

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

**Interim condensed financial information  
for the three months ended 31 March 2008**

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

**Introduction**

We have reviewed the accompanying interim condensed balance sheet of The National Bank of Ras Al-Khaimah (P.S.C.) ("the Bank") as of 31 March 2008 and the related condensed income statement, statement of changes in shareholders' equity and cash flow statement 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 International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

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

PricewaterhouseCoopers  
19 April 2008

  
Amin H Nasser

Registered Auditor Number 307  
Dubai, United Arab Emirates

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

## Condensed balance sheet

	Notes	31 March 2008 AED'000	31 December 2007 AED'000
<b>ASSETS</b>			
Cash and balances with the UAE Central Bank	3	1,192,500	1,493,604
Due from other banks		709,640	336,094
Loans and advances	4(a)	8,851,308	8,172,483
Investment securities	5	640,290	626,155
Property and equipment		113,793	115,834
Other assets		287,414	229,609
<b>Total assets</b>		<b>11,794,945</b>	<b>10,973,779</b>
<b>LIABILITIES</b>			
Due to other banks		360,365	233,613
Due to customers		7,836,148	7,239,466
Debt security in issue		1,643,244	1,642,984
Other liabilities		287,137	258,703
Provision for employees' end of service benefits		22,711	22,012
<b>Total liabilities</b>		<b>10,149,605</b>	<b>9,396,778</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	6	740,025	616,688
Share premium		110,350	110,350
Retained earnings		301,279	343,974
Other reserves	7	493,686	505,989
<b>Total shareholders' equity</b>		<b>1,645,340</b>	<b>1,577,001</b>
<b>Total liabilities and shareholders' equity</b>		<b>11,794,945</b>	<b>10,973,779</b>

This interim condensed financial information was approved by the Executive Committee on 19 April 2008 and was signed on its behalf by:

  
 .....  
 Graham Honeybill  
 General Manager

The notes on pages 6 to 12 form an integral part of the interim condensed financial information.

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

## Condensed income statement

	Notes	<u>Three months ended 31 March</u>	
		2008 AED'000	2007 AED'000
Interest income		256,801	196,905
Interest expense		(71,679)	(77,005)
<b>Net interest income</b>		<u>185,122</u>	<u>119,900</u>
Fee and commission income		94,665	67,817
Foreign exchange income		12,479	5,482
Investment income		8,099	6,620
Other operating income		1,809	1,425
<b>Operating income</b>		<u>302,174</u>	<u>201,244</u>
Operating expenses		(142,749)	(93,082)
Provision for impairment of loans and advances net of write back	4(c)	(17,115)	(22,085)
<b>Net profit for the period</b>		<u>142,310</u>	<u>86,077</u>
Basic earnings per share	10	<u>AED 0.19</u>	<u>AED 0.12</u>

The notes on pages 6 to 12 form an integral part of the interim condensed financial information.

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

### Condensed statement of changes in shareholders' equity

	Share capital AED'000	Share premium AED'000	Retained Earnings AED'000	Other reserves AED'000	Total AED'000
<b>At 1 January 2007</b>	536,250	110,350	234,688	365,810	1,247,098
Issue of bonus shares (Note 6)	80,438	-	(80,438)	-	-
Dividend (Note 6)	-	-	(80,438)	-	(80,438)
Net changes in fair value of available-for-sale investment securities (Note 5)	-	-	-	(1,600)	(1,600)
Net profit for the period	-	-	86,077	-	86,077
<b>At 31 March 2007</b>	<u>616,688</u>	<u>110,350</u>	<u>159,889</u>	<u>364,210</u>	<u>1,251,137</u>
<b>At 1 January 2008</b>	616,688	110,350	343,974	505,989	1,577,001
Issue of bonus shares (Note 6)	123,337	-	(123,337)	-	-
Dividend (Note 6)	-	-	(61,668)	-	(61,668)
Net changes in fair value of available-for-sale investment securities (Note 5)	-	-	-	(12,303)	(12,303)
Net profit for the period	-	-	142,310	-	142,310
<b>At 31 March 2008</b>	<u>740,025</u>	<u>110,350</u>	<u>301,279</u>	<u>493,686</u>	<u>1,645,340</u>

The notes on pages 6 to 12 form an integral part of the interim condensed financial information.

