

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

**Condensed interim financial information
for the nine months ended 30 September 2011**

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

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	Pages
Review report	1
Interim balance sheet	2
Interim income statement	3
Statement of comprehensive income	4
Statement of changes in equity	5
Statement of cash flows	6
Notes to the condensed interim financial information	7 – 24



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

Introduction

We have reviewed the accompanying condensed interim balance sheet of The National Bank of Ras Al-Khaimah (P.S.C.) ("the Bank") as of 30 September 2011 and the related condensed interim statements of income, comprehensive income, changes in equity and cash flows for the nine month period then ended. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34 – Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed 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 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 interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 – Interim Financial Reporting.

PricewaterhouseCoopers
19 October 2011

Paul Suddaby
Registered Auditor Number 309
Dubai, United Arab Emirates

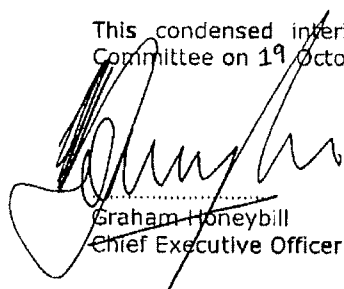
*PricewaterhouseCoopers, Emaar Square, Building 4, Level 8, PO Box 11987, Dubai, United Arab Emirates
T: +971 (0)4 304 3100, F: +971 (0)4 330 4100, www.pwc.com/middle-east*

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

Interim balance sheet

	Notes	30 September 2011 (reviewed) AED'000	31 December 2010 (audited) AED'000
ASSETS			
Cash and balances with the UAE Central Bank	3	1,860,194	1,935,059
Due from other banks	4	853,559	1,303,207
Loans and advances	5	18,004,865	16,401,741
Investment securities	6	1,179,950	767,983
Property and equipment	7	910,263	771,948
Other assets	8	215,593	200,013
Total assets		23,024,424	21,379,951
LIABILITIES			
Due to other banks		73,254	100,469
Due to customers	9	18,096,819	17,054,596
Other liabilities	10	405,745	462,920
Provision for employees' end of service benefits		51,020	45,608
Total liabilities		18,626,838	17,663,593
Equity			
Share capital	11	1,385,327	1,154,439
Share premium		110,350	110,350
Retained earnings		1,226,915	782,194
Other reserves	12	1,674,994	1,669,375
Total equity		4,397,586	3,716,358
Total liabilities and equity		23,024,424	21,379,951

This condensed interim financial information was approved by the Executive Committee on 19 October 2011 and was signed on its behalf by:



Graham Honeybill
Chief Executive Officer

The notes on pages 7 to 24 form an integral part of the condensed interim financial information. (2)

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

Interim income statement (reviewed)

	Notes	<u>Three months ended</u> <u>30 September</u>		<u>Nine months ended</u> <u>30 September</u>	
		2011 AED'000	2010 AED'000	2011 AED'000	2010 AED'000
Interest income	15	603,623	533,358	1,746,388	1,490,829
Interest expense	15	(82,472)	(125,457)	(291,940)	(315,968)
Net interest income		<u>521,151</u>	<u>407,901</u>	<u>1,454,448</u>	<u>1,174,861</u>
Net fee and commission income	16	108,345	132,767	416,200	406,080
Foreign exchange income		14,940	11,337	42,991	29,853
Investment income		13,066	3,080	36,097	7,895
Other operating income		6,328	9,299	15,384	15,843
Operating income		<u>663,830</u>	<u>564,384</u>	<u>1,965,120</u>	<u>1,634,532</u>
Operating expenses		(271,800)	(241,372)	(835,609)	(694,429)
Provision for impairment of loans and advances net of write backs	5(d)	(74,682)	(61,481)	(223,014)	(210,265)
Net profit for the period		<u><u>317,348</u></u>	<u><u>261,531</u></u>	<u><u>906,497</u></u>	<u><u>729,838</u></u>
Earnings per share					
Basic and diluted	17	<u><u>AED 0.23</u></u>	<u><u>AED 0.19</u></u>	<u><u>AED 0.65</u></u>	<u><u>AED 0.53</u></u>

The notes on pages 7 to 24 form an integral part of the condensed interim financial information. (3)

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

Statement of comprehensive income (reviewed)

