

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

**Condensed interim financial information
for the three months ended 31 March 2012**

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

Condensed interim financial information for the three months ended 31 March 2012

	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 – 26



**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 2012 and the related condensed interim 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 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
22 April 2012

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 2012 (reviewed) AED'000	31 December 2011 (audited) AED'000
ASSETS			
Cash and balances with the UAE Central Bank	3	2,100,349	1,844,193
Due from other banks	4	898,243	1,972,251
Loans and advances	5	18,876,866	18,368,470
Investment securities	6	1,606,742	1,163,813
Property and equipment	7	986,290	952,167
Other assets	8	232,429	201,643
Total assets		24,700,919	24,502,537
LIABILITIES			
Due to other banks		1,062	334,471
Due to customers	9	18,589,493	18,290,165
Subordinated debt	10	684,467	684,467
Other liabilities	11	343,360	443,495
Provision for employees' end of service benefits		55,239	53,067
Total liabilities		19,673,621	19,805,665
Equity			
Share capital	12	1,385,327	1,385,327
Share premium		110,350	110,350
Retained earnings		1,482,711	1,157,426
Other reserves	13	2,048,910	2,043,769
Total equity		5,027,298	4,696,872
Total liabilities and equity		24,700,919	24,502,537

This condensed interim financial information was approved by the Board of Directors on 22 April 2012 and was signed on its behalf by:



Graham Honeybill
Chief Executive Officer

The notes on pages 7 to 26 form an integral part of the condensed interim financial information. (2)

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

Income statement (reviewed)

		<u>Three months ended</u>	
		<u>31 March</u>	
	Notes	2012 AED'000	2011 AED'000
Interest income	16	624,845	558,938
Interest expense	16	(86,636)	(113,740)
Net interest income		538,209	445,198
Net fee and commission income	17	115,916	186,606
Foreign exchange income		14,987	13,316
Investment income		16,285	11,097
Other operating income		7,122	3,288
Operating income		692,519	659,505
Operating expenses		(306,740)	(287,729)
Provision for impairment of loans and advances net of write backs	5(d)	(60,494)	(78,632)
Net profit for the period		325,285	293,144
Earnings per share			
Basic and diluted	18	AED 0.23	AED 0.21

The notes on pages 7 to 26 form an integral part of the condensed interim financial information. (3)

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

Statement of comprehensive income (reviewed)

		<u>Three months ended</u>	
		<u>31 March</u>	
		2012	2011
		AED'000	AED'000
Profit for the period		325,285	293,144
Other comprehensive income:			
Net changes in fair value of available-for-sale investment securities	6	5,141	5,546
Other comprehensive income for the period		5,141	5,546
Total comprehensive income for the period		<u>330,426</u>	<u>298,690</u>

The notes on pages 7 to 26 form an integral part of the condensed interim financial information. (4)

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

Statement of changes in equity (reviewed)

	Share capital AED'000	Share premium AED'000	Retained earnings AED'000	Other reserves AED'000	Total AED'000
At 1 January 2011	1,154,439	110,350	782,194	1,669,375	3,716,358
Issue of bonus shares (Note 12)	230,888	-	(230,888)	-	-
Dividend (Note 12)	-	-	(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>
At 1 January 2012	1,385,327	110,350	1,157,426	2,043,769	4,696,872
Total comprehensive income for the period	-	-	325,285	5,141	330,426
At 31 March 2012	<u>1,385,327</u>	<u>110,350</u>	<u>1,482,711</u>	<u>2,048,910</u>	<u>5,027,298</u>

The notes on pages 7 to 26 form an integral part of the condensed interim financial information. (5)

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

Statement of cash flows (reviewed)

