

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

**Interim condensed financial information
for the three months ended 31 March 2007**

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

Interim condensed financial information for the three months ended 31 March 2007

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

Introduction

We have reviewed the accompanying interim condensed balance sheet of The National Bank of Ras Al-Khaimah (P.S.C) ("the Bank") as of 31 March 2007 and the related condensed statements of income, changes in shareholders' 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 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
22 April 2007

Paul Suddaby
Registered Auditor Number 309
Dubai, United Arab Emirates

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

Condensed balance sheet

	Notes	31 March 2007 AED'000	31 December 2006 AED'000
ASSETS			
Cash and balances with the UAE Central Bank	3	945,538	832,760
Due from other banks		484,803	445,118
Loans and advances	4	7,083,865	6,813,469
Investment securities	5	515,496	498,699
Property and equipment		85,216	85,302
Other assets		122,996	166,946
Total assets		<u>9,237,914</u> =====	<u>8,842,294</u> =====
LIABILITIES			
Due to other banks		303,353	234,104
Due to customers		6,139,183	5,850,011
Debt security in issue		1,282,450	1,282,224
Other liabilities		244,908	213,394
Provision for employees' end of service benefits		16,883	15,463
Total liabilities		<u>7,986,777</u> =====	<u>7,595,196</u> =====
SHAREHOLDERS' EQUITY			
Share capital	6	616,688	536,250
Share premium		110,350	110,350
Retained earnings		159,889	234,688
Other reserves	7	364,210	365,810
Total shareholders' equity		<u>1,251,137</u> =====	<u>1,247,098</u> =====
Total liabilities and shareholders' equity		<u>9,237,914</u> =====	<u>8,842,294</u> =====

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J G 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>	
		2007 AED'000	2006 AED'000
Interest income		196,905	138,815
Interest expense		(77,005)	(52,484)
Net interest income		<u>119,900</u>	<u>86,331</u>
Fee and commission income		67,817	47,504
Foreign exchange income		5,482	3,817
Other operating income		8,045	4,939
Operating income		<u>201,244</u>	<u>142,591</u>
Operating expenses		(93,082)	(68,689)
Provision for impairment of loans and advances net of write (back)/off	4(c)	(22,085)	(18,191)
Net profit for the period		<u>86,077</u> =====	<u>55,711</u> =====
Earnings per share			
Basic	10	<u>AED 0.14</u> =====	<u>AED 0.09</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
At 1 January 2006	412,500	110,350	175,259	314,779	1,012,888
Issue of bonus shares (Note 6)	123,750	-	(123,750)	-	-
Net changes in available-for- sale investment securities (Note 5)	-	-	-	(14,700)	(14,700)
Net profit for the period	-	-	55,711	-	55,711
At 31 March 2006	536,250	110,350	107,220	300,079	1,053,899
At 1 January 2007	536,250	110,350	234,688	365,810	1,247,098
Issue of bonus shares (Note 6)	80,438	-	(80,438)	-	-
Dividend (Note 6)	-	-	(80,438)	-	(80,438)
Net changes in available-for- sale investment securities (Note 5)	-	-	-	(1,600)	(1,600)
Net profit for the period	-	-	86,077	-	86,077
At 31 March 2007	616,688	110,350	159,889	364,210	1,251,137

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	
		2007 AED'000	2006 AED'000
Operating activities			
Net profit for the period		86,077	55,711
Adjustments:			
Net charge for provision for impairment of loans and advances	4(c)	22,085	18,191
Depreciation		4,326	4,150
Provision for employees' end of service benefits (net)		1,420	1,045
Gain on disposal of property and equipment		(36)	-
Amortisation of discount relating to debt security in issue		226	173
Amortisation of discount relating to securities held to maturity	5	(32)	(32)
		-----	-----
Operating cash flows before changes in assets and liabilities		114,066	79,238
Changes in assets and liabilities:			
Deposits with the UAE Central Bank		(119,522)	(6,322)
Due from other banks with maturities over three months		-	(18,365)
Loans and advances net of provisions for impairment		(292,481)	(471,155)
Other assets		43,950	(30,817)
Due to other banks		69,249	(57,578)
Due to customers		289,172	306,709
Other liabilities		31,514	45,611
		-----	-----
Net cash provided by / (used in) operating activities		135,948	(152,679)
		=====	=====
Investing activities			
Purchase of investment securities	5	(18,365)	(183,651)
Purchase of property and equipment		(4,240)	(2,099)
Proceeds from disposal of property and equipment		36	-
		-----	-----
Net cash used in by investing activities		(22,569)	(185,750)
		=====	=====
Financing activities			
Debt security in issue net of issue cost		-	549,794
Dividends paid	6	(80,438)	-
		-----	-----
Net cash (used in) / provided by financing activities		(80,438)	549,794
		-----	-----
Net increase in cash and cash equivalents		32,941	211,365
Cash and cash equivalents, beginning of the period		962,599	1,156,421
		-----	-----
Cash and cash equivalents, end of the period	12	995,540	1,367,786
		=====	=====