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

## Condensed cash flow statement

	Notes	Three months ended 31 March	
		2008 AED'000	2007 AED'000
<b>Operating activities</b>			
Net profit for the period		142,310	86,077
Adjustments:			
Net charge for provision for impairment of loans and advances	4(c)	17,115	22,085
Depreciation		6,031	4,326
Provision for employees' end of service benefits		2,208	1,937
Gain on disposal of property and equipment		(37)	(36)
Amortisation of discount relating to debt security in issue		260	226
Amortisation of discount relating to securities held to maturity	5	(36)	(32)
Operating cash flows before changes in assets and liabilities		167,851	114,583
Payment of employees' end of service benefits		(1,509)	(517)
Changes in assets and liabilities:			
Deposits with the UAE Central Bank		156,159	(119,522)
Due from other banks with maturities over three months		92,071	-
Loans and advances net of provisions for impairment		(695,940)	(292,481)
Other assets		(57,805)	43,950
Due to other banks		126,752	69,249
Due to customers		596,682	289,172
Other liabilities		28,434	31,514
Net cash provided by operating activities		412,695	135,948
<b>Investing activities</b>			
Purchase of investment securities	5	(26,402)	(18,365)
Purchase of property and equipment		(4,010)	(4,240)
Proceeds from disposal of property and equipment		57	36
Net cash used in investing activities		(30,355)	(22,569)
<b>Financing activities</b>			
Dividends paid	6	(61,668)	(80,438)
Cash used in financing activities		(61,668)	(80,438)
<b>Net increase in cash and cash equivalents</b>		320,672	32,941
Cash and cash equivalents, beginning of the period		747,837	962,599
Cash and cash equivalents, end of the period	12	1,068,509	995,540

The notes on pages 6 to 12 form an integral part of the interim condensed financial information. (5)

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

## **Notes to the interim condensed financial information for the three months ended 31 March 2008**

### **1 Incorporation and principal activities**

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

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

### **2 Significant accounting policies**

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

The accounting policies applied in the preparation of the interim condensed financial information are consistent with those applied in the annual financial statements for the year ended 31 December 2007.

The interim condensed financial information should therefore be read in conjunction with the year ended 31 December 2007 financial statements.

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

#### Standards and interpretations to published standards that are not yet effective

The following new standard, amendment and interpretations to existing standards have been published and are mandatory for the Bank's accounting periods beginning on or after 1 January 2008 or later periods.

- IFRS 8, Operating segments – effective 1 January 2009.
- IAS 23 (Amendment), Borrowing costs – effective 1 January 2009.
- IFRIC 14, IAS 19 The limit on a defined benefit asset, minimum funding requirements and their interaction – effective 1 January 2008.
- IFRIC 12, Service concession agreements – effective 1 January 2008.
- IFRIC 13, Customer loyalty programmes – effective 1 July 2008

Management has assessed the relevance of the above standard, amendment and interpretations to published standards effective in 2008 or later periods, with respect to the Bank's operations, and concluded that they are either not relevant to the Bank or do not have any significant impact on its financial position or the results of its operations, except for IFRS 8.

The application of IFRS 8 will be included in the Bank's financial statements for the year ending 31 December 2009.



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

### Notes to the interim condensed financial information for the three months ended 31 March 2008 (continued)

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

	31 March 2008 AED'000	31 December 2007 AED'000
Cash in hand	154,496	144,997
Balances with the UAE Central Bank	1,038,004	1,348,607
	<u>1,192,500</u>	<u>1,493,604</u>

Balances with the UAE Central Bank include statutory deposits of AED 503.63 million (31 December 2007: 429.8 million). Statutory deposits are not available to finance the day to day operations of the Bank.

