

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

Condensed interim financial information for the three months ended 31 March 2011

	Pages
Review report	1
Balance sheet	2
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 31 March 2011 and the related condensed statements of income, comprehensive income, changes in equity and cash flows for the three 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 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
18 April 2011



Amin H Nasser
Registered Auditor Number 307
Dubai, United Arab Emirates

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

Balance sheet

	Notes	31 March 2011 (Reviewed) AED'000	31 December 2010 (Audited) AED'000
ASSETS			
Cash and balances with the UAE Central Bank	3	1,883,904	1,935,059
Due from other banks	4	1,225,795	1,303,207
Loans and advances	5	17,183,959	16,401,741
Investment securities	6	944,697	767,983
Property and equipment	7	815,388	771,948
Other assets	8	237,049	200,013
Total assets		22,290,792	21,379,951
LIABILITIES			
Due to other banks		62	100,469
Due to customers	9	18,074,366	17,054,596
Other liabilities	10	384,146	462,920
Provision for employees' end of service benefits		48,058	45,608
Total liabilities		18,506,632	17,663,593
EQUITY			
Share capital	11	1,385,327	1,154,439
Share premium		110,350	110,350
Retained earnings		613,562	782,194
Other reserves	12	1,674,921	1,669,375
Total equity		3,784,160	3,716,358
Total liabilities and equity		22,290,792	21,379,951

This condensed interim financial information was approved by the Executive Committee on 18 April 2011 and was signed on its behalf by:

Graham Honeybill
General Manager

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.)

Income statement

	Notes	Three months ended 31 March	
		2011 (Reviewed) AED'000	2010 (Audited) AED'000
Interest income	15	558,938	460,185
Interest expense	15	(113,740)	(87,383)
Net interest income		<u>445,198</u>	<u>372,802</u>
Fee and commission income		186,606	138,358
Foreign exchange income		13,316	8,728
Investment income		11,097	1,909
Other operating income		3,288	3,409
Operating income		<u>659,505</u>	<u>525,206</u>
Operating expenses		(287,729)	(215,865)
Provision for impairment of loans and advances net of write back	5(d)	(78,632)	(81,276)
Profit for the period		<u>293,144</u>	<u>228,065</u>
Basic earnings per share	16	<u>AED 0.21</u>	<u>AED 0.16</u>

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

Statement of comprehensive income

	Note	Three months ended 31 March	
		2011 AED'000	2010 AED'000
Profit for the period		293,144	228,065
Other comprehensive income:			
Net changes in fair value of available-for-sale investment securities	6	5,546	9,649
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>5,546</u>	<u>10,870</u>
Total comprehensive income for the period		<u><u>298,690</u></u>	<u><u>238,935</u></u>

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

Statement of changes in equity

	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	-	-	228,065	10,870	238,935
At 31 March 2010	<u>1,154,439</u>	<u>110,350</u>	<u>496,265</u>	<u>1,178,654</u>	<u>2,939,708</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	-	-	293,144	5,546	298,690
At 31 March 2011	<u>1,385,327</u>	<u>110,350</u>	<u>613,562</u>	<u>1,674,921</u>	<u>3,784,160</u>

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

Statement of cash flows

	Notes	Three months ended 31 March	
		2011 AED'000	2010 AED'000
Operating activities			
Profit for the period		293,144	228,065
Adjustments:			
Net charge for provision for impairment of loans and advances	5(d)	78,632	81,276
Depreciation	7	15,721	9,831
Provision for employees' end of service benefits		3,134	2,667
Gain on disposal of property and equipment		(133)	(8)
Amortisation of discount relating to debt security in issue		-	180
Amortisation of discount relating to securities held to maturity	6	(339)	(779)
Release of fair value change to profit and loss		-	1,221
Operating cash flows before changes in assets and liabilities		390,159	322,453
Payment of employees' end of service benefits		(684)	(530)
Changes in assets and liabilities:			
Deposits with the UAE Central Bank	3	(245,293)	(22,185)
Due from other banks with original maturity of three months or over		(77,788)	-
Loans and advances net of provisions for impairment		(860,850)	(980,533)
Other assets	8	(37,036)	(17,705)
Due to other banks		(100,407)	(30,786)
Due to customers	9	1,019,770	1,210,047
Other liabilities	10	(78,774)	(21,975)
Net cash generated from operating activities		9,097	458,786
Investing activities			
Purchase of investment securities	6	(225,924)	-
Purchase of property and equipment	7	(59,258)	(30,223)
Proceeds from maturity/disposal of investments	6	55,095	56,334
Proceeds from disposal of property and equipment		230	60
Net cash (used in)/provided by investing activities		(229,857)	26,171
Financing activities			
Dividends paid	11	(230,888)	(96,203)
Repurchase of debt security in issue		-	(196,506)
Cash used in financing activities		(230,888)	(292,709)
Net (decrease)/increase in cash and cash equivalents		(451,648)	192,248
Cash and cash equivalents, beginning of the period		1,842,574	1,528,840
Cash and cash equivalents, end of the period	18	1,390,926	1,721,088

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

Notes to the condensed interim financial information for the three months ended 31 March 2011

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, Emirates road, Ras Al-Khaimah.