	<u>Three months ended</u>		<u>Nine months ended</u>	
	<u>30 September</u>		<u>30 September</u>	
	2011	2010	2011	2010
	AED'000	AED'000	AED'000	AED'000
Profit for the period	317,348	261,531	906,497	729,838
Other comprehensive income:				
Net changes in fair value of available-for-sale investment securities	6	(3,216)	4,221	5,619
Release of fair value loss to income statement on disposal of available-for-sale investment securities		-	-	-
				1,221
Other comprehensive income for the period	<u>(3,216)</u>	<u>4,221</u>	<u>5,619</u>	<u>12,580</u>
Total comprehensive income for the period	<u>314,132</u>	<u>265,752</u>	<u>912,116</u>	<u>742,418</u>

The notes on pages 7 to 24 form an integral part of the condensed interim financial information. (4)

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

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
At 1 January 2010	962,033	110,350	556,809	1,167,784	2,796,976
Issue of bonus shares (Note 11)	192,406	-	(192,406)	-	-
Dividend (Note 11)	-	-	(96,203)	-	(96,203)
Total comprehensive income for the period	-	-	729,838	12,580	742,418
At 30 September 2010	<u>1,154,439</u>	<u>110,350</u>	<u>998,038</u>	<u>1,180,364</u>	<u>3,443,191</u>
At 1 January 2011	1,154,439	110,350	782,194	1,669,375	3,716,358
Issue of bonus shares (Note 11)	230,888	-	(230,888)	-	-
Dividend (Note 11)	-	-	(230,888)	-	(230,888)
Total comprehensive income for the period	-	-	906,497	5,619	912,116
At 30 September 2011	<u>1,385,327</u>	<u>110,350</u>	<u>1,226,915</u>	<u>1,674,994</u>	<u>4,397,586</u>

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

Statement of cash flows (reviewed)

	Notes	Nine months ended 30 September	
		2011 AED'000	2010 AED'000
Operating activities			
Net Profit for the period		906,497	729,838
Adjustments:			
Net charge for provision for impairment of loans and advances net of write back	5(d)	223,014	210,265
Depreciation	7	56,005	37,077
Provision for employees' end of service benefits		8,904	7,921
Gain on disposal of property and equipment		(544)	(87)
Amortisation of discount relating to debt security in issue		-	538
Amortisation of discount relating to securities held to maturity	6	(661)	(1,730)
Release of fair value change to profit and loss		-	1,221
		<hr/>	<hr/>
Operating cash flows before payment of employees end of service benefits and changes in assets and liabilities		1,193,215	985,043
Payment of employees' end of service benefits		(3,492)	(1,213)
Changes in assets and liabilities:			
Deposits with the UAE Central Bank	3	(103,383)	(435,845)
Due from other banks with original maturities of three months or over		-	(433,000)
Loans and advances net of provisions for impairment		(1,826,138)	(2,590,229)
Other assets	8	(15,580)	(44,518)
Due to other banks		(27,215)	15,455
Due to customers	9	1,042,223	3,916,078
Other liabilities	10	(57,175)	52,609
		<hr/>	<hr/>
Net cash generated from operating activities		202,455	1,464,380
		<hr/>	<hr/>
Investing activities			
Purchase of investment securities	6	(460,782)	(3,673)
Purchase of property and equipment	7	(194,681)	(138,175)
Proceeds from maturity / disposal of investments	6	55,095	56,334
Proceeds from disposal of property and equipment		905	162
		<hr/>	<hr/>
Net cash used in investing activities		(599,463)	(85,352)
		<hr/>	<hr/>
Financing activities			
Dividends paid	11	(230,888)	(96,203)
Repurchase of debt security in issue		-	(196,505)
		<hr/>	<hr/>
Cash used in financing activities		(230,888)	(292,708)
		<hr/>	<hr/>
Net decrease/increase in cash and cash equivalents		(627,896)	1,086,320
Cash and cash equivalents, beginning of the period		1,842,574	1,528,840
		<hr/>	<hr/>
Cash and cash equivalents, end of the period	19	1,214,678	2,615,160
		<hr/>	<hr/>

The notes on pages 7 to 24 form an integral part of the condensed interim financial information. (6)

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

Notes to the condensed interim financial information for the nine months ended 30 September 2011

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 National Bank of Ras Al-Khaimah building, Emirates road, Ras Al-Khaimah.

The Bank is engaged in providing retail and commercial banking services through a network of thirty one branches in the UAE.

