

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

**Interim condensed financial information  
for the nine months ended 30 September 2007**

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

## **Interim condensed financial information for the nine months ended 30 September 2007**

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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 September 2007 and the related condensed statements of income, changes in shareholders' equity and cash flows for the nine month 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  
21 October 2007

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

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

### Condensed balance sheet

	Notes	30 September 2007 AED'000	31 December 2006 AED'000
<b>ASSETS</b>			
Cash and balances with the UAE Central Bank	3	1,183,123	832,760
Due from other banks		518,336	445,118
Loans and advances	4	7,779,581	6,813,469
Investment securities	5	518,365	498,699
Property and equipment		105,895	85,302
Other assets		205,645	166,946
<b>Total assets</b>		<b>10,310,945</b>	<b>8,842,294</b>
<b>LIABILITIES</b>			
Due to other banks		164,144	234,104
Due to customers		7,037,997	5,850,011
Debt security in issue		1,282,963	1,282,224
Other liabilities		345,235	213,394
Provision for employees' end of service benefits		20,697	15,463
<b>Total liabilities</b>		<b>8,851,036</b>	<b>7,595,196</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	6	616,688	536,250
Share premium		110,350	110,350
Retained earnings		365,865	234,688
Other reserves	7	367,006	365,810
<b>Total shareholders' equity</b>		<b>1,459,909</b>	<b>1,247,098</b>
<b>Total liabilities and shareholders' equity</b>		<b>10,310,945</b>	<b>8,842,294</b>

This interim condensed financial information was approved by the Executive Committee on 21 October 2007 and was signed on its behalf by:

.....  
Graham Honeybill  
General Manager

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

### Condensed statement of income

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2007 AED'000	2006 AED'000	2007 AED'000	2006 AED'000
Interest income		223,744	168,810	628,591	463,085
Interest expense		(76,545)	(71,581)	(229,948)	(191,614)
<b>Net interest income</b>		<u>147,199</u>	<u>97,229</u>	<u>398,643</u>	<u>271,471</u>
Fee and commission income		69,774	60,784	209,495	164,503
Foreign exchange income		7,014	4,327	19,338	12,262
Other operating income		12,079	10,848	30,198	23,737
<b>Operating income</b>		<u>236,066</u>	<u>173,188</u>	<u>657,674</u>	<u>471,973</u>
Operating expenses		(111,180)	(79,390)	(308,173)	(224,976)
Provision for impairment of loans and advances	4(c)	(14,960)	(20,661)	(57,448)	(53,913)
<b>Net profit for the period</b>		<u>109,926</u> =====	<u>73,137</u> =====	<u>292,053</u> =====	<u>193,084</u> =====
<b>Earnings per share</b>					
Basic	10	<u>AED 0.178</u> =====	<u>AED 0.119</u> =====	<u>AED 0.474</u> =====	<u>AED 0.313</u> =====

## 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
<b>At 1 January 2006</b>	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	-	-	193,084	-	193,084
<b>At 30 September 2006</b>	<u>536,250</u>	<u>110,350</u>	<u>243,733</u>	<u>293,279</u>	<u>1,183,612</u>
<b>At 1 January 2007</b>	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)	-	-	-	1,196	1,196
Net profit for the period	-	-	292,053	-	292,053
<b>At 30 September 2007</b>	<u>616,688</u>	<u>110,350</u>	<u>365,865</u>	<u>367,006</u>	<u>1,459,909</u>