	Notes	Three months ended 31 March	
		2012 AED'000	2011 AED'000
Operating activities			
Net Profit for the period		325,285	293,144
Adjustments:			
Net charge for provision for impairment of loans and advances net of write back	5(d)	60,494	78,632
Depreciation	7	22,625	15,721
Provision for employees' end of service benefits		3,840	3,134
Gain on disposal of property and equipment		(313)	(133)
Amortisation of Premium / (discount) relating to securities held to maturity	6	39	(339)
Operating cash flows before payment of employees end of service benefits and changes in assets and liabilities:		411,970	390,159
Payment of employees' end of service benefits		(1,668)	(684)
Changes in assets and liabilities:			
Deposits with the UAE Central Bank	3	(41,973)	(245,293)
Due from other banks with original maturities of three months or over	20	-	(77,788)
Loans and advances net of provisions for impairment		(568,890)	(860,850)
Other assets	8	(30,786)	(37,036)
Due to other banks (net of amount due to Central Bank)		(236,010)	(100,407)
Due to customers	9	299,328	1,019,770
Other liabilities	11	(100,135)	(78,774)
Net cash (used in)/generated from operating activities		(268,164)	9,097
Investing activities			
Purchase of investment securities	6	(456,192)	(225,924)
Purchase of property and equipment	7	(56,897)	(59,258)
Proceeds from maturity / disposal of investments	6	18,365	55,095
Proceeds from disposal of property and equipment		462	230
Net cash used in investing activities		(494,262)	(229,857)
Financing activities			
Dividends paid		-	(230,888)
Net decrease in cash and cash equivalents		(762,426)	(451,648)
Cash and cash equivalents, beginning of the period		2,233,818	1,842,574
Cash and cash equivalents, end of the period	20	1,471,392	1,390,926

The notes on pages 7 to 26 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 three months ended 31 March 2012

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

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

2 Significant accounting policies

2.1 Basis of preparation

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

The accounting policies applied in the preparation of the condensed interim financial information are consistent with those applied in the annual financial statements for the year ended 31 December 2011.

The condensed interim financial information should therefore be read in conjunction with the annual financial statements for year ended 31 December 2011.

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

Standard that is effective for the Bank's accounting period beginning on 1 January 2012

There are no new standards, amendments to published standards or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the Bank.

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

Notes to the condensed interim financial information for the three months ended 31 March 2012 (continued)

2 Significant accounting policies (continued)

2.1 Basis of preparation (continued)

The following applicable new standards, amendment to published standard and IFRIC interpretation have been issued but are not effective for the Bank's accounting period beginning 1 January 2012 and have not been early adopted by the Bank:

- IFRS 9, 'Financial instruments' (effective 1 January 2015), addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.
- Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income (effective 1 July 2012). These amendments require entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially re-classifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.
- IFRS 13, 'Fair value measurement' (effective 1 January 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS or US GAAP.

The Bank has assessed the impact of the above new standards, amendment to published standard and IFRIC interpretation and has concluded that they will not have a significant impact of the Bank's financial statements.

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

Notes to the condensed interim financial information for the three months ended 31 March 2012 (continued)

2 Significant accounting policies (continued)

2.2 Investment securities (continued)

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 purchases and sales of held to maturity and available-for-sale financial assets 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.

Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in the statement of comprehensive income, until the financial asset is derecognised or impaired. At this time, the cumulative gain or loss previously recognised in the statement of comprehensive income is recognised in the income statement.

Foreign currency gains and losses arising on available-for-sale monetary financial assets are recognised directly in the income statement.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Bank establishes fair value by using valuation techniques.

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

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

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

Notes to the condensed interim financial information for the three months ended 31 March 2012 (continued)

2 Significant accounting policies (continued)

2.2 Investment securities (continued)

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 amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If an asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

Notes to the condensed interim financial information for the three months ended 31 March 2012 (continued)

3 Cash and balances with the UAE Central Bank

	31 March 2012 (reviewed) AED'000	31 December 2011 (audited) AED'000
Cash in hand	357,626	358,966
Balances with the UAE Central Bank	215,523	-
Statutory deposit with the UAE Central Bank	1,427,200	1,385,227
Certificates of deposit with the UAE Central Bank	100,000	100,000
	<u>2,100,349</u>	<u>1,844,193</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 2012 (reviewed) AED'000	31 December 2011 (audited) AED'000
Placements with other banks	615,981	1,640,467
Demand deposits	214,028	254,544
Clearing account balances	68,234	77,240
	<u>898,243</u>	<u>1,972,251</u>

The above represents deposits and balances due from:

Banks in UAE	647,535	1,632,715
Banks outside UAE	250,708	339,536
	<u>898,243</u>	<u>1,972,251</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 2012 (continued)

5 Loans and advances

	31 March 2012 (reviewed) AED'000	31 December 2011 (audited) AED'000
5(a) Loans and advances		
Retail loans	18,844,006	18,345,762
Corporate loans	374,840	360,686
Total loans and advances (Note 5(b))	19,218,846	18,706,448
Provision for impairment (Note 5(c))	(341,980)	(337,978)
Net loans and advances	18,876,866	18,368,470