2 Significant accounting policies

2.1 Basis of preparation

The condensed interim financial information is prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". The condensed 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 interim financial information are consistent with those applied in the annual financial statements for the year ended 31 December 2010.

The condensed interim financial information should therefore be read in conjunction with the annual financial statements for year ended 31 December 2010.

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

Standard that is effective for the Bank's accounting period beginning on 1 January 2011

The following applicable new standard has been published and is effective for the Bank's accounting periods beginning on 1 January 2011.

- Revised IAS 24, 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised IAS 24 is required to be applied from 1 January 2011.

Management has assessed the impact of the above new standard on the Bank's financial statements and has concluded that the effect on the Bank's financial statements is not likely to be material.

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

Notes to the condensed interim financial information for the nine months ended 30 September 2011 (continued)

2 Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Standards issued and amendment to a published standard which are not yet effective and have not been early adopted by the Bank

The following applicable new standards and amendment to the published standard have been issued but are not effective for the financial year beginning 1 January 2011 and has not been early adopted by the Bank:

- Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income (effective 1 July 2012)
- IFRS 9, 'Financial instruments' – classification of financial assets and financial liabilities (effective 1 January 2015)
- IFRS 13, 'Fair value measurement' (effective 1 January 2013).

While adoption of IFRS 9 is effective from 1 January 2015 and IFRS 13 is effective from 1 January 2013, earlier adoption is permitted. The Bank is considering the implications of these standards, their impact on the financial statements of the Bank and the timing of their adoption. The adoption of the amendment to IAS 1 is not likely to have a significant impact on the Bank's financial statements.

2.2 Investment securities

The Bank 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 Bank'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.

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-way purchases and sales of financial assets at fair value through profit or loss, held to maturity and available-for-sale are recognised on trade-date, the date on which the Bank 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 Bank has transferred substantially all risks and rewards of ownership.

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

Notes to the condensed interim financial information for the nine months ended 30 September 2011 (continued)

2 Significant accounting policies (continued)

2.2 Investment securities (continued)

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 statement of comprehensive income, until the financial asset is derecognised or impaired. At this time, the cumulative gain or loss previously recognised in the statement of comprehensive income is recognised in the income statement.

Foreign currency gains and losses arising on available-for-sale monetary financial assets are recognised directly in the 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 Bank establishes fair value by using valuation techniques.

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

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

The Bank 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 income statement – is removed from the statement of comprehensive income and recognised in the income statement. Impairment losses recognised in the income statement on available-for-sale equity instruments are not reversed through the income statement.

The Bank 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 Bank will not be able to collect all amounts due.

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

Notes to the condensed interim financial information for the nine months ended 30 September 2011 (continued)

2 Significant accounting policies (continued)

2.2 Investment securities (continued)

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 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.

3 Cash and balances with the UAE Central Bank

	30 September 2011 (reviewed) AED'000	31 December 2010 (audited) AED'000
Cash in hand	320,866	253,792
Balances with the UAE Central Bank	40,253	285,575
Statutory deposit with the UAE Central Bank	1,399,075	905,692
Certificates of deposit with the UAE Central Bank	100,000	490,000
	<u>1,860,194</u>	<u>1,935,059</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 September 2011 (reviewed) AED'000	31 December 2010 (audited) AED'000
Placements with other banks	686,686	1,089,210
Demand deposits	40,774	114,907
Clearing account balances	126,099	99,090
	<u>853,559</u>	<u>1,303,207</u>

The above represents deposits and balances due from:

Banks in UAE	757,739	1,154,770
Banks outside UAE	95,820	148,437
	<u>853,559</u>	<u>1,303,207</u>

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

Notes to the condensed interim financial information for the nine months ended 30 September 2011 (continued)

5 Loans and advances

	30 September 2011 (reviewed) AED'000	31 December 2010 (audited) AED'000
5(a) Loans and advances		
Retail loans	17,951,937	16,320,027
Corporate loans	379,344	389,608
Total loans and advances (Note 5(b))	18,331,281	16,709,635
Provision for impairment (Note 5(c))	(326,416)	(307,894)
Net loans and advances	18,004,865	16,401,741

5(b) Loans and advances

Loans	17,948,845	16,277,480
Overdrafts	295,824	340,325
Loans against trust receipts	70,197	71,573
Bills discounted	12,814	14,285
Others	3,601	5,972
Total loans and advances	18,331,281	16,709,635