The Bank is engaged in providing retail and commercial banking services through a network of thirty 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" issued by the International Accounting Standards Board. 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 financial statements for the 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 or after 1 January 2011

The following applicable new standard has been published and is effective for the Bank's accounting periods beginning on or after 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 three months ended 31 March 2011 (continued)

2 Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Standard issued but not effective for financial year beginning 1 January 2011

The following applicable new standard has been issued but is not effective for the financial year beginning 1 January 2011 and has not been early adopted by the Bank:

- IFRS 9, 'Financial instruments part 1: Classification and measurement' effective for annual periods beginning on or after 1 January 2013. IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets.

While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted. The bank is considering the implications of the standard, the impact on the financial statements of the Bank and the timing of its adoption.

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.

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.

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

Notes to the condensed interim financial information for the three months ended 31 March 2011 (continued)

2 Significant accounting policies (continued)

2.2 Investment securities (continued)

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 directly recognised 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 three months ended 31 March 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 a 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

	31 March 2011 AED'000	31 December 2010 AED'000
Cash in hand and balances with UAE Central Bank	242,919	539,367
Statutory deposit with the UAE Central Bank	1,150,985	905,692
Certificate of deposits with the UAE Central Bank	490,000	490,000
	<u>1,883,904</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

	31 March 2011 AED'000	31 December 2010 AED'000
Placements with other banks	1,118,284	1,089,210
Demand deposits	27,696	114,907
Clearing account balances	79,815	99,090
	<u>1,225,795</u>	<u>1,303,207</u>
The above represents deposits and balances due from:		
Banks in UAE	1,161,418	1,154,770
Banks outside UAE	64,377	148,437
	<u>1,225,795</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 three months ended 31 March 2011 (continued)

5 Loans and advances

	31 March 2011 AED'000	31 December 2010 AED'000
5(a) Loans and advances		
Retail loans	17,139,677	16,320,027
Corporate loans	368,878	389,608
Total loans and advances (Note 5(b))	17,508,555	16,709,635
Provision for impairment (Note 5(c))	(324,596)	(307,894)
Net loans and advances	17,183,959	16,401,741

5(b) Loans and advances

Loans	17,057,075	16,277,480
Overdrafts	367,587	340,325
Loans against trust receipts	56,709	71,573
Bills discounted	12,784	14,285
Others	14,400	5,972
Total loans and advances	17,508,555	16,709,635

5(c) Provision for impairment

	Retail loans AED'000	Corporate loans AED'000	Total AED'000
Balance brought forward 31 December 2010	269,034	38,860	307,894
Impairment charge/(release)(Note 5(d))	95,602	(5,176)	90,426
Written back/off during the period	(73,580)	(144)	(73,724)
Balance carried forward 31 March 2011	291,056	33,540	324,596
Balance brought forward 31 December 2009	301,022	45,714	346,736
Impairment charge/(release)	329,240	(2,084)	327,156
Written back/off during the year	(361,228)	(4,770)	(365,998)
Balance carried forward 31 December 2010	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 three months ended 31 March 2011 (continued)

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

	Retail loans AED'000	Corporate loans AED'000	Total AED'000
31 March 2011			
Impairment charge	95,602	(5,176)	90,426
Write (back)/off during the period	(11,796)	2	(11,794)
	<u>83,806</u>	<u>(5,174)</u>	<u>78,632</u>
31 March 2010			
Impairment charge	93,402	(81)	93,321
Write back during the period	(12,045)	-	(12,045)
	<u>81,357</u>	<u>(81)</u>	<u>81,276</u>

5(e) Classified loans and advances

At 31 March 2011, the aggregate amount of non-performing loans amounted to AED 497.02 million (31 December 2010: AED 411.52 million). Specific provisions in relation to such loans amounted to AED 264.06 million as at 31 March 2011 (31 December 2010: AED 200.29 million). Specific provisions are net of fair value of collaterals on mortgage and other loans. In addition, a collective impairment provision amounting to AED 60.53 million was held by the bank at 31 March 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 three months ended 31 March 2011 (continued)

