

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

**Condensed interim financial information  
for the six months ended 30 June 2011**

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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 condensed interim balance sheet of The National Bank of Ras Al-Khaimah (P.S.C.) ("the Bank") as of 30 June 2011 and the related condensed interim statements of income, comprehensive income, changes in equity and cash flows for the six month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 – Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

**Scope of review**

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

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

PricewaterhouseCoopers  
23 July 2011



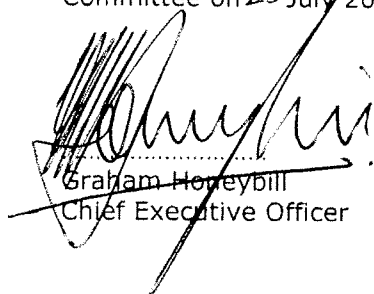
Paul Suddaby  
Registered Auditor Number 309  
Dubai, United Arab Emirates

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

## Balance sheet

	Notes	30 June 2011 (reviewed) AED'000	31 December 2010 (audited) AED'000
<b>ASSETS</b>			
Cash and balances with the UAE Central Bank	3	2,099,691	1,935,059
Due from other banks	4	848,783	1,303,207
Loans and advances	5	17,516,180	16,401,741
Investment securities	6	1,071,445	767,983
Property and equipment	7	860,261	771,948
Other assets	8	232,616	200,013
<b>Total assets</b>		<b>22,628,976</b>	<b>21,379,951</b>
<b>LIABILITIES</b>			
Due to other banks		390,587	100,469
Due to customers	9	17,729,692	17,054,596
Other liabilities	10	376,236	462,920
Provision for employees' end of service benefits		49,007	45,608
<b>Total liabilities</b>		<b>18,545,522</b>	<b>17,663,593</b>
<b>EQUITY</b>			
Share capital	11	1,385,327	1,154,439
Share premium		110,350	110,350
Retained earnings		909,567	782,194
Other reserves	12	1,678,210	1,669,375
<b>Total equity</b>		<b>4,083,454</b>	<b>3,716,358</b>
<b>Total liabilities and equity</b>		<b>22,628,976</b>	<b>21,379,951</b>

This condensed interim financial information was approved by the Executive Committee on 23 July 2011 and was signed on its behalf by:

  
 Graham Honeybill  
 Chief Executive Officer

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

### Income statement (reviewed)

	Notes	<u>Three months ended 30</u>		<u>Six months ended 30</u>	
		<u>June</u>		<u>June</u>	
		2011	2010	2011	2010
		AED'000	AED'000	AED'000	AED'000
Interest income	15	583,827	497,286	1,142,765	957,471
Interest expense	15	(95,728)	(103,128)	(209,468)	(190,511)
<b>Net interest income</b>		<u>488,099</u>	<u>394,158</u>	<u>933,297</u>	<u>766,960</u>
Fee and commission income	16	121,249	134,955	307,855	273,313
Foreign exchange income		14,735	9,788	28,051	18,516
Investment income		11,934	2,906	23,031	4,815
Other operating income		5,768	3,135	9,056	6,544
<b>Operating income</b>		<u>641,785</u>	<u>544,942</u>	<u>1,301,290</u>	<u>1,070,148</u>
Operating expenses		(276,080)	(237,192)	(563,809)	(453,057)
Provision for impairment of loans and advances net of write back	5(d)	(69,700)	(67,508)	(148,332)	(148,784)
<b>Profit for the period</b>		<u>296,005</u>	<u>240,242</u>	<u>589,149</u>	<u>468,307</u>
Basic earnings per share	17	<u>AED 0.21</u>	<u>AED 0.17</u>	<u>AED 0.43</u>	<u>AED 0.34</u>