5(b) Loans and advances

Loans	18,839,062	18,316,740
Overdrafts	282,891	307,482
Loans against trust receipts	70,132	64,566
Bills discounted	16,603	13,170
Others	10,158	4,490
Total loans and advances	19,218,846	18,706,448

5(c) Provision for impairment

	Retail loans AED'000	Corporate loans AED'000	Total AED'000
Balance brought forward			
1 January 2012	305,351	32,627	337,978
Impairment charge/(release)(Note 5(d))	70,135	(58)	70,077
Written off during the period	(65,993)	(82)	(66,075)
Balance carried forward			
31 March 2012 (reviewed)	309,493	32,487	341,980
Balance brought forward			
1 January 2011	269,034	38,860	307,894
Impairment charge/(release)	344,753	(4,668)	340,085
Written off during the year	(308,436)	(1,565)	(310,001)
Balance carried forward			
31 December 2011 (audited)	305,351	32,627	337,978

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

Notes to the condensed interim financial information for the three months ended 31 March 2012 (continued)

5 Loans and advances (continued)

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

	Retail loans AED'000	Corporate loans AED'000	Total AED'000
<u>Three months ended 31 March 2012 (reviewed)</u>			
Impairment (release)/charge	70,135	(58)	70,077
(Recovery)/write off during the period	(9,583)	-	(9,583)
	<u>60,552</u>	<u>(58)</u>	<u>60,494</u>
	Retail loans AED'000	Corporate loans AED'000	Total AED'000
<u>Three months ended 31 March 2011 (reviewed)</u>			
Impairment (release)/charge	95,602	(5,176)	90,426
(Recovery)/write off during the period	(11,796)	2	(11,794)
	<u>83,806</u>	<u>(5,174)</u>	<u>78,632</u>

Net recovery mainly represents amounts recovered from fully written off loans.

5(e) Classified loans and advances

At 31 March 2012, the aggregate amount of non-performing loans amounted to AED 476.64 million (31 December 2011: AED 474.12 million). The provisions in relation to such loans amounted to AED 342 million as at 31 March 2012 (31 December 2011: AED 338 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 2012 (continued)

6 Investment securities

	31 March 2012 (reviewed) AED'000	31 December 2011 (audited) AED'000
Securities available-for-sale		
Quoted debt securities	138,202	151,426
Securities held-to-maturity		
Quoted debt securities	1,468,540	1,012,387
Total investment securities	<u>1,606,742</u>	<u>1,163,813</u>

The composition of the investment portfolio by geography is as follows:

	31 March 2012 AED'000	31 December 2011 AED'000
UAE	1,491,829	1,126,793
Outside UAE	114,913	37,020
	<u>1,606,742</u>	<u>1,163,813</u>

The movement in investment securities is as follows:

	Securities available- for- sale AED'000	Securities held – to – maturity AED'000	Total AED'000
At 1 January 2012	151,426	1,012,387	1,163,813
Purchases	-	456,192	456,192
Maturity	(18,365)	-	(18,365)
Changes in fair value	5,141	-	5,141
Amortisation of discount / (premium)	-	(39)	(39)
At 31 March 2012 (reviewed)	<u>138,202</u>	<u>1,468,540</u>	<u>1,606,742</u>
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 / (premium)	-	339	339
At 31 March 2011(reviewed)	<u>130,462</u>	<u>814,235</u>	<u>944,697</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 2012 (continued)

7 Property and equipment

	Land and buildings	Leasehold Improvements	Other assets	Capital work in progress	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Cost					
At 1 January 2012	503,297	94,339	368,612	271,677	1,237,925
Additions	-	232	2,706	53,959	56,897
Transfers	3,039	-	15,106	(18,145)	-
Disposals	-	-	(853)	-	(853)
At 31 March 2012	506,336	94,571	385,571	307,491	1,293,969
Depreciation					
At 1 January 2012	32,065	47,108	206,585	-	285,758
Charge for the period	3,851	3,172	15,602	-	22,625
Disposals	-	-	(704)	-	(704)
At 31 March 2012	35,916	50,280	221,483	-	307,679
Net book amount					
At 31 March 2012	470,420	44,291	164,088	307,491	986,290
At 31 December 2011	471,232	47,231	162,027	271,677	952,167

Other assets include computer equipment, furniture and fixtures, equipment and motor vehicles. Capital work in progress mainly comprise of the costs pertaining to the new core banking system being implemented by the Bank which is scheduled to be completed in the current financial year.