6 Investment securities

	31 March 2011 AED'000	31 December 2010 AED'000
Securities available-for-sale		
Quoted debt securities	130,462	124,916
Securities held-to-maturity		
Quoted debt securities	814,235	643,067
Total investment securities	944,697	767,983

The composition of investment portfolio by geography is as follows:

	31 March 2011 AED'000	31 December 2010 AED'000
UAE	944,697	749,618
Outside UAE	-	18,365
	944,697	767,983

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 2010	110,869	287,458	398,327
Disposal/Maturity	(1,239)	(55,095)	(56,334)
Changes in fair value	9,649	-	9,649
Amortisation of discount	-	779	779
At 31 March 2010	119,279	233,142	352,421
At 1 January 2011	124,916	643,067	767,983
Purchases	-	225,924	225,924
Maturities	-	(55,095)	(55,095)
Changes in fair value	5,546	-	5,546
Amortisation of discount	-	339	339
At 31 March 2011	130,462	814,235	944,697

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

Notes to the condensed interim financial information for the three months ended 31 March 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	-	363	4,323	54,572	59,258
Transfers	-	2,327	17,297	(19,624)	-
Disposals	-	-	(470)	-	(470)
At 31 March 2011	469,811	65,486	277,073	236,391	1,048,761
Depreciation					
At 1 January 2011	17,389	36,293	164,343	-	218,025
Charge for the period	3,479	1,737	10,505	-	15,721
Disposals	-	-	(373)	-	(373)
At 31 March 2011	20,868	38,030	174,475	-	233,373
Net book amount					
At 31 March 2011	448,943	27,456	102,598	236,391	815,388
At 31 December 2010	452,422	26,503	91,580	201,443	771,948

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 three months ended 31 March 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	-	17	1,761	28,445	30,223
Transfers	-	816	2,328	(3,144)	-
Disposals	-	-	(58)	-	(58)
At 31 March 2010	83,197	48,922	213,450	470,369	815,938
Depreciation					
At 1 January 2010	11,045	28,643	128,714	-	168,402
Charge for the period	314	1,340	8,177	-	9,831
Disposals	-	-	(6)	-	(6)
At 31 March 2010	11,359	29,983	136,885	-	178,227
Net book amount					
At 31 March 2010	71,838	18,939	76,565	470,369	637,711
At 31 December 2009	72,152	19,446	80,705	445,068	617,371

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 three months ended 31 March 2011 (continued)

8 Other assets

	31 March 2011 AED'000	31 December 2010 AED'000
Interest receivable	140,227	124,381
Prepayments and deposits	44,716	35,434
Others	52,106	40,198
	<u>237,049</u>	<u>200,013</u>

9 Due to customers

	31 March 2011 AED'000	31 December 2010 AED'000
Time deposits	9,990,895	10,314,215
Current accounts	6,244,309	5,330,185
Savings deposits	1,274,620	924,316
Call deposits	564,542	485,880
	<u>18,074,366</u>	<u>17,054,596</u>

10 Other liabilities

	31 March 2011 AED'000	31 December 2010 AED'000
Interest Payable	103,453	155,244
Accrued expenses	89,513	140,173
Managers cheques issued	87,480	89,370
Others	103,700	78,133
	<u>384,146</u>	<u>462,920</u>

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

Notes to the condensed interim financial information for the three months ended 31 March 2011 (continued)

11 Share capital and dividend

At 31 March 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 three month period ended 31 March 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

	31 March 2011 AED'000	31 December 2010 AED'000
Commitments to extend credit	5,473,733	4,961,388
Letters of guarantee	371,426	374,580
Letters of credit	46,616	51,421
Acceptances	20,650	17,506
Capital commitments	7,996	7,996
	<u>5,920,421</u>	<u>5,412,891</u>

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

Notes to the condensed interim financial information for the three months ended 31 March 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 31 March 2011 and 31 December 2010 are as follows:

	Contract amount AED'000	Fair value AED'000
31 March 2011	156,279	76
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 31 March</u>	
	2011 AED'000	2010 AED'000
Interest income		
Commercial loans and overdrafts	259,910	177,229
Retail loans	138,021	137,062
Credit cards	142,965	129,802
Auto loans	12,544	10,013
Other banks	1,235	1,106
Deposits with the UAE Central Bank	1,191	954
Others	3,072	4,019
	<u>558,938</u>	<u>460,185</u>
Interest expense		
Due to customers	113,719	84,414
Borrowings from other banks	21	2,969
	<u>113,740</u>	<u>87,383</u>

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

Notes to the condensed interim financial information for the three months ended 31 March 2011 (continued)

16 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 31 March 2011 amounted to 1,385,326,800 shares (31 March 2010: 1,385,326,800 shares).

