

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

## **Condensed interim financial information for the six months ended 30 June 2010**

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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 balance sheet of The National Bank of Ras Al-Khaimah (P.S.C.) ("the Bank") as of 30 June 2010 and the related income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six 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.

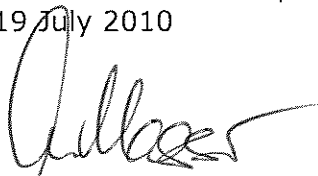
**Scope of Review**

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 July 2010



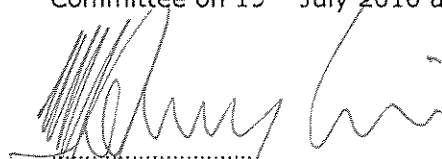
Amin H Nasser  
Registered Auditor Number 307  
Dubai, United Arab Emirates

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

## Balance sheet

	Notes	30 June 2010 AED'000	31 December 2009 AED'000
<b>ASSETS</b>			
Cash and balances with the UAE Central Bank			
	3	1,513,070	1,044,726
		2,017,682	1,472,985
Due from other banks			
	4(a)	15,086,660	13,429,696
Loans and advances			
	5	354,058	398,327
Investment securities			
	6	680,171	617,371
Property and equipment			
		178,540	154,511
Other assets			
<b>Total assets</b>		<u>19,830,181</u>	<u>17,117,616</u>
<b>LIABILITIES</b>			
Due to other banks			
		50,294	35,155
Due to customers			
		15,369,371	12,850,031
Debt security in issue			
	7	872,158	1,068,305
Other liabilities			
		320,583	330,762
Provision for employees' end of service benefits			
		40,336	36,387
<b>Total liabilities</b>		<u>16,652,742</u>	<u>14,320,640</u>
<b>Equity</b>			
Share capital			
	8	1,154,439	962,033
Share premium			
		110,350	110,350
Retained earnings			
		736,507	556,809
Other reserves			
	9	1,176,143	1,167,784
<b>Total equity</b>		<u>3,177,439</u>	<u>2,796,976</u>
<b>Total liabilities and equity</b>		<u>19,830,181</u>	<u>17,117,616</u>

This condensed interim financial information was approved by the Executive Committee on 19<sup>th</sup> July 2010 and was signed on its behalf by:



Graham Honeybill  
General Manager

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

## Income statement

	Notes	<u>Three months ended</u> <u>30 June</u>		<u>Six months ended</u> <u>30 June</u>	
		2010 AED'000	2009 AED'000	2010 AED'000	2009 AED'000
Interest income		497,286	385,466	957,471	742,354
Interest expense		(103,128)	(98,318)	(190,511)	(202,827)
<b>Net interest income</b>		<u>394,158</u>	<u>287,148</u>	<u>766,960</u>	<u>539,527</u>
Fee and commission income		134,955	110,666	273,313	207,199
Foreign exchange income		9,788	9,283	18,516	16,727
Investment income		2,906	9,028	4,815	16,115
Other operating income		3,135	2,617	6,544	5,269
<b>Operating income</b>		<u>544,942</u>	<u>418,742</u>	<u>1,070,148</u>	<u>784,837</u>
Operating expenses		(237,192)	(185,130)	(453,057)	(363,860)
Provision for impairment of loans and advances net of write back	4(c)	(67,508)	(50,165)	(148,784)	(77,158)
<b>Net profit for the period</b>		<u>240,242</u>	<u>183,447</u>	<u>468,307</u>	<u>343,819</u>
<b>Earnings per share</b>					
Basic and diluted	12	<u>AED 0.21</u>	<u>AED 0.16</u>	<u>AED 0.41</u>	<u>AED 0.30</u>