5(c) Provision for impairment

	Retail loans AED'000	Corporate loans AED'000	Total AED'000
Balance brought forward			
1 January 2011	269,034	38,860	307,894
Impairment charge/(release)(Note 5(d))	260,488	(5,049)	255,439
Written off during the period	(235,380)	(1,537)	(236,917)
Balance carried forward			
30 September 2011 (reviewed)	294,142	32,274	326,416
Balance brought forward			
1 January 2010	301,022	45,714	346,736
Impairment charge/(release)	329,240	(2,084)	327,156
Written off during the year	(361,228)	(4,770)	(365,998)
Balance carried forward			
31 December 2010 (audited)	269,034	38,860	307,894

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

Notes to the condensed interim financial information for the nine months ended 30 September 2011 (continued)

5 Loans and advances (continued)

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

Three months ended (reviewed)	Retail Loans AED'000	Corporate loans AED'000	Total AED'000
<u>30 September 2011</u>			
Impairment (release)/charge (Recovery)/write off during the period	83,336 (8,728)	69 5	83,405 (8,723)
	<u>74,608</u>	<u>74</u>	<u>74,682</u>
<u>30 September 2010</u>			
Impairment (release)/charge (Recovery)/write off during the period	77,385 (15,897)	(15) 8	77,370 (15,889)
	<u>61,488</u>	<u>(7)</u>	<u>61,481</u>
Nine months ended (reviewed)	Retail Loans AED'000	Corporate loans AED'000	Total AED'000
<u>30 September 2011</u>			
Impairment (release)/charge (Recovery)/write off during the period	260,488 (32,432)	(5,049) 7	255,439 (32,425)
	<u>228,056</u>	<u>(5,042)</u>	<u>223,014</u>
<u>30 September 2010</u>			
Impairment (release)/charge (Recovery)/write off during the period	254,929 (42,500)	(2,172) 8	252,757 (42,492)
	<u>212,429</u>	<u>(2,164)</u>	<u>210,265</u>

The write off / (recovery) includes net of the amount recovered from fully written off loans and amounts directly written off through profit and loss.

5(e) Classified loans and advances

At 30 September 2011 the aggregate amount of non-performing loans amounted to AED 512.79 million (31 December 2010: AED 411.52 million). These amounts do not take into account the value of the collateral. Specific provisions in relation to such loans amounted to AED253.12 million as at 30 September 2011 (31 December 2010: AED 200.29 million). In addition, a collective impairment provision amounting to AED 73.3 million was held by the Bank at 30 September 2011 (31 December 2010: AED 107.6 million).

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

Notes to the condensed interim financial information for the nine months ended 30 September 2011 (continued)

6 Investment securities

	30 September 2011 (reviewed) AED'000	31 December 2010 (audited) AED'000
Securities available-for-sale		
Quoted debt securities	167,547	124,916
Securities held-to-maturity		
Quoted debt securities	1,012,403	643,067
Total investment securities	<u>1,179,950</u>	<u>767,983</u>

The composition of investment portfolio by geography is as follows:

	30 September 2011 AED'000	31 December 2010 AED'000
UAE	1,142,911	749,618
Outside UAE	37,039	18,365
	<u>1,179,950</u>	<u>767,983</u>

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 2011	124,916	643,067	767,983
Purchases	37,012	423,770	460,782
Maturities	-	(55,095)	(55,095)
Changes in fair value	5,619	-	5,619
Amortisation of discount	-	661	661
At 30 September 2011 (reviewed)	<u>167,547</u>	<u>1,012,403</u>	<u>1,179,950</u>
At 1 January 2010	110,869	287,458	398,327
Purchases	3,673	-	3,673
Disposal/Maturity	(1,239)	(55,095)	(56,334)
Changes in fair value	11,359	-	11,359
Amortisation of discount	-	1,730	1,730
At 30 September 2010 (reviewed)	<u>124,662</u>	<u>234,093</u>	<u>358,755</u>

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

Notes to the condensed interim financial information for the nine months ended 30 September 2011 (continued)