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

### Statement of comprehensive income (reviewed)

	Note	<u>Three months ended 30</u>		<u>Six months ended 30</u>	
		<u>June</u>		<u>June</u>	
		2011	2010	2011	2010
		AED'000	AED'000	AED'000	AED'000
<b>Profit for the period</b>		296,005	240,242	589,149	468,307
<b>Other comprehensive income:</b>					
Net changes in fair value of available-for-sale investment securities	6	3,289	(2,511)	8,835	7,138
Release of fair value loss to income statement on disposal of available-for-sale investment securities		-	-	-	1,221
<b>Other comprehensive income for the period</b>		<u>3,289</u>	<u>(2,511)</u>	<u>8,835</u>	<u>8,359</u>
<b>Total comprehensive income for the period</b>		<u><u>299,294</u></u>	<u><u>237,731</u></u>	<u><u>597,984</u></u>	<u><u>476,666</u></u>

## 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
<b>At 1 January 2010</b>	962,033	110,350	556,809	1,167,784	2,796,976
Issue of bonus shares (Note 11)	192,406	-	(192,406)	-	-
Dividend (Note 11)	-	-	(96,203)	-	(96,203)
Total comprehensive income for the period	-	-	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>
<b>At 1 January 2011</b>	1,154,439	110,350	782,194	1,669,375	3,716,358
Issue of bonus shares (Note 11)	230,888	-	(230,888)	-	-
Dividend (Note 11)	-	-	(230,888)	-	(230,888)
Total comprehensive income for the period	-	-	589,149	8,835	597,984
<b>At 30 June 2011</b>	<u>1,385,327</u>	<u>110,350</u>	<u>909,567</u>	<u>1,678,210</u>	<u>4,083,454</u>

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

## Statement of cash flows (reviewed)

	Notes	Six months ended 30 June	
		2011 AED'000	2010 AED'000
<b>Operating activities</b>			
Profit for the period		589,149	468,307
Adjustments:			
Net charge for provision for impairment of loans and advances	5(d)	148,332	148,784
Depreciation	7	34,977	23,881
Provision for employees' end of service benefits		6,073	5,005
Gain on disposal of property and equipment		(469)	(9)
Amortisation of discount relating to debt security in issue		-	359
Amortisation of discount relating to securities held to maturity	6	(652)	(1,254)
Release of fair value change to profit and loss		-	1,221
		<hr/>	<hr/>
Operating cash flows before changes in assets and liabilities		777,410	646,294
Payment of employees' end of service benefits		(2,674)	(1,056)
Changes in assets and liabilities:			
Deposits with the UAE Central Bank	3	(251,843)	(89,738)
Due from other banks with original maturity of three months or over		(89,513)	(454,505)
Loans and advances net of provisions for impairment		(1,262,771)	(1,805,748)
Other assets	8	(32,603)	(24,029)
Due to other banks		290,118	15,139
Due to customers	9	675,096	2,519,340
Other liabilities	10	(86,684)	(10,179)
		<hr/>	<hr/>
Net cash generated from operating activities		16,536	795,518
		<hr/>	<hr/>
<b>Investing activities</b>			
Purchase of investment securities	6	(349,070)	(3,673)
Purchase of property and equipment	7	(123,548)	(86,744)
Proceeds from maturity/disposal of investments	6	55,095	56,334
Proceeds from disposal of property and equipment		727	72
		<hr/>	<hr/>
Net cash used in investing activities		(416,796)	(34,011)
		<hr/>	<hr/>
<b>Financing activities</b>			
Dividends paid	11	(230,888)	(96,203)
Repurchase of debt security in issue		-	(196,506)
		<hr/>	<hr/>
Cash used in financing activities		(230,888)	(292,709)
		<hr/>	<hr/>
<b>Net (decrease)/increase in cash and cash equivalents</b>		(631,148)	468,798
Cash and cash equivalents, beginning of the period		1,842,574	1,528,840
		<hr/>	<hr/>
Cash and cash equivalents, end of the period	19	1,211,426	1,997,638
		<hr/>	<hr/>



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

## **Notes to the condensed interim financial information for the six months ended 30 June 2011**

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

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

The Bank is engaged in providing retail and commercial banking services through a network of 31 branches in the UAE.