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

## Statement of comprehensive income

	<u>Three months ended</u> <u>30 June</u>		<u>Six months ended</u> <u>30 June</u>	
Notes	2010 AED'000	2009 AED'000	2010 AED'000	2009 AED'000
<b>Profit for the period</b>	240,242	183,447	468,307	343,819
<b>Other comprehensive income/(loss):</b>				
Net changes in fair value of available-for-sale investment securities	5 (2,511)	21,271	7,138	25,454
Release of fair value loss to income statement on disposal	-	-	1,221	-
<b>Other comprehensive (loss)/income for the period</b>	<u>(2,511)</u>	<u>21,271</u>	<u>8,359</u>	<u>25,454</u>
<b>Total comprehensive income for the period</b>	<u>237,731</u>	<u>204,718</u>	<u>476,666</u>	<u>369,273</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
<b>At 1 January 2009</b>	740,025	110,350	456,687	771,618	2,078,680
Issue of bonus shares (Note 8)	222,008	-	(222,008)	-	-
Dividend (Note 8)	-	-	(37,001)	-	(37,001)
Total comprehensive income for the period	-	-	343,819	25,454	369,273
<b>At 30 June 2009</b>	<u>962,033</u>	<u>110,350</u>	<u>541,497</u>	<u>797,072</u>	<u>2,410,952</u>
<b>At 1 January 2010</b>	962,033	110,350	556,809	1,167,784	2,796,976
Issue of bonus shares (Note 8)	192,406	-	(192,406)	-	-
Dividend (Note 8)	-	-	(96,203)	-	(96,203)
Total comprehensive income for the period	-	-	468,307	8,359	476,666
<b>At 30 June 2010</b>	<u>1,154,439</u>	<u>110,350</u>	<u>736,507</u>	<u>1,176,143</u>	<u>3,177,439</u>

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

## Statement of cash flows

		<u>Six months ended 30 June</u>	
		2010	2009
	Notes	AED'000	AED'000
<b>Operating activities</b>			
Profit for the period		468,307	343,819
Adjustments:			
Net charge for provision for impairment of loans and advances net of write back	4(c)	148,784	77,158
Depreciation	6	23,881	17,379
Provision for employees' end of service benefits		5,005	4,862
Gain on disposal of property and equipment		(9)	(8)
Amortisation of discount relating to debt security in issue	7	359	485
Amortisation of discount relating to securities held to maturity	5	(1,254)	(2,109)
Release of fair value change to profit and loss		1,221	-
		<hr/>	<hr/>
Operating cash flows before changes in assets and liabilities		646,294	441,586
Payment of employees' end of service benefits		(1,056)	(1,025)
Changes in assets and liabilities:			
Deposits with the UAE Central Bank		(89,738)	(364,588)
Due from other banks with maturities three months or over		(454,505)	-
Loans and advances net of provisions for impairment		(1,805,748)	(1,285,648)
Other assets		(24,029)	12,905
Due to other banks		15,139	(90,621)
Due to customers		2,519,340	1,640,790
Other liabilities		(10,179)	(18,099)
		<hr/>	<hr/>
Net cash generated from operating activities		795,518	335,300
		<hr/> <hr/>	<hr/> <hr/>
<b>Investing activities</b>			
Purchase of investment securities	5	(3,673)	(78,328)
Purchase of property and equipment	6	(86,744)	(174,296)
Proceeds from maturity of investments	5	56,334	208,650
Proceeds from disposal of property and equipment		72	8
		<hr/>	<hr/>
Net cash used in investing activities		(34,011)	(43,966)
		<hr/> <hr/>	<hr/> <hr/>
<b>Financing activities</b>			
Dividends paid	8	(96,203)	(37,001)
Maturity of debt security in issue	7	-	(360,000)
Repurchase of debt security in issue	7	(196,506)	(45,912)
		<hr/>	<hr/>
Cash used in financing activities		(292,709)	(442,913)
		<hr/> <hr/>	<hr/> <hr/>
<b>Net increase/(decrease) in cash and cash equivalents</b>			
		468,798	(151,579)
Cash and cash equivalents, beginning of the period		1,528,840	1,107,783
		<hr/>	<hr/>
Cash and cash equivalents, end of the period	14	1,997,638	956,204
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 7 to 21 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 six months ended 30 June 2010**

### **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, Oman Street, Al Nakheel, Ras Al-Khaimah.

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

### **2 Significant accounting policies**

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 2009.