#### 4 Loans and advances

	31 March 2008 AED'000	31 December 2007 AED'000
<b>4(a) Loans and advances</b>		
Loans	8,533,985	7,801,345
Overdrafts	415,249	471,470
Loans against trust receipts	92,157	91,845
Bills discounted	25,474	22,539
Others	4,242	3,105
<b>Total loans and advances</b>	<u>9,071,107</u>	<u>8,390,304</u>
Provision for impairment (Note 4(b))	(219,799)	(217,821)
<b>Net loans and advances</b>	<u>8,851,308</u>	<u>8,172,483</u>

#### 4(b) Provision for impairment

<b>Balance brought forward</b>	217,821	195,150
Net charge for provision for impairment during the period /year	22,223	73,815
Written off during the period/year	(20,245)	(51,144)
<b>Balance carried forward</b>	<u>219,799</u>	<u>217,821</u>

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

### Notes to the interim condensed financial information for the three months ended 31 March 2008 (continued)

#### 4 Loans and advances (continued)

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

	<u>Three months ended 31 March</u>	
	2008 AED'000	2007 AED'000
Net charge for provision for impairment during the period (Note 4(b))	22,223	24,579
Write back during the period	(5,108)	(2,494)
	<u>17,115</u>	<u>22,085</u>

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

At 31 March 2008, the aggregate amount of non-performing loans amounted to AED 189.45 million (31 December 2007: AED 192.84 million). Provisions in relation to such loans amounted to AED 118.55 million as at 31 March 2008 (31 December 2007: AED 122.82 million).

#### 5 Investment securities

	31 March 2008 AED'000	31 December 2007 AED'000
<b>Securities available-for-sale</b>		
Quoted equity securities	20,400	24,600
Quoted debt securities	203,142	178,377
Unquoted debt securities	281,426	287,892
	<u>504,968</u>	<u>490,869</u>
<b>Securities held-to-maturity</b>		
Quoted debt securities	135,322	135,286
<b>Total investment securities</b>	<u>640,290</u>	<u>626,155</u>

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

### Notes to the interim condensed financial information for the three months ended 31 March 2008 (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 2007	363,551	135,148	498,699
Purchases	18,365	-	18,365
Changes in fair value	(1,600)	-	(1,600)
Amortisation of discount	-	32	32
At 31 March 2007	<u>380,316</u>	<u>135,180</u>	<u>515,496</u>
At 1 January 2008	490,869	135,286	626,155
Purchases	26,402	-	26,402
Changes in fair value	(12,303)	-	(12,303)
Amortisation of discount	-	36	36
At 31 March 2008	<u>504,968</u>	<u>135,322</u>	<u>640,290</u>

#### 6 Share capital and dividend

At 31 March 2008, the authorised, issued and fully paid share capital of the Bank comprises 740.03 million shares of AED 1 each (31 December 2007: 616.69 million shares of AED 1 each).

At the Annual General Meeting of the Shareholders held on 9 March 2008, the shareholders of the Bank approved a stock dividend (issue of bonus shares) in respect of 2007 at 20% of the issued and paid up capital amounting to AED 123.34 million (2006: AED 80.44 million) and cash dividend at 10% of the issued and paid up capital amounting to AED 61.67 million (2006: 80.44 million).

#### 7 Other reserves

Other reserves include legal reserve and voluntary reserve. In accordance with the Articles of Association of the Bank, 10% of the net profit for the year is to be transferred to a legal reserve until such time as the balance in the reserve equals 50% of the issued share capital and 10% of the net profit for the year is to be transferred to a voluntary reserve until such time as the balance in the reserve equals 20% of the issued share capital. No allocations to the legal reserve and the voluntary reserve have been made for the three month period ended 31 March 2008, as these will be effected at the year end based on the Bank's results for the year ending 31 December 2008.