17 Fiduciary activities

The Bank holds assets in a fiduciary capacity for its customers without recourse to itself. At 31 March 2011, such assets amounted to AED 294 million (31 December 2010: AED 261.28 million) and are excluded from the financial statements of the Bank.

18 Cash and cash equivalents

	At 31 March	
	2011 AED'000	2010 AED'000
Cash in hand and current account with the UAE Central Bank	242,919	796,608
Due from other banks	1,225,795	924,480
	<u>1,468,714</u>	<u>1,721,088</u>
Less : Due from other banks with original maturity of 3 months or more	(77,788)	-
	<u><u>1,390,926</u></u>	<u><u>1,721,088</u></u>

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

Notes to the condensed interim financial information for the three months ended 31 March 2011 (continued)

19 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 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 income. 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 three months ended 31 March 2011 (continued)

19 Operating segments (continued)

The segment information provided to the Executive Committee for the reportable segments for the period ended 31 March 2011 is as follows:

	Retail banking AED' 000	Business banking AED' 000	Treasury and others AED' 000	Total AED' 000
Three months ended 31 March 2011				
Total segment revenue	800,444	36,312	42,185	878,941
Inter-segment revenue	(61,386)	(22,978)	(21,332)	(105,696)
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue from external customers	739,058	13,334	20,853	773,245
	<hr/>	<hr/>	<hr/>	<hr/>
Segment result	344,452	(7,675)	17,637	354,414
Unallocated costs				(61,270)
				<hr/>
Net profit for the period				293,144
				<hr/>
Impairment charge	78,566	66	-	78,632
Depreciation	8,772	196	6,753	15,721
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2011				
Total assets	17,319,286	335,549	4,635,957	22,290,792
Total liabilities	11,671,072	5,251,654	1,583,906	18,506,632
	<hr/>	<hr/>	<hr/>	<hr/>

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

Notes to the condensed interim financial information for the three months ended 31 March 2011 (continued)

19 Operating segments (continued)

	Retail banking AED' 000	Business banking AED' 000	Treasury and others AED' 000	Total AED' 000
Three months ended 31 March 2010				
Total segment revenue	633,354	29,518	31,417	694,289
Inter-segment revenue	(43,853)	(14,759)	(23,088)	(81,700)
Total revenue from external customers	589,501	14,759	8,329	612,589
Segment result	264,009	(1,780)	8,087	270,316
Unallocated costs				(42,251)
Net profit for the period				228,065
Impairment charge	81,357	(81)	-	81,276
Depreciation	5,786	174	3,871	9,831
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 three months ended 31 March 2011 (continued)

20 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>Three months ended 31 March</u>	
	2011 AED'000	2010 AED'000
Transactions during the period		
Interest income	27	398
Interest expense	7,362	6,606
Commission income	593	54
Directors' remuneration	4,080	616
Remuneration payable to key management personnel	3,782	3,381
	<u>3,782</u>	<u>3,381</u>
	31 March 2011 AED'000	31 December 2010 AED'000
Balances		
Loans and advances:		
- Shareholders and their related companies	-	2,543
- Directors and their related companies	2,675	388
	<u>2,675</u>	<u>2,931</u>
Due to customers:		
- Shareholders and their related companies	805,315	1,104,222
- Directors and their related companies	113,791	175,973
	<u>919,106</u>	<u>1,280,195</u>
Irrevocable commitments and contingent liabilities		
- Shareholders and their related companies	54,680	48,241
- Directors and their related companies	479	379
	<u>55,159</u>	<u>48,620</u>

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

Notes to the condensed interim financial information for the three months ended 31 March 2011 (continued)

21 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:

	31 March 2011 AED'000	31 December 2010 AED'000
Tier 1 capital		
Ordinary share capital	1,385,327	1,154,439
Share premium	110,350	110,350
Statutory and other reserves	1,674,921	1,180,618
Retained earnings	320,418	268,200
Total	<u>3,491,016</u>	<u>2,713,607</u>
Tier 2 capital		
Subordinated debt	684,467	684,467
Total capital base	<u>4,175,483</u>	<u>3,398,074</u>
Risk weighted assets		
On balance sheet	18,243,745	17,395,125
Off balance sheet	265,470	267,797
Total risk weighted assets	<u>18,509,215</u>	<u>17,662,922</u>
Risk asset ratio on total capital base (%)	22.56%	19.24%
Risk asset ratio on tier 1 capital base (%)	18.86%	15.36%
Minimum risk asset ratio required by the UAE Central Bank	<u>12.00%</u>	<u>12.00%</u>