The condensed interim financial information should therefore be read in conjunction with the year ended 31 December 2009 financial statements.

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.

#### Standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Bank

The following amendments and interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after 1 January 2010.

- IFRS 3 (amendment), 'Business combinations' and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates' and IAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.
- IFRS 1 and IAS 27, 'Cost of investment in a subsidiary, jointly controlled entity or associate', effective for annual periods beginning on or after 1 July 2009.
- IAS 27 (Revised), 'Consolidated and separate financial statements', (effective for annual periods commencing 1 July 2009).



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

## Notes to the condensed interim financial information for the six months ended 30 June 2010 (continued)

### 2 Significant accounting policies (continued)

#### Standards, amendments and interpretations to published standards that are effective for accounting period beginning on or after 1 January 2010 (continued)

- IFRS 5 (amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective for annual periods commencing 1 July 2009).
- Amendments to IAS 7, 'Statement of Cash Flows' (effective for annual periods commencing 1 January 2010)
- Amendments to IAS 39, 'Financial Instruments: Recognition and Measurement – Eligible Hedged Items' (effective for annual periods beginning on or after 1 July 2009)
- IFRIC 17, 'Distribution of non-cash assets to owners' (effective for annual periods beginning on or after 1 July 2009)
- IFRIC 18, 'Transfers of assets from customers' (effective for annual periods beginning on or after 1 July 2009)
- 'Additional exemptions for first-time adopters' (Amendment to IFRS 1) was issued in July 2009. The amendments are required to be applied for annual periods beginning on or after 1 January 2010
- Improvements to International Financial Reporting Standards 2009 were issued in April 2009. The effective dates vary standard by standard but most are effective 1 January 2010

Management has assessed the impact of the above amendments and interpretations to published standards on the Bank's financial statements and has concluded that they are either not relevant to the Bank or the effect on the Bank's financial statements is not material.

#### Standards, amendments and interpretations to existing standards issued but not effective for financial year beginning 1 January 2010

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:

- IFRS 9, 'Financial instruments', issued in December 2009. This addresses the classification and measurement of financial assets and is likely to affect the Bank's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Bank is yet to assess IFRS 9's full impact.
- 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. Earlier application, in whole or in part, is permitted.

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

## Notes to the condensed interim financial information for the six months ended 30 June 2010 (continued)

### 2 Significant accounting policies (continued)

#### Standards, amendments and interpretations to existing standards issued but not effective for financial year beginning 1 January 2010 (continued)

- 'Classification of rights issues' (Amendment to IAS 32), issued in October 2009. For rights issues offered for a fixed amount of foreign currency, current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to all the entity's existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment should be applied for annual periods beginning on or after 1 February 2010. Earlier application is permitted.
- 'Prepayments of a minimum funding requirement' (Amendments to IFRIC 14), issued in November 2009. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct the problem. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented.
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'. This clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after 1 July 2010. Earlier application is permitted.
- Improvements to International Financial Reporting Standards 2010 were issued in May 2010. The effective dates vary standard by standard but most are effective 1 January 2010.

Management has assessed the impact of the above new standards, amendments and interpretations to published standards on the Bank's financial statements and has concluded that they are either not relevant to the Bank or the effect on the Bank's financial statements is not material.