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

Notes to the condensed interim financial information for the three months ended 31 March 2012 (continued)

7 Property and equipment (continued)

	Land and buildings	Leasehold improvements	Other assets	Capital work in progress	Total
	AED'000	AED'000	AED'000	AED'000	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. Capital work in progress mainly comprise of the costs pertaining to the new core banking system being implemented by the Bank which is scheduled to be completed in the current financial year.

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

Notes to the condensed interim financial information for the three months ended 31 March 2012 (continued)

8 Other assets

	31 March 2012 (reviewed) AED'000	31 December 2011 (audited) AED'000
Interest receivable	163,761	144,957
Prepayments and deposits	59,461	49,104
Others	9,207	7,582
	<u>232,429</u>	<u>201,643</u>

9 Due to customers

	31 March 2012 (reviewed) AED'000	31 December 2011 (audited) AED'000
Time deposits	8,387,560	9,333,198
Current accounts	6,930,426	6,326,947
Savings deposits	2,365,734	1,912,133
Call deposits	905,773	717,887
	<u>18,589,493</u>	<u>18,290,165</u>

Time deposits include AED 262 million (2011: AED 321 million) held by the Bank as cash collateral for loans and advances granted to customers.

10 Subordinated debt

Subordinated debt of AED 684.47 million represents funds received from the UAE Ministry of Finance (MOF) via an agreement dated 31 December 2009. The funds were received as part of a facility set up by the UAE Central Bank to provide liquidity support to banks operating in the UAE and for stimulating and maintaining economic activity in the Country. The subordinated debt is repayable in five years from the date of agreement with an option to extend for a further 2 years. Interest during the tenor of the deposits is payable every three months at the rate of 4% for the first two years, 4.5% in year three, 5% in year four and 5.25% from year five to seven.

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

Notes to the condensed interim financial information for the three months ended 31 March 2012 (continued)

11 Other liabilities

	31 March 2012 (reviewed) AED'000	31 December 2011 (audited) AED'000
Interest payable	68,951	102,359
Accrued expenses	85,704	145,345
Managers cheques issued	72,094	62,800
Others	116,611	132,991
	<u>343,360</u>	<u>443,495</u>

12 Share capital and dividend

At 31 March 2012, the authorised, issued and fully paid share capital of the Bank comprised 1,385.33 million shares of AED 1 each (31 December 2011: 1,385.33 million shares of AED 1 each).

At the meeting held on 22 January 2012, the Board of Directors proposed a stock dividend (issue of bonus shares) of 10% (AED 138.53 million) and a cash dividend of 25% (AED 346.33 million) of the issued and paid up capital. Subsequently, by a circular resolution dated 25 February 2012, the Directors recommended an increase in the cash dividend to 30% (AED 415.6 million) of the issued and paid up capital. This will amount to total dividend of AED 554.13 million in respect of the year ended 31 December 2011 (2010: 20% stock dividend and 20% cash dividend amounting to AED 461.78 million). These dividends will be appropriated and accounted for after approval at the Annual General Meeting to be held on 22 April 2012.

13 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 2012, as these will be effected at the year end based on the Bank's results for the year ending 31 December 2012. The movement in other reserves is on account of fair value gains on investment securities.

At their meeting on 22 January 2012, the Directors recommended the creation of a non-distributable special reserve account to be titled Reserve - Regulatory Credit risk and an appropriation of AED 240 million into this reserve account. This reserve will be maintained at a level of 1.5% of the credit risk weighted assets. The creation of this reserve account and the appropriation of the AED 240 million is awaiting approval by the shareholders at the Annual general Meeting to be held on 22 April 2012.

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

Notes to the condensed interim financial information for the three months ended 31 March 2012 (continued)

14 Contingencies and commitments

	31 March 2012 (reviewed) AED'000	31 December 2011 (audited) AED'000
Commitments to extend credit	5,591,917	5,456,731
Letters of guarantee	354,509	346,037
Letters of credit	25,848	34,529
Acceptances	21,860	21,157
Capital commitments	4,469	4,469
	<u>5,998,603</u>	<u>5,862,923</u>

Commitments to extend credit represent unfunded amounts out of approved limits offered to customers, which are revocable at the discretion of the Bank.