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 2007

1 Incorporation and principal activities

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

2 Significant accounting policies

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

The accounting policies applied in the preparation of the interim condensed financial information are consistent with those applied in the annual financial statements for the year ended 31 December 2006.

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

The interim condensed financial information should be read in conjunction with the year ended 31 December 2006 financial statements.

Interpretations and amendments to published standards effective in 2007

Management has assessed the relevance of the interpretation and amendment to published standards effective in 1 January 2007 with respect to the Bank's operations and concluded that they are either not relevant to the Bank or do not have any significant impact on its financial position or the results of its operations except as follows:

IFRS 7 – Financial Instruments: Disclosures, and a complementary amendment to International Accounting Standard ("IAS") 1, Presentation of Financial Statements – Capital Disclosures (effective 1 January 2007). IFRS 7 requires disclosures relating to the nature and risks arising from financial instruments. The Bank has assessed the impact of IFRS 7 and the amendments to IAS 1 and has concluded that additional disclosures of significance will be required in respect of terms and conditions of pledges on financial assets, valuation techniques of investments securities, concentration of risk on financial instruments, maturity analyses of the financial liabilities and sensitivity analysis to market risk and the disclosures required by the amendments to IAS 1 relating to management of capital.

The application of IFRS 7 and IAS 1 will be included in the Bank's financial statements for the year ending 31 December 2007.

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

Notes to the interim condensed financial information for the three months ended 31 March 2007 (continued)

3 Cash and balances with the UAE Central Bank

	31 March 2007 AED'000	31 December 2006 AED'000
Cash in hand	109,115	138,794
Balances with the UAE Central Bank	836,423	693,966
	-----	-----
	945,538	832,760
	=====	=====

Balances with the UAE Central Bank include statutory deposits of AED 339.8 million (31 December 2006: 315.2 million). Statutory deposits are not available to finance the day to day operations of the Bank.

4 Loans and advances

	31 March 2007 AED'000	31 December 2006 AED'000
4(a) Loans and advances		
Loans	6,707,388	6,432,988
Overdrafts	484,317	469,333
Loans against trust receipts	77,241	81,991
Bills discounted	17,923	22,397
Others	837	1,910
	-----	-----
Total loans and advances	7,287,706	7,008,619
Provision for impairment	(203,841)	(195,150)
	-----	-----
Net loans and advances	7,083,865	6,813,469
	=====	=====

4(b) Provision for impairment

Balance brought forward	195,150	169,339
Net charge for provision for impairment during the period /year	24,579	87,144
Written off during the period/year	(15,888)	(61,333)
	-----	-----
Balance carried forward	203,841	195,150
	=====	=====

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

Notes to the interim condensed financial information for the three months ended 31 March 2007 (continued)

4 Loans and advances (continued)

4(c) Net charge for the period

	Three months ended 31 March	
	2007 AED'000	2006 AED'000
Net charge for provision for impairment during the period	24,579	17,087
Write (back)/off during the period	(2,494)	1,104
	-----	-----
	22,085	18,191
	=====	=====

4(d) Classified loans and advances

At 31 March 2007, the aggregate amount of non-performing loans amounted to AED 245.2 million (31 December 2006: AED 244.8 million). Provisions in relation to such loans amounted to AED 132.3 million as at 31 March 2007 (31 December 2006: AED 126.1 million).