The condensed interim financial information has been reviewed, not audited.

### **2 Significant accounting policies**

#### **2.1 Basis of preparation**

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

The accounting policies applied in the preparation of the condensed interim financial information are consistent with those applied in the annual financial statements for the year ended 31 December 2010.

The condensed interim financial information should therefore be read in conjunction with the financial statements for the year ended 31 December 2010.

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

#### Standard that is effective for the Bank's accounting period beginning on 1 January 2011

The following applicable new standard has been published and is effective for the Bank's accounting periods beginning on 1 January 2011.

- Revised IAS 24, 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised IAS 24 is required to be applied from 1 January 2011.

Management has assessed the impact of the above new standard on the Bank's financial statements and has concluded that the effect on the Bank's financial statements is not likely to be material.

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

## Notes to the condensed interim financial information for the six months ended 30 June 2011 (continued)

### 2 Significant accounting policies (continued)

#### 2.1 Basis of preparation (continued)

Standards issued and amendment to the published standard which are not yet effective and have not been early adopted by the Bank

The following applicable new standards and amendment to the published standard have been issued but are not effective for the financial year beginning 1 January 2011 and has not been early adopted by the Bank:

- Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income (effective 1 July 2012)
- IFRS 9, 'Financial instruments' – classification of financial assets and financial liabilities (effective 1 January 2013)
- IFRS 13, 'Fair value measurement' (effective 1 January 2013).

While adoption of IFRS 9 and IFRS 13 is mandatory from 1 January 2013, earlier adoption is permitted. The bank is considering the implications of these standards, their impact on the financial statements of the Bank and the timing of their adoption. The adoption of the amendment to IAS 1 is not likely to have a significant impact on the Banks financial statements.

#### 2.2 Investment securities

The Bank classifies its investment securities in the following categories: held-to-maturity investments and available-for-sale investments. Management determines the classification of its investments at initial recognition.

*Held-to-maturity:* Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. If the Bank were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be reclassified as available for sale.

*Available-for-sale:* Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Regular-way purchases and sales of financial assets at fair value through profit or loss, held to maturity and available-for-sale are recognised on trade-date, the date on which the Bank commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership.

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

## **Notes to the condensed interim financial information for the six months ended 30 June 2011** (continued)

### **2 Significant accounting policies** (continued)

#### **2.2 Investment securities** (continued)

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 Bank assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the asset is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in income statement – is removed from the statement of comprehensive income and recognised in the income statement. Impairment losses recognised in the income statement on available-for-sale equity instruments are not reversed through the income statement.

The Bank assesses at each balance sheet date whether there is objective evidence that debt securities classified as available-for-sale and those held to maturity are impaired. Debt securities are impaired and impairment losses are incurred only if there is objective evidence that the Bank will not be able to collect all amounts due.

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings; and
- Deterioration of the borrower's competitive position.

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

## Notes to the condensed interim financial information for the six months ended 30 June 2011 (continued)

### 2 Significant accounting policies (continued)

#### 2.2 Investment securities (continued)

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

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

	30 June 2011 (reviewed) AED'000	31 December 2010 (audited) AED'000
Cash in hand and balances with UAE Central Bank	452,156	539,367
Statutory deposit with the UAE Central Bank	1,247,535	905,692
Certificate of deposits with the UAE Central Bank	400,000	490,000
	<u>2,099,691</u>	<u>1,935,059</u>

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

### 4 Due from other banks

	30 June 2011 (reviewed) AED'000	31 December 2010 (audited) AED'000
Placements with other banks	673,635	1,089,210
Demand deposits	32,145	114,907
Clearing account balances	143,003	99,090
	<u>848,783</u>	<u>1,303,207</u>
The above represents deposits and balances due from:		
Banks in UAE	779,958	1,154,770
Banks outside UAE	68,825	148,437
	<u>848,783</u>	<u>1,303,207</u>