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

### Notes to the interim condensed financial information for the three months ended 31 March 2008 (continued)

#### 8 Contingencies and commitments

	31 March 2008 AED'000	31 December 2007 AED'000
Letters of guarantee	449,604	461,577
Letters of credit	132,959	111,468
Acceptances	27,458	33,203
Commitments to extend credit	2,537,273	2,712,214
Other	157	136
	<u>3,147,451</u>	<u>3,318,598</u>

#### 9 Forward foreign exchange contracts

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

Outstanding foreign forward exchange transactions at 31 March 2008 and 31 December 2007 are as follows:

	Contract amount AED'000	Fair value AED'000
31 March 2008	<u>698,048</u>	<u>(652)</u>
31 December 2007	<u>77,353</u>	<u>-</u>

#### 10 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 2008 amounted to 740,025,600 shares (31 March 2007: 616,687,500 shares)

#### 11 Fiduciary activities

The Bank holds assets in a fiduciary capacity for its customers without recourse to itself. At 31 March 2008, such assets amounted to AED 340.85 million (31 December 2007: AED 347.29 million) and are excluded from the financial statements of the Bank.

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

### Notes to the interim condensed financial information for the three months ended 31 March 2008 (continued)

#### 12 Cash and cash equivalents

	<u>At 31 March</u>	
	2008 AED'000	2007 AED'000
Cash (Note 3)	154,496	109,115
Current account with the UAE Central Bank	14,373	41,622
Certificates of deposit with the UAE Central Bank	190,000	360,000
Due from other banks	709,640	484,803
	<u>1,068,509</u>	<u>995,540</u>

#### 13 Business segments

##### Primary segment information

	Retail banking AED' 000	Business banking AED' 000	Treasury and others AED' 000	Elimination AED' 000	Total AED' 000
<b>Three months ended 31 March 2008</b>					
External revenue	330,403	17,383	26,067	-	373,853
Revenues from other segments	57,644	12,441	30,689	(100,774)	-
Total revenues	<u>388,047</u>	<u>29,824</u>	<u>56,756</u>	<u>(100,774)</u>	<u>373,853</u>
Segment result	149,204	9,663	13,568	-	172,435
Unallocated costs	-	-	-	-	(30,125)
<b>Net profit for the period</b>					<u><u>142,310</u></u>
<b>Three months ended 31 March 2007</b>					
External revenue	241,100	14,752	22,397	-	278,249
Revenues from other segments	35,056	14,188	36,551	(85,795)	-
Total revenues	<u>276,156</u>	<u>28,940</u>	<u>58,948</u>	<u>(85,795)</u>	<u>278,249</u>
Segment result	78,931	10,885	15,306	-	105,122
Unallocated costs	-	-	-	-	(19,045)
<b>Net profit for the period</b>					<u><u>86,077</u></u>

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

### Notes to the interim condensed financial information for the three months ended 31 March 2008 (continued)

#### 14 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 significant transactions with related parties in the ordinary course of business. The transactions with related parties and balances arising from these transactions are as follows:

	31 March 2008 AED'000	31 March 2007 AED'000
<b>Transactions during the period</b>		
Interest income	219	1,050
Interest expense	2,146	3,302
Commission income	766	153
Directors' remuneration	648	327
Remuneration payable to key management personnel	5,577	3,620
	<u>5,577</u>	<u>3,620</u>
	31 March 2008 AED'000	31 December 2007 AED'000
<b>Balances</b>		
Loans and advances:		
- Shareholders and their related companies	25,163	18,313
- Directors and their related companies	10,841	4,975
	<u>36,004</u>	<u>23,288</u>
Due to customers:		
- Shareholders and their related companies	385,271	292,063
- Directors and their related companies	31,384	122,776
	<u>416,655</u>	<u>414,839</u>
<b>Irrevocable commitments and contingent liabilities</b>		
- Shareholders and their related companies	93,939	74,998
- Directors and their related companies	747	1,627
	<u>94,686</u>	<u>76,625</u>