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

## Notes to the condensed interim financial information for the six months ended 30 June 2010 (continued)

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

	30 June 2010 AED'000	31 December 2009 AED'000
Cash in hand and balances with UAE Central bank	434,461	55,855
Statutory deposit with the UAE Central Bank	848,609	728,871
Certificate of Deposits with the UAE Central Bank	230,000	260,000
	<u>1,513,070</u>	<u>1,044,726</u>

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

### 4 Loans and advances

	30 June 2010 AED'000	31 December 2009 AED'000
<b>4(a) Loans and advances</b>		
Loans	14,991,080	13,313,804
Overdrafts	319,104	341,834
Loans against trust receipts	75,732	85,241
Bills discounted	18,496	25,403
Others	7,655	10,150
<b>Total loans and advances</b>	<u>15,412,067</u>	<u>13,776,432</u>
Provision for impairment (Note 4(b))	(325,407)	(346,736)
<b>Net loans and advances</b>	<u>15,086,660</u>	<u>13,429,696</u>

### 4(b) Provision for impairment

<b>Balance brought forward</b>	346,736	225,316
Net charge for provision for impairment during the period /year	175,387	297,896
Written off during the period/year	(196,716)	(176,476)
<b>Balance carried forward</b>	<u>325,407</u>	<u>346,736</u>

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

## Notes to the condensed interim financial information for the six months ended 30 June 2010 (continued)

### 4 Loans and advances (continued)

#### 4(c) Net charge for the period

	<u>Three months</u> <u>ended 30 June</u>		<u>Six months</u> <u>ended 30 June</u>	
	2010 AED'000	2009 AED'000	2010 AED'000	2009 AED'000
Net charge for provision for impairment during the period (Note 4(b))	82,066	63,552	175,387	99,852
Write back during the period	(14,558)	(13,387)	(26,603)	(22,694)
	<u>67,508</u>	<u>50,165</u>	<u>148,784</u>	<u>77,158</u>

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

At 30 June 2010, the aggregate amount of non-performing loans amounted to AED 368.98 million (31 December 2009: AED 350.65 million). Specific provisions in relation to such loans amounted to AED 217.81 million as at 30 June 2010 (31 December 2009: AED 241.14 million). In addition, a collective impairment provision amounting to AED 107.6 million was held by the Bank at 30 June 2010 (31 December 2009: AED 105.6 million).

### 5 Investment securities

	30 June 2010 AED'000	31 December 2009 AED'000
<b>Securities available-for-sale</b>		
Quoted equity securities	-	1,413
Quoted debt securities	120,441	109,456
	<u>120,441</u>	<u>110,869</u>
<b>Securities held-to-maturity</b>		
Quoted debt securities	233,617	287,458
	<u>233,617</u>	<u>287,458</u>
<b>Total investment securities</b>	<u>354,058</u>	<u>398,327</u>

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

## Notes to the condensed interim financial information for the six months ended 30 June 2010 (continued)

### 5 Investment securities (continued)

The movement in investment securities is summarised as follows:

	<b>Securities available-for- sale</b>	<b>Securities held – to – maturity</b>	<b>Total</b>
	AED'000	AED'000	AED'000
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	7,138	-	7,138
Amortisation of discount	-	1,254	1,254
At 30 June 2010	<u>120,441</u>	<u>233,617</u>	<u>354,058</u>
At 1 January 2009	407,936	237,136	645,072
Purchases	-	78,328	78,328
Maturity	(183,650)	(25,000)	(208,650)
Changes in fair value	25,454	-	25,454
Amortisation of discount	-	2,109	2,109
At 30 June 2009	<u>249,740</u>	<u>292,573</u>	<u>542,313</u>

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

## Notes to the condensed interim financial information for the six months ended 30 June 2010 (continued)

### 6 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
<b>Cost</b>					
At 1 January 2010	83,197	48,089	209,419	445,068	785,773
Additions	1,382	39	9,055	76,268	86,744
Transfers	193,545	8,985	3,288	(205,818)	-
Disposals	-	-	(295)	-	(295)
At 30 June 2010	278,124	57,113	221,467	315,518	872,222
<b>Depreciation</b>					
At 1 January 2010	(11,045)	(28,643)	(128,714)	-	(168,402)
Charge for the period	(2,326)	(4,332)	(17,223)	-	(23,881)
Disposals	-	-	232	-	232
At 30 June 2010	(13,371)	(32,975)	(145,705)	-	(192,051)
<b>Net book amount</b>					
At 30 June 2010	264,753	24,138	75,762	315,518	680,171
At 31 December 2009	72,152	19,446	80,705	445,068	617,371