15 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 2012 and 31 December 2011 are as follows:

	Contract amount AED'000	Fair value AED'000
31 March 2012	<u>4,635</u>	<u>68</u>
31 December 2011	<u>208,173</u>	<u>74</u>

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

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

Notes to the condensed interim financial information for the three months ended 31 March 2012 (continued)

16 Interest income and expense

	<u>Three months ended</u> <u>31 March (reviewed)</u>	
	2012	2011
	AED'000	AED'000
Interest income		
Commercial loans and overdrafts	308,284	259,910
Retail loans	139,419	138,021
Credit cards	154,485	142,965
Auto loans	18,884	12,544
Other banks	1,300	1,235
Deposits with the UAE Central Bank	141	1,191
Others	2,332	3,072
	<u>624,845</u>	<u>558,938</u>
Interest expense		
Due to customers	78,821	106,875
Subordinated debt	7,786	6,844
Borrowings from other banks	29	21
	<u>86,636</u>	<u>113,740</u>

17 Fee and commission income

	<u>Three months ended 31</u> <u>March (reviewed)</u>	
	2012	2011
	AED'000	AED'000
Credit cards	46,946	45,770
Commercial loans	19,401	87,276
Retail loans	3,211	20,568
Mortgage loans	5,927	4,343
Auto loans	3,842	3,205
Trade finance	3,012	2,613
Investments	12,999	5,238
Others	20,578	17,593
	<u>115,916</u>	<u>186,606</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 2012 (continued)

18 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. The weighted average number of ordinary shares during the period ended 31 March 2012 amounted to 1,385,326,800 shares (31 March 2011: 1,385,326,800 shares). The effect on earnings per share of the bonus issue discussed in Note 12 will be considered after the bonus issue is approved at the Annual General Meeting to be held on 22 April 2012.

19 Fiduciary activities

The Bank holds assets in a fiduciary capacity for its customers without recourse to itself. At 31 March 2012, such assets amounted to AED 637.71 million (31 December 2011: AED 554.21 million) and are excluded from the condensed interim financial information of the Bank.

20 Cash and cash equivalents

	<u>At 31 March</u>	
	2012	2011
	(reviewed)	(reviewed)
	AED'000	AED'000
Cash in hand and current account with the UAE Central Bank (Note 3)	573,149	242,919
Due from other banks (Note 4)	898,243	1,225,795
	<u>1,471,392</u>	<u>1,468,714</u>
Less : Due from other banks with original maturity of 3 months or more	-	(77,788)
	<u><u>1,471,392</u></u>	<u><u>1,390,926</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 2012 (continued)

21 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;
- Corporate banking – incorporating transactions with corporate bodies including government and public bodies, small and medium entities; and comprising of loans, advances, deposits and trade finance transactions; and
- Treasury – incorporating activities of the dealing room, related money market, foreign exchange transactions with other banks and financial institutions including the UAE Central Bank, none of which constitute a separately reportable segment.

As the Bank's segment operations are all financial with a majority of revenues deriving from interest and fees and commission income, the Executive Committee relies primarily on revenue and segmental results to assess the performance of the segment.

Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in inter-segment revenue. Interest charged for these funds is based on the Bank's cost of funds policy. There are no other material items of income or expense between the business segments.

The Bank's management reporting is based on a measure of operating profit comprising net interest income, loan impairment charges, net fee and commission income, other income and non-interest expenses.

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

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

Notes to the condensed interim financial information for the three months ended 31 March 2012 (continued)

21 Operating segments (continued)

The segment information provided to the Executive Committee for the reportable segments for the period ended 31 March 2012 and 31 March 2011 is as follows:

	Retail banking	Corporate banking	Treasury and others	Unallocated Cost	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
31 March 2012					
External interest income	616,095	7,309	1,441	-	624,845
External interest expense	(53,055)	(20,288)	(13,293)	-	(86,636)
Interest income / expense from other segments	(29,012)	16,788	12,224	-	-
Net Interest income	534,028	3,809	372	-	538,209
Non interest income	123,809	6,449	24,052	-	154,310
Operating income	657,837	10,258	24,424	-	692,519
Operating expense excluding depreciation	(202,256)	(15,761)	(1,242)	(64,856)	(284,115)
Depreciation	(12,085)	(515)	(25)	(10,000)	(22,625)
Total Operating expense	(214,341)	(16,276)	(1,267)	(74,856)	(306,740)
Impairment charge net of write off / recovery	(60,552)	58	-	-	(60,494)
Net profit / (loss)	382,944	(5,960)	23,157	(74,856)	325,285
Segment assets	19,105,865	342,888	4,201,659	-	23,650,412
Unallocated assets				1,050,507	1,050,507
Total assets	19,105,865	342,888	4,201,659	1,050,507	24,700,919
Segment liabilities	11,957,279	5,838,595	1,698,937	-	19,494,811
Unallocated liabilities				178,810	178,810
Total liabilities	11,957,279	5,838,595	1,698,937	178,810	19,673,621

