

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

**Interim condensed financial information
for the six months ended 30 June 2006**

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

**Interim condensed financial information
for the six months ended 30 June 2006**

	Pages
Review report	1
Condensed balance sheet	2
Condensed statement of income	3
Condensed statement of changes in shareholders' equity	4
Condensed statement of cash flows	5
Notes to the interim condensed financial information	6 -12

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

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

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

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

PricewaterhouseCoopers
18 July 2006

Jacques E Fakhoury
Registered Auditor Number 379

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

Condensed balance sheet

	Notes	30 June 2006 AED'000	31 December 2005 AED'000
ASSETS			
Cash and balances with the UAE Central Bank	3	1,089,473	563,044
Due from other banks		362,744	900,729
Loans and advances	4	6,127,988	5,343,300
Investment securities	5	483,365	321,150
Property and equipment		91,581	94,326
Other assets		188,367	123,469
Total assets		8,343,518	7,346,018
LIABILITIES			
Due to other banks		658,455	550,913
Due to customers		5,094,998	4,913,181
Debt security in issue		1,281,844	731,703
Other liabilities		184,313	126,832
Provision for employees' end of service benefits		13,433	11,361
Total liabilities		7,233,043	6,333,990
SHAREHOLDERS' EQUITY			
Share capital	6	536,250	412,500
Share premium		110,350	110,350
Retained earnings		170,596	174,399
Other reserves	7	293,279	314,779
Total shareholders' equity		1,110,475	1,012,028
Total liabilities and shareholders' equity		8,343,518	7,346,018

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 30 June		Six months ended 30 June	
		2006 AED'000	2005 AED'000	2006 AED'000	2005 AED'000
Interest income		155,460	107,132	294,275	204,084
Interest expense		(67,549)	(32,531)	(120,033)	(56,975)
Net interest income		<u>87,911</u>	<u>74,601</u>	<u>174,242</u>	<u>147,109</u>
Other operating income		68,283	41,695	124,543	77,887
Operating income		<u>156,194</u>	<u>116,296</u>	<u>298,785</u>	<u>224,996</u>
Operating expenses		(76,897)	(61,055)	(145,586)	(116,670)
Provision for impairment of loans and advances	4(c)	(15,061)	(9,734)	(33,252)	(20,104)
Net profit for the period		<u>64,236</u>	<u>45,507</u>	<u>119,947</u>	<u>88,222</u>
Earnings per share					
Basic	10	<u>AED 0.120</u>	<u>AED 0.085</u>	<u>AED 0.224</u>	<u>AED 0.165</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 2005	343,750	110,350	127,558	217,375	799,033
Issue of bonus shares (Note 6)	68,750	-	(68,750)	-	-
Net profit for the period	-	-	88,222	-	88,222
	<u>412,500</u>	<u>110,350</u>	<u>147,030</u>	<u>217,375</u>	<u>887,255</u>
At 30 June 2005	412,500	110,350	147,030	217,375	887,255
	<u>412,500</u>	<u>110,350</u>	<u>174,399</u>	<u>314,779</u>	<u>1,012,028</u>
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)	-	-
Fair value loss on available-for- sale investment securities (Note 5)	-	-	-	(21,500)	(21,500)
Net profit for the period	-	-	119,947	-	119,947
	<u>536,250</u>	<u>110,350</u>	<u>170,596</u>	<u>293,279</u>	<u>1,110,475</u>
At 30 June 2006	536,250	110,350	170,596	293,279	1,110,475