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

## Notes to the condensed interim financial information for the six months ended 30 June 2010 (continued)

### 6 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
<b>Cost</b>					
At 1 January 2009	66,627	39,849	157,388	244,012	507,876
Additions	-	441	8,633	165,222	174,296
Transfers	16,569	2,660	21,025	(40,254)	-
Disposals	-	-	(46)	-	(46)
At 30 June 2009	83,196	42,950	187,000	368,980	682,126
<b>Depreciation</b>					
At 1 January 2009	(9,807)	(22,404)	(98,527)	-	(130,738)
Charge for the period	(557)	(3,130)	(13,692)	-	(17,379)
Disposals	-	-	46	-	46
At 30 June 2009	(10,364)	(25,534)	(112,173)	-	(148,071)
<b>Net book amount</b>					
At 30 June 2009	72,832	17,416	74,827	368,980	534,055
At 31 December 2008	56,820	17,445	58,861	244,012	377,138

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

## Notes to the condensed interim financial information for the six months ended 30 June 2010 (continued)

### 7 Debt security in issue

	30 June 2010 AED'000	31 December 2009 AED'000
USD medium-term note	872,337	1,068,843
Less: debt security issue costs	(179)	(538)
	<u>872,158</u>	<u>1,068,305</u>

The movement in debt security in issue is summarised as follows:

	<u>Six months ended 30 June</u>	
	2010 AED'000	2009 AED'000
1 January	1,068,305	1,644,026
Maturity	-	(360,000)
Repurchase	(196,506)	(45,912)
Amortisation of issue costs	359	485
30 June	<u>872,158</u>	<u>1,238,599</u>

### 8 Share capital and dividend

At 30 June 2010, the authorised, issued and fully paid share capital of the Bank comprises 1,154.44 million shares of AED 1 each (31 December 2009: 962.03 million shares of AED 1 each).

At the Annual General Meeting of the shareholders held on 7 March 2010, the shareholders of the Bank approved a stock dividend (issue of bonus shares) in respect of 2009 at 20% of the issued and paid up capital amounting to AED 192.4 million (2008: AED 222 million) and cash dividend at 10% of the issued and paid up capital amounting to AED 96.2 million (2008: AED 37 million).

### 9 Other reserves

Other reserves include legal reserve and voluntary reserve. In accordance with the Articles of Association of the Bank, 10% of the net profit for the year is to be transferred to a legal reserve until such time as the balance in the reserve equals 50% of the issued share capital and 10% of the net profit for the year is to be transferred to a voluntary reserve until such time as the balance in the reserve equals 20% of the issued share capital. No allocations to the legal reserve and the voluntary reserve have been made for the six month period ended 30 June 2010, as these will be effected at the year end based on the Bank's results for the year ending 31 December 2010. The movement in other reserves is on account of fair value gains on investment securities.



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

## Notes to the condensed interim financial information for the six months ended 30 June 2010 (continued)

### 10 Contingencies and commitments

	30 June 2010 AED'000	31 December 2009 AED'000
Letters of guarantee	407,016	441,969
Letters of credit	63,154	79,898
Acceptances	19,816	23,357
Commitments to extend credit	4,602,672	4,200,460
Capital commitments	22,958	25,727
	<u>5,115,616</u>	<u>4,771,411</u>

### 11 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 June 2010 and 31 December 2009 are as follows:

	Contract amount AED'000	Fair value AED'000
30 June 2010	<u>1,367</u>	<u>-</u>
31 December 2009	<u>130,803</u>	<u>185</u>

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

### 12 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 June 2010 amounted to 1,154,439,000 shares (30 June 2009: 1,154,439,000 shares).

