,127
Unallocated liabilities				393,253	393,253
<b>Total liabilities</b>	<b>12,841,197</b>	<b>7,656,267</b>	<b>1,602,663</b>	<b>393,253</b>	<b>22,493,380</b>

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

### Notes to the condensed consolidated interim financial information for the six months ended 30 June 2013 (continued)

#### 24 Operating segments (continued)

	Retail banking AED'000	Corporate banking AED'000	Treasury and others AED'000	Unallocated cost AED'000	Total AED'000
<b>30 June 2012</b>					
Net external interest income	1,140,086	(28,399)	(23,541)	-	1,088,146
Income from Islamic financing net of distribution to depositors	-	-	-	-	-
Interest income / expense from other segments	(57,825)	35,143	22,682	-	-
<b>Net Interest income</b>	<b>1,082,261</b>	<b>6,744</b>	<b>(859)</b>	<b>-</b>	<b>1,088,146</b>
Non interest income	252,670	15,270	52,118	-	320,058
<b>Operating income</b>	<b>1,334,931</b>	<b>22,014</b>	<b>51,259</b>	<b>-</b>	<b>1,408,204</b>
Operating expense excluding depreciation	(418,849)	(33,691)	(2,628)	(123,455)	(578,623)
Depreciation	(25,089)	(1,019)	(46)	(20,098)	(46,252)
<b>Total Operating expense</b>	<b>(443,938)</b>	<b>(34,710)</b>	<b>(2,674)</b>	<b>(143,553)</b>	<b>(624,875)</b>
Impairment charge net of (recovery) / write off	(114,679)	32	-	-	(114,647)
<b>Net profit / ( loss)</b>	<b>776,314</b>	<b>(12,664)</b>	<b>48,585</b>	<b>(143,553)</b>	<b>668,682</b>
Segment assets	19,813,776	374,774	4,820,506	-	25,009,056
Unallocated assets	-	-	-	1,075,661	1,075,661
<b>Total assets</b>	<b>19,813,776</b>	<b>374,774</b>	<b>4,820,506</b>	<b>1,075,661</b>	<b>26,084,717</b>
Segment liabilities	12,299,142	7,150,739	1,322,323	-	20,772,204
Unallocated liabilities	-	-	-	352,288	352,288
<b>Total liabilities</b>	<b>12,299,142</b>	<b>7,150,739</b>	<b>1,322,323</b>	<b>352,288</b>	<b>21,124,492</b>



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

## Notes to the condensed consolidated interim financial information for the six months ended 30 June 2013 (continued)

### 25 Related parties balances

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

	<u>Six months ended 30 June</u>	
	2013	2012
	(reviewed)	(reviewed)
	AED'000	AED'000
<b>Transactions during the period</b>		
Interest income	490	762
Interest expense	5,335	5,592
Commission income	414	53
Directors' remuneration	2,717	3,022
Remuneration payable to key management Personnel	7,274	9,961
	30 June	31
	2013	December
	(reviewed)	(audited)
	AED'000	AED'000
<b>Balances</b>		
Loans and advances:		
- Shareholders and their related companies	30,499	107
- Directors and their related companies	301	231
- Key management personnel	18,197	20,018
	<u>48,997</u>	<u>20,356</u>
Due to customers:		
- Shareholders and their related companies	1,040,577	642,582
- Directors and their related companies	38,490	42,194
- Key management personnel	28,354	22,924
	<u>1,107,421</u>	<u>707,700</u>
<b>Irrevocable commitments and contingent liabilities and forward contracts</b>		
- Shareholders and their related companies	49,806	118,752
- Directors and their related companies	507	445
	<u>50,313</u>	<u>119,197</u>

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

### Notes to the condensed consolidated interim financial information for the six months ended 30 June 2013 (continued)

#### 26 Capital adequacy

##### Capital structure and capital adequacy as per Basel II requirement as at 30 June 2013

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

	30 June 2013 AED'000	31 December 2012 AED'000
<b>Tier 1 capital</b>		
Ordinary share capital	1,676,245	1,523,859
Share premium	110,350	110,350
Statutory and other reserves	2,895,005	2,877,897
Retained earnings	421,180	573,565
Total	5,102,780	5,085,671
<b>Tier 2 capital</b>	-	-
<b>Total regulatory capital</b>	5,102,780	5,085,671
<b>Risk weighted assets</b>		
Credit risk	17,771,423	16,951,305
Market risk	13,917	3,633
Operational risk	714,989	714,989
<b>Total risk weighted assets</b>	18,500,329	17,669,927
Capital adequacy ratio on regulatory capital	27.58%	28.78%
Capital adequacy ratio on Tier 1 capital	27.58%	28.78%