7 Property and equipment

	Land and buildings AED'000	Leasehold Improvements AED'000	Other assets AED'000	Capital work in progress AED'000	Total AED'000
Cost					
At 1 January 2011	469,811	62,796	255,923	201,443	989,973
Additions	6,569	716	16,113	171,283	194,681
Transfers	26,917	28,204	79,845	(134,966)	-
Disposals	-	-	(10,558)	-	(10,558)
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At 30 September 2011	503,297	91,716	341,323	237,760	1,174,096
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At 1 January 2011	17,389	36,293	164,343	-	218,025
Charge for the period	10,783	7,622	37,600	-	56,005
Disposals	-	-	(10,197)	-	(10,197)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2011	28,172	43,915	191,746	-	263,833
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book amount					
At 30 September 2011	<u>475,125</u>	<u>47,801</u>	<u>149,577</u>	<u>237,760</u>	<u>910,263</u>
At 31 December 2010	<u>452,422</u>	<u>26,503</u>	<u>91,580</u>	<u>201,443</u>	<u>771,948</u>

Other assets include computer equipment, furniture and fixtures, equipment and motor vehicles.

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

Notes to the condensed interim financial information for the nine months ended 30 September 2011 (continued)

7 Property and equipment (continued)

	Land and buildings AED'000	Leasehold improvements AED'000	Other assets AED'000	Capital work in progress AED'000	Total AED'000
Cost					
At 1 January 2010	83,197	48,089	209,419	445,068	785,773
Additions	1,382	252	12,330	124,211	138,175
Transfers	193,545	10,220	18,101	(221,866)	-
Disposals	-	-	(600)	-	(600)
At 30 September 2010	278,124	58,561	239,250	347,413	923,348
Depreciation					
At 1 January 2010	11,045	28,643	128,714	-	168,402
Charge for the period	4,274	5,964	26,839	-	37,077
Disposals	-	-	(525)	-	(525)
At 30 September 2010	15,319	34,607	155,028	-	204,954
Net book amount					
At 30 September 2010	<u>262,805</u>	<u>23,954</u>	<u>84,222</u>	<u>347,413</u>	<u>718,394</u>
At 31 December 2009	<u>72,152</u>	<u>19,446</u>	<u>80,705</u>	<u>445,068</u>	<u>617,371</u>

Other assets include computer equipment, furniture and fixtures, equipment and motor vehicles.

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

Notes to the condensed interim financial information for the nine months ended 30 September 2011 (continued)

8 Other assets

	30 September 2011 (reviewed) AED'000	31 December 2010 (audited) AED'000
Interest receivable	147,291	124,381
Prepayments and deposits	44,533	35,434
Others	23,769	40,198
	<u>215,593</u>	<u>200,013</u>

9 Due to customers

	30 September 2011 (reviewed) AED'000	31 December 2010 (audited) AED'000
Time deposits	8,869,056	10,314,215
Current accounts	6,341,107	5,330,185
Savings deposits	2,148,550	924,316
Call deposits	738,106	485,880
	<u>18,096,819</u>	<u>17,054,596</u>

Time deposits include AED 345.79 million (2010: AED 432.77 million) held by the Bank as cash collateral for loans and advances granted to customers. Time deposits also include a subordinated debt of AED 684.50 million (2010: AED 684.5 million) from the Ministry of Finance.

10 Other liabilities

	30 September 2011 (reviewed) AED'000	31 December 2010 (audited) AED'000
Interest payable	80,043	155,244
Accrued expenses	146,242	140,173
Managers cheques issued	58,232	89,370
Others	121,228	78,133
	<u>405,745</u>	<u>462,920</u>

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

Notes to the condensed interim financial information for the nine months ended 30 September 2011 (continued)

11 Share capital and dividend

At 30 September 2011 the authorised, issued and fully paid share capital of the Bank comprised 1,385.33 million shares of AED 1 each (31 December 2010: 1,154.44 million shares of AED 1 each).

At the meeting of the shareholders held on 27 February 2011, the shareholders of the Bank approved a stock dividend (issue of bonus shares) in respect of 2010 at 20% of the issued and paid up capital amounting to AED 230.88 million (2009: AED 192.4 million) and cash dividend at 20% of the issued and paid up capital amounting to AED 230.88 million (2009: AED 96.2 million) and, accordingly the authorised and issued share capital was increased by this amount.

12 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 2011, as these will be effected at the year end based on the Bank's results for the year ending 31 December 2011. The movement in other reserves is on account of fair value gains on investment securities.