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

## Notes to the condensed interim financial information for the six months ended 30 June 2010 (continued)

### 13 Fiduciary activities

The Bank holds assets in a fiduciary capacity for its customers without recourse to itself. At 30 June 2010, such assets amounted to AED 291.15 million (31 December 2009: AED 345.46 million) and are excluded from the financial statements of the Bank.

### 14 Cash and cash equivalents

	As at 30 June	
	2010 AED'000	2009 AED'000
Cash in hand and current account with UAE Central Bank (Note 3)	434,461	198,178
Due from other banks	2,017,682	758,026
	<u>2,452,143</u>	<u>956,204</u>
Less: Due from other banks with original maturity of 3 months or more	(454,505)	-
	<u><u>1,997,638</u></u>	<u><u>956,204</u></u>

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

## **Notes to the condensed interim financial information for the six months ended 30 June 2010** (continued)

### **15 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 individual segments.

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.

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

## Notes to the condensed interim financial information for the six months ended 30 June 2010 (continued)

### 15 Operating segments (continued)

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balance sheet items.

The segment information provided to the Executive Committee for the reportable segments for the period ended 30 June 2010 is as follows:

	Retail banking AED' 000	Business banking AED' 000	Treasury and others AED' 000	Total AED' 000
<b>Six months ended 30 June 2010</b>				
Total segment revenue	1,312,951	62,672	64,280	1,439,903
Inter-segment revenue	(99,705)	(34,069)	(45,470)	(179,244)
Total revenue from external customers	1,213,246	28,603	18,810	1,260,659
Segment result	546,185	(3,378)	17,126	559,933
Unallocated costs				(91,626)
<b>Net profit for the period</b>				468,307
Impairment charge	150,949	(2,165)	-	148,784
Depreciation	13,655	429	9,797	23,881
<b>At 30 June 2010</b>				
Total assets	15,134,953	398,730	4,296,498	19,830,181
Total liabilities	9,778,665	4,193,044	2,681,033	16,652,742

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

## Notes to the condensed interim financial information for the six months ended 30 June 2010 (continued)

### 15 Operating segments (continued)

	Retail banking AED' 000	Business banking AED' 000	Treasury and others AED' 000	Total AED' 000
<b>Six months ended 30 June 2009</b>				
Total segment revenue	1,026,086	68,462	99,764	1,194,312
Inter-segment revenue	(106,149)	(32,131)	(68,368)	(206,648)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total revenue from external customers	919,937	36,331	31,396	987,664
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Segment result	388,658	8,073	24,357	421,088
Unallocated costs				(77,269)
				<u>          </u>
<b>Net profit for the period</b>				<u><u>343,819</u></u>
Impairment charge	79,485	(2,327)	-	77,158
Depreciation	9,849	376	7,154	17,379
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>At 31 December 2009</b>				
Total assets	13,479,581	452,236	3,185,799	17,117,616
Total liabilities	8,020,810	3,314,950	2,984,880	14,320,640
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

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

## Notes to the condensed interim financial information for the six months ended 30 June 2010 (continued)

### 16 Related party 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:

	Six months ended 30 June	
	2010	2009
	AED'000	AED'000
<b>Transactions during the period</b>		
Interest income	723	1,685
Interest expense	13,978	12,757
Commission income	115	110
Directors' remuneration	1,219	1,788
Remuneration payable to key management personnel	7,827	6,520
	<u>7,827</u>	<u>6,520</u>
	30 June	31 December
	2010	2009
	AED'000	AED'000
<b>Balances</b>		
Loans and advances:		
- Shareholders and their related companies	15,000	21,552
- Directors and their related companies	621	11,534
	<u>15,621</u>	<u>33,086</u>
Due to customers:		
- Shareholders and their related companies	923,685	732,810
- Directors and their related companies	162,418	142,787
	<u>1,086,103</u>	<u>875,597</u>
<b>Irrevocable commitments and contingent liabilities</b>		
- Shareholders and their related companies	52,590	53,668
- Directors and their related companies	429	676
	<u>53,019</u>	<u>54,344</u>