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	<u>Six months ended 30 June</u>	
		2006 AED'000	2005 AED'000
Operating activities			
Net profit for the period		119,947	88,222
Adjustments for:			
Depreciation		8,608	7,260
Net charge for provision for impairment of loans and advances	4(c)	33,252	20,104
Provision for employees' end of service benefits (net)		2,072	716
Gain on disposal of property and equipment		(78)	(87)
Amortisation of discount relating to investment securities held-to-maturity	5	(65)	-
Gain on disposal of investment securities		-	(2,202)
Amortisation of discount relating to debt security in issue		(809)	-
		<hr/>	<hr/>
Operating cash flows before changes in assets and liabilities		162,927	114,013
Changes in assets and liabilities:			
Deposits with the UAE Central Bank		(104,385)	121,704
Loans and advances net of provisions and amounts written off	4	(817,940)	(954,503)
Other assets		(64,898)	(50,914)
Due to other banks		107,542	83,173
Due to customers		181,817	761,664
Other liabilities		57,481	26,553
		<hr/>	<hr/>
Net cash (used in) / provided by operating activities		(477,456)	101,690
		<hr/>	<hr/>
Investing activities			
Purchase of investment securities	5	(183,650)	(10,164)
Proceeds from the sale of investment securities		-	18,252
Purchase of property and equipment		(5,863)	(8,748)
Proceeds from sale of property and equipment		78	87
		<hr/>	<hr/>
Net cash used in investing activities		(189,435)	(573)
		<hr/>	<hr/>
Financing activities			
Debt security in issue		550,950	-
		<hr/>	<hr/>
Net (decrease) / increase in cash and cash equivalents			
		(115,941)	101,117
Cash and cash equivalents, beginning of the period		1,156,421	606,230
		<hr/>	<hr/>
Cash and cash equivalents, end of the period	12	1,040,480	707,347
		<hr/> <hr/>	<hr/> <hr/>

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 2006

1 Incorporation and principal activities

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

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

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

2 Significant accounting policies

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

The accounting policies applied in the preparation of the interim condensed financial information are consistent with those applied in the annual financial statements for the year ended 31 December 2005.

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

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

Interpretations and amendments to published standards effective in 2006

Management has assessed the relevance of the interpretations and amendments to published standards effective in 2006 with respect to the Bank’s operations and concluded that they are either not relevant to the Bank or do not have any significant impact on its financial position or the results of its operations.

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

Notes to the interim condensed financial information for the six months ended 30 June 2006 (continued)

3 Cash and balances with the UAE Central Bank

	30 June 2006 AED'000	31 December 2005 AED'000
Cash in hand	100,736	105,756
Balances with the UAE Central Bank	988,737	457,288
	<u>1,089,473</u>	<u>563,044</u>

Balances with the UAE Central Bank include statutory deposits of AED 321.7 million (31 December 2005: AED 270.6 million) that are not available to finance the day to day operations of the Bank.

4 Loans and advances

	30 June 2006 AED'000	31 December 2005 AED'000
4(a) Loans and advances		
Loans	5,766,374	4,975,890
Overdrafts	452,608	467,300
Loans against trust receipts	45,768	45,033
Bills discounted	39,591	23,920
Others	2,034	496
	<u>6,306,375</u>	<u>5,512,639</u>
Total loans and advances	6,306,375	5,512,639
Provision for impairment	(178,387)	(169,339)
	<u>6,127,988</u>	<u>5,343,300</u>
Net loans and advances	6,127,988	5,343,300
4(b) Provision for impairment		
Balance brought forward	169,339	180,753
Net charge for provision for impairment during the period /year	33,260	45,479
Written off during the period/year	(24,212)	(56,893)
	<u>178,387</u>	<u>169,339</u>
Balance carried forward	178,387	169,339

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

Notes to the interim condensed financial information for the six months ended 30 June 2006 (continued)

4 Loans and advances (continued)

4(c) Net charge for provision for impairment

	Three months ended		Six months ended	
	30 June		30 June	
	2006	2005	2006	2005
	AED'000	AED'000	AED'000	AED'000
Provisions made during the period	16,173	9,193	33,260	18,841
Written (back)/off during the period	(1,112)	541	(8)	1,263
	<u>15,061</u>	<u>9,734</u>	<u>33,252</u>	<u>20,104</u>

4(d) Classified loans and advances

At 30 June 2006, the aggregate amount of non-performing loans amounted to AED 222.1 million (31 December 2005: AED 179.3 million). Provisions in relation to such loans amounted to AED 119.4 million as at 30 June 2006 (31 December 2005: AED 110.3 million).