13 Contingencies and commitments

	30 September 2011 (reviewed) AED'000	31 December 2010 (audited) AED'000
Commitments to extend credit	5,421,459	4,961,388
Letters of guarantee	351,141	374,580
Letters of credit	44,258	51,421
Acceptances	21,032	17,506
Others	20	-
Capital commitments	4,469	7,996
	<u>5,842,379</u>	<u>5,412,891</u>

The above commitments include unfunded amounts out of approved limits offered to customers, which are revocable at the option of the Bank.

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

Notes to the condensed interim financial information for the nine months ended 30 September 2011 (continued)

14 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 forward foreign exchange transactions at 30 September 2011 and 31 December 2010 are as follows:

	Contract amount AED'000	Fair value AED'000
30 September 2011	48,530	171
31 December 2010	47,632	10

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

15 Interest income and expense

	<u>Three months ended</u> <u>30 September</u> <u>(reviewed)</u>		<u>Nine months ended</u> <u>30 September</u> <u>(reviewed)</u>	
	2011 AED'000	2010 AED'000	2011 AED'000	2010 AED'000
Interest income				
Commercial loans and overdrafts	288,009	226,123	822,961	604,137
Retail loans	139,181	144,525	413,644	423,062
Credit cards	154,682	144,779	450,004	412,791
Auto loans	16,251	10,730	43,448	31,330
Other banks	1,242	2,697	3,692	5,531
Deposits with the UAE Central Bank	677	1,046	2,899	2,862
Others	3,581	3,458	9,740	11,116
	<u>603,623</u>	<u>533,358</u>	<u>1,746,388</u>	<u>1,490,829</u>
Interest expense				
Due to customers	82,377	123,073	291,805	308,224
Borrowings from other banks	95	2,384	135	7,744
	<u>82,472</u>	<u>125,457</u>	<u>291,940</u>	<u>315,968</u>

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

Notes to the condensed interim financial information for the nine months ended 30 September 2011 (continued)

16 Fee and commission income

	<u>Three months ended</u> <u>30 September</u> <u>(reviewed)</u>		<u>Nine months ended 30</u> <u>September (reviewed)</u>	
	2011 AED'000	2010 AED'000	2011 AED'000	2010 AED'000
Credit cards	48,324	47,509	139,219	137,102
Commercial loans	15,293	42,149	128,496	140,174
Retail loans	2,573	9,763	27,185	32,683
Mortgage loans	6,187	3,954	15,484	13,389
Auto loans	2,955	2,306	9,702	7,037
Trade finance	2,578	2,407	7,782	7,448
Others	30,435	24,679	88,332	68,247
	<u>108,345</u>	<u>132,767</u>	<u>416,200</u>	<u>406,080</u>

17 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. In accordance with IAS 33 - Earnings Per Share, the impact of bonus shares issued have been considered retrospectively while computing the weighted average number of ordinary shares during all periods presented. The weighted average number of ordinary shares during the period ended 30 September 2011 amounted to 1,385,326,800 shares (30 September 2010: 1,385,326,800 shares).

18 Fiduciary activities

The Bank holds assets in a fiduciary capacity for its customers without recourse to itself. At 30 September 2011, such assets amounted to AED 495.52 million (31 December 2010: AED 261.28 million) and are excluded from the condensed interim financial information of the Bank.

19 Cash and cash equivalents

	<u>At 30 September</u>	
	2011 (reviewed) AED'000	2010 (reviewed) AED'000
Cash in hand and current account with the UAE Central Bank (Note 3)	361,119	787,715
Due from other banks (Note 4)	853,559	2,260,445
	<u>1,214,678</u>	<u>3,048,160</u>
Less : Due from other banks with original maturity of 3 months or more	-	(433,000)
	<u>1,214,678</u>	<u>2,615,160</u>

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

Notes to the condensed interim financial information for the nine months ended 30 September 2011 (continued)

20 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 Bank meet the definition of a reportable segment under IFRS 8.

The Bank has three main business segments:

- Retail banking – incorporating private customer current accounts, savings accounts, deposits, credit and debit cards, customer loans and mortgages;
- Business banking – incorporating transactions with corporate bodies including government and public bodies, small and medium entities; and comprising of loans, advances, deposits and trade finance transactions; 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.

As the Bank'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 Bank's cost of funds policy. There are no other material items of income or expense between the business segments.