5 Investment securities

	31 March 2007 AED'000	31 December 2006 AED'000
Securities available-for-sale		
Quoted equity securities	13,200	14,800
Quoted debt securities	128,370	110,005
Unquoted debt securities	238,746	238,746
	-----	-----
	380,316	363,551
Securities held-to-maturity		
Quoted debt securities	135,180	135,148
	-----	-----
Total investment securities	515,496	498,699
	=====	=====

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

Notes to the interim condensed financial information for the three months ended 31 March 2007 (continued)

5 Investment securities (continued)

The movement in investment securities is summarised as follows:

	Securities available-for- sale	Securities held – to – maturity	Total
	AED'000	AED'000	AED'000
At 1 January 2006	186,135	135,015	321,150
Purchases	183,651	-	183,651
Changes in fair value	(14,700)	-	(14,700)
Amortisation of discount	-	32	32
	<hr/>	<hr/>	<hr/>
At 31 March 2006	355,086	135,047	490,133
	<hr/>	<hr/>	<hr/>
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
	<hr/>	<hr/>	<hr/>
At 31 March 2007	380,316	135,180	515,496
	<hr/>	<hr/>	<hr/>

6 Share capital and dividend

At 31 March 2007, the authorised, issued and fully paid share capital of the Bank comprises 616.68 million shares of AED 1 each (31 December 2006: 536.25 million shares of AED 1 each).

At the Annual General Meeting of the Shareholders held on 25 February 2007, the shareholders of the Bank approved a stock dividend (issue of bonus shares) in respect of 2006 at 15% of the issued and paid up capital amounting to AED 80.44 million (2006: AED 123.75 million) and cash dividend at 15% of the issued and paid up capital amounting to AED 80.44 million (2006: Nil).

7 Other reserves

Other reserves include legal reserve and voluntary reserve. In accordance with the Articles of Association of the Bank, 10% of the net profit for the year is to be transferred to a legal reserve until such time as the balance in the reserve equals 50% of the issued share capital and 10% of the net profit for the year is to be transferred to a voluntary reserve until such time as the balance in the reserve equals 20% of the issued share capital. No allocations to the legal reserve and the voluntary reserve have been made for the three month period ended 31 March 2007, as these will be effected at the year end based on the Bank's results for the year ending 31 December 2007.

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

Notes to the interim condensed financial information for the three months ended 31 March 2007 (continued)

8 Contingencies and commitments

	31 March 2007 AED'000	31 December 2006 AED'000
Letters of guarantee	391,922	520,223
Letters of credit	154,232	95,479
Acceptances	25,284	32,127
Commitments to extend credit	800,359	648,759
Other	946	124
	----- 1,372,743 =====	----- 1,296,712 =====

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 2007 and 31 December 2006 are as follows:

	Contract amount AED'000	Fair value AED'000
31 March 2007	46,925 =====	509 ===
31 December 2006	116,056 =====	52 ===

10 Earnings per share

The basic earnings per share is calculated by dividing the net profit attributable to shareholders by the 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 and share split 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 2007 amounted to 616,687,500 shares (31 March 2006: 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 2007, such assets amounted to AED 325.08 million (31 December 2006: AED 287.94 million) and are excluded from the financial statements of the Bank.

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

Notes to the interim condensed financial information for the three months ended 31 March 2007 (continued)

12 Cash and cash equivalents

	<u>At 31 March</u>	
	2007 AED'000	2006 AED'000
Cash (Note 3)	109,115	86,254
Current account with the UAE Central Bank	41,622	97
Certificates of deposit with the UAE Central Bank	360,000	175,000
Due from other banks	484,803	1,106,435
	<u>995,540</u>	<u>1,367,786</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
Three months ended 31 March 2007					
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)
Net profit for the period					<u>86,077</u>
Three months ended 31 March 2006					
External revenue	169,212	9,542	16,321	-	195,075
Revenues from other segments	19,150	12,280	23,726	(55,156)	-
Total revenues	<u>188,362</u>	<u>21,822</u>	<u>40,047</u>	<u>(55,156)</u>	<u>195,075</u>
Segment result	44,145	9,841	12,631	-	66,617
Unallocated costs	-	-	-	-	(10,906)
Net profit for the period					<u>55,711</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 2007 (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 balances arising from related parties transactions are as follows:

	31 March 2007 AED'000	31 December 2006 AED'000
Loans and advances	67,215	64,446
Due to customers	402,835	390,128
Irrevocable commitments and contingent liabilities	95,622	58,735
	=====	=====