5 Investment securities

	30 June 2006	31 December 2005
	AED'000	AED'000
Securities-available-for-sale		
Quoted equity securities	17,900	39,400
Quoted debt securities	91,640	91,640
Unquoted debt securities	238,745	55,095
	<u>348,285</u>	<u>186,135</u>
Securities held-to-maturity		
Quoted debt securities	135,080	135,015
	<u>483,365</u>	<u>321,150</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 2006 (continued)

6 Share capital

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

At the annual general meeting of the shareholders held on 11 March 2006, the shareholders of the Bank approved a stock dividend (issue of bonus shares) in respect of 2005 at 30% of the issued and paid up capital, amounting to AED 123.75 million (2005: AED 68.75 million).

7 Other reserves

Other reserves include legal reserve and voluntary reserve. In accordance with the Articles of Association of the Bank, 10% of the net profit for the year is to be transferred to a legal reserve until such time as the balance in the reserve equals 50% of the issued share capital and 10% of the net profit for the year is to be transferred to a voluntary reserve until such time as the balance in the reserve equals 20% of the issued share capital. No allocations to the legal reserve and the voluntary reserve have been made for the six month period ended 30 June 2006, as these will be effected at the year end, based on the Bank's results for 2006.

8 Contingencies and commitments

	30 June 2006 AED'000	31 December 2005 AED'000
Letters of guarantee	594,854	491,266
Letters of credit	99,876	75,748
Acceptances	25,405	25,753
Commitments to extend credit	579,145	564,421
Other	367	1,449
	<u>1,299,647</u>	<u>1,158,637</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 2006 (continued)

9 Forward foreign exchange contracts

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

Outstanding foreign forward exchange transactions at 30 June 2006 and 31 December 2005 are as follows:

	Contract amount AED'000	Fair value AED'000
30 June 2006	149,000	(13)
	<u> </u>	<u> </u>
31 December 2005	117,146	(69)
	<u> </u>	<u> </u>

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 2006 amounted to 536,250,000 shares (30 June 2005: 536,250,000 shares)

11 Fiduciary activities

The Bank holds assets in a fiduciary capacity for its customers without recourse to itself. At 30 June 2006, such assets amounted to AED 265.7 million (31 December 2005: AED 182.6 million) and are excluded from the financial statements of the Bank.

12 Cash and cash equivalents

	30 June 2006 AED'000	30 June 2005 AED'000
Cash	100,736	81,612
Certificate of deposits with UAE Central Bank	577,000	115,000
Due from other banks	362,744	510,735
	<u>1,040,480</u>	<u>707,347</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 2006 (continued)

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 2006					
External revenue	361,168	19,635	38,015	-	418,818
Revenue from other segments	42,980	26,844	53,264	(123,088)	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	404,148	46,479	91,279	(123,088)	418,818
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Segment result	99,371	18,595	25,891	-	143,857
Unallocated costs					(23,910)
					<hr/>
Net profit for the period					<u>119,947</u>
Six months ended 30 June 2005					
External revenue	249,050	12,660	20,261	-	281,971
Revenue from other segments	18,034	15,314	20,127	(53,475)	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	267,084	27,974	40,388	(53,475)	281,971
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Segment result	87,762	5,381	14,073	-	107,216
Unallocated costs					(18,994)
					<hr/>
Net profit for the period					<u>88,222</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 2006 (continued)

14 Related party transactions and balances

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

	30 June 2006 AED'000	31 December 2005 AED'000
Loans and advances	18,989	34,347
Due to customers	382,940	404,628
Commitments and contingent liabilities	44,060	39,687
	<u> </u>	<u> </u>