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

Notes to the condensed interim financial information for the three months ended 31 March 2012 (continued)

21 Operating segments (continued)

	Retail banking	Corporate banking	Treasury and others	Unallocated Cost	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
31 March 2011					
External interest income	547,981	8,530	2,427	-	558,938
External interest expense	(72,265)	(28,658)	(12,817)	-	(113,740)
Interest income (expense) from other segments	(31,827)	21,006	10,821	-	-
Net Interest Income	443,889	878	431	-	445,198
Non interest income	191,077	4,804	18,426	-	214,307
Operating Income	634,966	5,682	18,857	-	659,505
Operating expense excluding depreciation	(203,176)	(13,095)	(1,209)	(54,528)	(272,008)
Depreciation	(8,772)	(196)	(11)	(6,742)	(15,721)
Total Operating expense	(211,948)	(13,291)	(1,220)	(61,270)	(287,729)
Impairment charge net of write off / recovery	(78,566)	(66)	-	-	(78,632)
Net profit / (loss)	344,452	(7,675)	17,637	(61,270)	293,144
At 31 December 2011					
Segment assets	18,545,904	328,201	4,552,347	-	23,426,452
Unallocated assets				1,076,085	1,076,085
Total assets	18,545,904	328,201	4,552,347	1,076,085	24,502,537
Segment liabilities	11,588,574	5,784,399	2,187,229	-	19,560,202
Unallocated liabilities				245,463	245,463
Total liabilities	11,588,574	5,784,399	2,187,229	245,463	19,805,665

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

Notes to the condensed interim financial information for the three months ended 31 March 2012 (continued)

22 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:

	Three months ended 31 March	
	2012	2011
	(reviewed)	(reviewed)
	AED'000	AED'000
Transactions during the period		
Interest income	439	377
Interest expense	3,696	7,410
Commission income	40	593
Directors' remuneration	1,508	4,080
Remuneration payable to key management personnel	4,134	3,782
	<u>4,134</u>	<u>3,782</u>
	31 March	31
	2012	December
	(reviewed)	2011
	AED'000	(audited)
	AED'000	AED'000
Balances		
Loans and advances:		
- Shareholders and their related companies	135	-
- Directors and their related companies	2,191	2,235
- Key management personnel	40,179	38,778
	<u>42,505</u>	<u>41,013</u>
Due to customers:		
- Shareholders and their related companies	862,823	934,513
- Directors and their related companies	59,496	36,733
- Key management personnel	31,257	20,339
	<u>953,576</u>	<u>991,585</u>
Irrevocable commitments and contingent liabilities and forward contracts		
- Shareholders and their related companies	52,616	51,920
- Directors and their related companies	498	478
	<u>53,114</u>	<u>52,398</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 2012 (continued)

23 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 2012 (reviewed) AED'000	31 December 2011 (audited) AED'000
Tier 1 capital		
Ordinary share capital	1,385,327	1,385,327
Share premium	110,350	110,350
Statutory and other reserves	2,048,910	1,677,237
Retained earnings	1,157,426	320,418
Total	4,702,013	3,493,332
Tier 2 capital		
Subordinated debt	684,467	684,467
Total capital base	5,386,480	4,177,799
Risk weighted assets		
On balance sheet	20,585,476	20,044,588
Off balance sheet	282,065	276,944
Total risk weighted assets	20,867,541	20,321,532
Risk asset ratio on total capital base (%)	25.81%	20.56%
Risk asset ratio on tier 1 capital base (%)	22.53%	17.19%
Minimum risk asset ratio required by the UAE Central Bank	12.00%	12.00%

The above capital adequacy ratios will be affected by the approval by the shareholders of the dividend appropriation (Note 12) at the Annual General Meeting to be held on 22 April 2012. The capital adequacy ratios after taking into account the dividend appropriation will, however, be higher than the minimum capital adequacy ratio required by the UAE Central Bank.