The Bank'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 interim financial information for the nine months ended 30 September 2011 (continued)

20 Operating segments (continued)

The segment information provided to the Executive Committee for the reportable segments for the period ended 30 September 2011 is as follows:

	Retail banking AED' 000	Business banking AED' 000	Treasury and others AED' 000	Total AED' 000
Nine months ended 30 September 2011				
Total segment revenue	2,316,679	100,508	122,290	2,539,477
Inter-segment revenue	(163,221)	(62,368)	(56,828)	(282,417)
Total revenue from external customers	2,153,458	38,140	65,462	2,257,060
Segment result	1,044,196	(19,213)	56,560	1,081,543
Unallocated costs				(175,046)
Net profit for the period				906,497
Impairment charge	228,056	(5,042)	-	223,014
Depreciation	29,910	941	25,154	56,005
At 30 September 2011				
Total assets	18,238,401	347,282	4,438,741	23,024,424
Total liabilities	11,274,281	5,105,143	2,247,414	18,626,838

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

Notes to the condensed interim financial information for the nine months ended 30 September 2011 (continued)

20 Operating segments (continued)

	Retail banking AED' 000	Business banking AED' 000	Treasury and others AED' 000	Total AED' 000
Nine months ended 30 September 2010				
Total segment revenue	2,040,760	98,888	95,558	2,235,206
Inter-segment revenue	(163,433)	(56,711)	(64,562)	(284,706)
Total revenue from external customers	1,877,327	42,177	30,996	1,950,500
Segment result	860,516	(12,163)	21,800	870,153
Unallocated costs				(140,315)
Net profit for the period				729,838
Impairment charge	212,429	(2,164)	-	210,265
Depreciation	20,758	674	15,645	37,077
At 31 December 2010				
Total assets	16,556,715	350,862	4,472,374	21,379,951
Total liabilities	11,042,573	4,964,543	1,656,477	17,663,593

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

Notes to the condensed interim financial information for the nine months ended 30 September 2011 (continued)

21 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 Bank 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>Nine months ended 30</u>	
	2011	<u>September</u>
	(reviewed)	(reviewed)
	AED'000	AED'000
Transactions during the period		
Interest income	111	1,020
Interest expense	15,710	21,032
Commission income	635	367
Directors' remuneration	6,797	1,979
Remuneration payable to key management personnel	11,818	11,875
	<u>11,818</u>	<u>11,875</u>
	30	31
	September	December
	2011	2010
	(reviewed)	(audited)
	AED'000	AED'000
Balances		
Loans and advances:		
- Shareholders and their related companies	-	2,543
- Directors and their related companies	2,286	388
	<u>2,286</u>	<u>2,931</u>
Due to customers:		
- Shareholders and their related companies	920,899	1,104,222
- Directors and their related companies	36,080	175,973
	<u>956,979</u>	<u>1,280,195</u>
Irrevocable commitments and contingent liabilities		
- Shareholders and their related companies	64,511	48,241
- Directors and their related companies	479	379
	<u>64,990</u>	<u>48,620</u>

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

Notes to the condensed interim financial information for the nine months ended 30 September 2011 (continued)

22 Capital adequacy

For assessment of current capital requirements, set at a minimum of 12% by the Central Bank of the UAE, the Bank calculates its risk asset ratio in accordance with guidelines established by the UAE Central Bank prescribing the ratio of total capital to total risk-weighted assets. This is also in line with the assessment of capital adequacy ratio in accordance with the Basel I Accord and is analysed as follows:

	30 September 2011 (reviewed) AED'000	31 December 2010 (audited) AED'000
Tier 1 capital		
Ordinary share capital	1,385,327	1,154,439
Share premium	110,350	110,350
Statutory and other reserves	1,674,994	1,180,618
Retained earnings	320,418	268,200
Total	<u>3,491,089</u>	<u>2,713,607</u>
Tier 2 capital		
Subordinated debt	<u>684,467</u>	<u>684,467</u>
Total capital base	<u>4,175,556</u>	<u>3,398,074</u>
Risk weighted assets		
On balance sheet	19,388,383	17,395,125
Off balance sheet	276,120	267,797
Total risk weighted assets	<u>19,664,503</u>	<u>17,662,922</u>
Risk asset ratio on total capital base (%)	21.23%	19.24%
Risk asset ratio on tier 1 capital base (%)	17.75%	15.36%
Minimum risk asset ratio required by the UAE Central Bank	<u>12.00%</u>	<u>12.00%</u>