**The National Bank of Ras Al-Khaimah (P.S.C.)**  
**Condensed statement of cash flows**

		<u>Nine months ended</u> <u>30 September</u>	
		2007	2006
	Notes	AED'000	AED'000
<b>Operating activities</b>			
Net profit for the period		292,053	193,084
Adjustments for:			
Depreciation		16,355	13,044
Net charge for provision for impairment of loans and advances	4(c)	57,448	53,913
Provision for employees' end of service benefits (net of payments)		5,234	2,912
Gain on disposal of property and equipment		(126)	(88)
Amortisation of discount relating to investment securities held-to-maturity	5	(105)	(99)
Amortisation of discount relating to debt security in issue		739	(552)
		<hr/>	<hr/>
Operating cash flows before changes in assets and liabilities		371,598	262,214
Changes in assets and liabilities:			
Deposits with the UAE Central Bank		(159,140)	(35,143)
Due from other banks		-	36,730
Loans and advances, net of provisions and amounts written off	4	(1,023,560)	(1,250,591)
Other assets		(38,699)	(48,641)
Due to other banks		(69,960)	(246,940)
Due to customers		1,187,986	556,702
Other liabilities		131,841	77,212
		<hr/>	<hr/>
Net cash generated from /(used in) operating activities		400,066	(648,457)
		<hr/>	<hr/>
<b>Investing activities</b>			
Purchase of investment securities	5	(18,365)	(183,651)
Purchase of property and equipment		(37,148)	(8,354)
Proceeds from sale of property and equipment		326	176
		<hr/>	<hr/>
Net cash used in investing activities		(55,187)	(191,829)
		<hr/>	<hr/>
<b>Financing activities</b>			
Debt security in issue		-	550,950
Dividends paid	6	(80,438)	-
		<hr/>	<hr/>
Net cash (used in)/provided by financing activities		(80,438)	550,950
		<hr/>	<hr/>
<b>Net increase/(decrease) in cash and cash equivalents</b>		264,441	(289,336)
Cash and cash equivalents, beginning of the period		962,599	1,156,421
		<hr/>	<hr/>
Cash and cash equivalents, end of the period	12	1,227,040	867,085
		<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 nine months ended 30 September 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 twenty one 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 financial statements for year ended 31 December 2006.

#### New standards and 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 statements 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 amendment 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 financial liabilities, sensitivity analysis to market risk and the disclosures required by the amendment to IAS 1 relating to management of capital.

The application of IFRS 7 and the amendment to 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 nine months ended 30 September 2007 (continued)

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

	30 September 2007 AED'000	31 December 2006 AED'000
Cash in hand	135,163	138,794
Balances with the UAE Central Bank	1,047,960	693,966
	<u>1,183,123</u>	<u>832,760</u>
	=====	=====

Balances with the UAE Central Bank include statutory deposits of AED 424.42 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 September 2007 AED'000	31 December 2006 AED'000
<b>4(a) Loans and advances</b>		
Loans	7,411,541	6,432,988
Overdrafts	466,133	469,333
Loans against trust receipts	85,061	81,991
Bills discounted	18,161	22,397
Others	5,389	1,910
	<u>7,986,285</u>	<u>7,008,619</u>
<b>Total loans and advances</b>		
Provision for impairment	(206,704)	(195,150)
	<u>7,779,581</u>	<u>6,813,469</u>
<b>Net loans and advances</b>	=====	=====

#### 4(b) Provision for impairment

<b>Balance brought forward</b>	195,150	169,339
Net charge for provision for impairment during the period /year	60,348	87,144
Written off during the period/year	(48,794)	(61,333)
	<u>206,704</u>	<u>195,150</u>
<b>Balance carried forward</b>	=====	=====

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

**Notes to the interim condensed financial information for the nine months ended 30 September 2007** (continued)

**4 Loans and advances** (continued)

**4(c) Net charge for period**

	Three months ended 30 September		Nine months ended 30 September	
	2007	2006	2007	2006
	AED'000	AED'000	AED'000	AED'000
Net charge for provision for impairment	10,999	22,204	60,348	55,464
Write (back)/off during the period	3,961	(1,543)	(2,900)	(1,551)
	-----	-----	-----	-----
	14,960	20,661	57,448	53,913
	=====	=====	=====	=====

**4(d) Classified loans and advances**

At 30 September 2007, the aggregate amount of non-performing loans amounted to AED 147.29 million (31 December 2006: AED 184.1 million). Provisions in relation to such loans amounted to AED 112.66 million as at 30 September 2007 (31 December 2006: AED 126.1 million).