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

### Notes to the condensed interim financial information for the six months ended 30 June 2011 (continued)

#### 5 Loans and advances

	30 June 2011 (reviewed) AED'000	31 December 2010 (audited) AED'000
<b>5(a) Loans and advances</b>		
Retail loans	17,473,218	16,320,027
Corporate loans	364,942	389,608
<b>Total loans and advances</b> (Note 5(b))	17,838,160	16,709,635
Provision for impairment (Note 5(c))	(321,980)	(307,894)
<b>Net loans and advances</b>	<u>17,516,180</u>	<u>16,401,741</u>

#### 5(b) Loans and advances

Loans	17,452,541	16,277,480
Overdrafts	300,953	340,325
Loans against trust receipts	59,887	71,573
Bills discounted	12,990	14,285
Others	11,789	5,972
<b>Total loans and advances</b>	<u>17,838,160</u>	<u>16,709,635</u>

#### 5(c) Provision for impairment

	Retail loans AED'000	Corporate loans AED'000	Total AED'000
Balance brought forward			
31 December 2010	269,034	38,860	307,894
Impairment charge/(release)(Note 5(d))	177,152	(5,118)	172,034
Written back/off during the period	(157,278)	(670)	(157,948)
Balance carried forward			
30 June 2011 (reviewed)	<u>288,908</u>	<u>33,072</u>	<u>321,980</u>
Balance brought forward			
31 December 2009	301,022	45,714	346,736
Impairment charge/(release)	329,240	(2,084)	327,156
Written back/off during the year	(361,228)	(4,770)	(365,998)
Balance carried forward			
31 December 2010 (audited)	<u>269,034</u>	<u>38,860</u>	<u>307,894</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 2011 (continued)

#### 5 Loans and advances (continued)

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

Three months ended (reviewed)	Retail loans AED'000	Corporate loans AED'000	Total AED'000
30 June 2011			
Impairment charge	81,550	58	81,608
Write (back)/off during the period	(11,908)		(11,908)
	<u>69,642</u>	<u>58</u>	<u>69,700</u>
30 June 2010			
Impairment charge	84,142	(2,076)	82,066
Write back during the period	(14,558)	-	(14,558)
	<u>69,584</u>	<u>(2,076)</u>	<u>67,508</u>
<b>Six months ended (reviewed)</b>	<b>Retail loans AED'000</b>	<b>Corporate loans AED'000</b>	<b>Total AED'000</b>
30 June 2011			
Impairment charge	177,152	(5,118)	172,034
Write (back)/off during the period	(23,704)	2	(23,702)
	<u>153,448</u>	<u>(5,116)</u>	<u>148,332</u>
30 June 2010			
Impairment charge	177,544	(2,157)	175,387
Write back during the period	(26,603)	-	(26,603)
	<u>150,941</u>	<u>(2,157)</u>	<u>148,784</u>

##### 5(e) Classified loans and advances

At 30 June 2011 the aggregate amount of non-performing loans amounted to AED 524.48 million (31 December 2010: AED 411.52 million), these amounts do not take into account the value of the collateral. Specific provisions in relation to such loans amounted to AED 255.3 million as at 30 June 2011 (31 December 2010: AED 200.29 million). In addition, a collective impairment provision amounting to AED 66.68 million was held by the Bank at 30 June 2011 (31 December 2010: AED 107.6 million).

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

### Notes to the condensed interim financial information for the six months ended 30 June 2011 (continued)

#### 6 Investment securities

	30 June 2011 (reviewed) AED'000	31 December 2010 (audited) AED'000
<b>Securities available-for-sale</b>		
Quoted debt securities	133,751	124,916
<b>Securities held-to-maturity</b>		
Quoted debt securities	937,694	643,067
<b>Total investment securities</b>	<u>1,071,445</u>	<u>767,983</u>

The composition of investment portfolio by geography is as follows:

	30 June 2011 AED'000	31 December 2010 AED'000
UAE	1,071,445	749,618
Outside UAE	-	18,365
	<u>1,071,445</u>	<u>767,983</u>

The movement in investment securities is summarised as follows:

	<b>Securities available-for- sale</b> AED'000	<b>Securities held - to - maturity</b> AED'000	<b>Total</b> 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 (reviewed)	<u>120,441</u>	<u>233,617</u>	<u>354,058</u>
At 1 January 2011	124,916	643,067	767,983
Purchases		349,070	349,070
Maturities		(55,095)	(55,095)
Changes in fair value	8,835		8,835
Amortisation of discount		652	652
At 30 June 2011 (reviewed)	<u>133,751</u>	<u>937,694</u>	<u>1,071,445</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 2011 (continued)

#### 7 Property and equipment

	Land and buildings AED'000	Leasehold improvements AED'000	Other assets AED'000	Capital work in progress AED'000	Total AED'000
<b>Cost</b>					
At 1 January 2011	469,811	62,796	255,923	201,443	989,973
Additions	6,570	595	6,782	109,601	123,548
Transfers	15,137	9,625	44,192	(68,954)	-
Disposals	-	-	(9,421)	-	(9,421)
At 30 June 2011	491,518	73,016	297,476	242,090	1,104,100
<b>Depreciation</b>					
At 1 January 2011	17,389	36,293	164,343	-	218,025
Charge for the period	7,232	4,103	23,642	-	34,977
Disposals	-	-	(9,163)	-	(9,163)
At 30 June 2011	24,621	40,396	178,822	-	243,839
<b>Net book amount</b>					
At 30 June 2011	466,897	32,620	118,654	242,090	860,261
At 31 December 2010	452,422	26,503	91,580	201,443	771,948

Other assets include computer equipment, furniture and fixtures, equipment and motor vehicles.



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

### Notes to the condensed interim financial information for the six months ended 30 June 2011 (continued)

#### 7 Property and equipment (continued)

	Land and buildings AED'000	Leasehold improvements AED'000	Other assets AED'000	Capital work in progress AED'000	Total AED'000
<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	<u>278,124</u>	<u>57,113</u>	<u>221,467</u>	<u>315,518</u>	<u>872,222</u>
<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	<u>13,371</u>	<u>32,975</u>	<u>145,705</u>	<u>-</u>	<u>192,051</u>
<b>Net book amount</b>					
At 30 June 2010	<u>264,753</u>	<u>24,138</u>	<u>75,762</u>	<u>315,518</u>	<u>680,171</u>
At 31 December 2009	<u>72,152</u>	<u>19,446</u>	<u>80,705</u>	<u>445,068</u>	<u>617,371</u>

Other assets include computer equipment, furniture and fixtures, equipment and motor vehicles.

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

### Notes to the condensed interim financial information for the six months ended 30 June 2011 (continued)

#### 8 Other assets

	30 June 2011 (reviewed) AED'000	31 December 2010 (audited) AED'000
Interest receivable	136,090	124,381
Prepayments and deposits	45,456	35,434
Others	51,070	40,198
	<u>232,616</u>	<u>200,013</u>

#### 9 Due to customers

	30 June 2011 (reviewed) AED'000	31 December 2010 (audited) AED'000
Time deposits	8,653,750	10,314,215
Current accounts	6,456,678	5,330,185
Savings deposits	1,823,108	924,316
Call deposits	796,156	485,880
	<u>17,729,692</u>	<u>17,054,596</u>

Term deposits include AED 311.85 million (2010: AED 432.77 million) held by the Bank as cash collateral for loans and advances granted to customers.

#### 10 Other liabilities

	30 June 2011 (reviewed) AED'000	31 December 2010 (audited) AED'000
Interest Payable	86,265	155,244
Accrued expenses	122,609	140,173
Managers cheques issued	72,842	89,370
Others	94,520	78,133
	<u>376,236</u>	<u>462,920</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 2011 (continued)

### 11 Share capital and dividend

At 30 June 2011 the authorised, issued and fully paid share capital of the Bank comprised 1,385.33 million shares of AED 1 each (31 December 2010: 1,154.44 million shares of AED 1 each).