**5 Investment securities**

	30 September 2007 AED'000	31 December 2006 AED'000
<b>Securities available-for-sale</b>		
Quoted equity securities	16,300	14,800
Quoted debt securities	128,408	110,005
Unquoted debt securities	238,404	238,746
	-----	-----
	383,112	363,551
<b>Securities held-to-maturity</b>		
Quoted debt securities	135,253	135,148
	-----	-----
<b>Total investment securities</b>	518,365	498,699
	=====	=====

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

### Notes to the interim condensed financial information for the nine months ended 30 September 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	183,651	-	183,651
Changes in fair value	(21,500)	-	(21,500)
Amortisation of discount	-	99	99
	-----	-----	-----
At 30 September 2006	348,286	135,114	483,400
	=====	=====	=====
At 1 January 2007	363,551	135,148	498,699
Purchases	18,365	-	18,365
Changes in fair value	1,196	-	1,196
Amortisation of discount	-	105	105
	-----	-----	-----
At 30 September 2007	383,112	135,253	518,365
	=====	=====	=====

#### 6 Share capital

At 30 September 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 nine month period ended 30 September 2007, as these will be effected at the year end, based on the Bank's results 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 nine months ended 30 September 2007 (continued)

#### 8 Contingencies and commitments

	30 September 2007 AED'000	31 December 2006 AED'000
Letters of guarantee	458,750	520,223
Letters of credit	119,801	95,479
Acceptances	40,136	32,127
Commitments to extend credit	814,647	648,759
Other	224	124
	<u>1,433,558</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 September 2007 and 31 December 2006 are as follows:

	Contract amount AED'000	Fair value AED'000
30 September 2007	57,418 =====	(19) =====
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 September 2007 amounted to 616,687,500 shares (30 September 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 September 2007, such assets amounted to AED 429.55 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 nine months ended 30 September 2007** (continued)

**12 Cash and cash equivalents**

	30 September 2007 AED'000	30 September 2006 AED'000
Cash (Note 3)	135,163	106,365
Current account with the UAE Central Bank	16,541	14,825
Certificate of deposits with UAE Central Bank	557,000	388,000
Due from other banks	518,336	357,895
	<u>1,227,040</u>	<u>867,085</u>
	=====	=====

**13 Business segments**

**Primary segment information**

	Retail banking AED'000	Business banking AED'000	Treasury and others AED'000	Elimination AED'000	Total AED'000
<b>Nine months ended 30 September 2007</b>					
External revenue	778,540	46,059	63,023	-	887,622
Revenue from other segments	131,144	43,091	109,083	(283,318)	-
	<u>909,684</u>	<u>89,150</u>	<u>172,106</u>	<u>(283,318)</u>	<u>887,622</u>
Total revenue					
Segment result	276,903	51,341	27,156	-	355,400
Unallocated costs	-	-	-	-	(63,347)
					<u>292,053</u>
					=====
<b>Nine months ended 30 September 2006</b>					
External revenue	574,314	31,758	57,515	-	663,587
Revenue from other segments	71,213	39,744	87,619	(198,576)	-
	<u>645,527</u>	<u>71,502</u>	<u>145,134</u>	<u>(198,576)</u>	<u>663,587</u>
Total revenue					
Segment result	161,963	28,262	39,800	-	230,025
Unallocated costs	-	-	-	-	(36,941)
					<u>193,084</u>
					=====

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

### Notes to the interim condensed financial information for the nine months ended 30 September 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 September 2007 AED	31 December 2006 AED
<b>Balances</b>		
Loans and advances	41,317	64,446
Due to customers	386,783	390,128
Irrevocable commitments and contingent liabilities	71,501	58,735
	=====	=====