At the meeting of the shareholders held on 27 February 2011, the shareholders of the Bank approved a stock dividend (issue of bonus shares) in respect of 2010 at 20% of the issued and paid up capital amounting to AED 230.88 million (2009: AED 192.4 million) and cash dividend at 20% of the issued and paid up capital amounting to AED 230.88 million (2009: AED 96.2 million) and, accordingly the authorised and issued share capital was increased by this amount.

### 12 Other reserves

Other reserves include legal reserve and voluntary reserve. In accordance with the Articles of Association of the Bank, 10% of the net profit for the year is to be transferred to a legal reserve until such time as the balance in the reserve equals 50% of the issued share capital and 10% of the net profit for the year is to be transferred to a voluntary reserve until such time as the balance in the reserve equals 20% of the issued share capital. No allocations to the legal reserve and the voluntary reserve have been made for the six month period ended 30 June 2011, as these will be effected at the year end based on the Bank's results for the year ending 31 December 2011. The movement in other reserves is on account of fair value gains on investment securities.

### 13 Contingencies and commitments

	30 June 2011 (reviewed) AED'000	31 December 2010 (audited) AED'000
Commitments to extend credit	5,381,647	4,961,388
Letters of guarantee	348,877	374,580
Letters of credit	34,608	51,421
Acceptances	20,180	17,506
Capital commitments	6,801	7,996
	<u>5,792,113</u>	<u>5,412,891</u>

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

### Notes to the condensed interim financial information for the six months ended 30 June 2011 (continued)

#### 14 Forward foreign exchange contracts

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

Outstanding forward foreign exchange transactions at 30 June 2011 and 31 December 2010 are as follows:

	Contract amount AED'000	Fair value AED'000
30 June 2011	503,584	6
31 December 2010	47,632	10

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

#### 15 Interest income and expense

	<u>Three months ended</u> <u>30 June (reviewed)</u>		<u>Six months ended 30</u> <u>June (reviewed)</u>	
	2011 AED'000	2010 AED'000	2011 AED'000	2010 AED'000
<b>Interest income</b>				
Commercial loans and overdrafts	275,042	200,785	534,952	378,014
Retail loans	136,442	141,475	274,463	278,537
Credit cards	152,357	138,210	295,322	268,012
Auto loans	14,653	10,587	27,197	20,600
Other banks	1,215	1,728	2,450	2,834
Deposits with the UAE				
Central Bank	1,031	862	2,222	1,816
Others	3,087	3,639	6,159	7,658
	<u>583,827</u>	<u>497,286</u>	<u>1,142,765</u>	<u>957,471</u>
<b>Interest expense</b>				
Due to customers	95,709	100,737	209,428	185,151
Borrowings from other banks	19	2,391	40	5,360
	<u>95,728</u>	<u>103,128</u>	<u>209,468</u>	<u>190,511</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 2011 (continued)

#### 16 Fee and commission income

	<u>Three months ended</u> <u>30 June (reviewed)</u>		<u>Six months ended 30</u> <u>June (reviewed)</u>	
	2011 AED'000	2010 AED'000	2011 AED'000	2010 AED'000
Credit Cards	45,125	45,408	90,895	89,593
Commercial loans	24,989	42,132	113,203	98,025
Retail loans	4,043	10,768	24,612	22,920
Mortgage Loans	4,954	4,855	9,297	9,435
Auto Loans	3,542	2,432	6,747	4,731
Trade Finance	2,592	2,488	5,204	5,041
Others	36,004	26,872	57,897	43,568
	<u>121,249</u>	<u>134,955</u>	<u>307,855</u>	<u>273,313</u>

#### 17 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 2011 amounted to 1,385,326,800 shares (30 June 2010: 1,385,326,800 shares).

#### 18 Fiduciary activities

The Bank holds assets in a fiduciary capacity for its customers without recourse to itself. At 30 June 2011, such assets amounted to AED 354.67 million (31 December 2010: AED 261.28 million) and are excluded from the condensed interim financial information of the Bank.

#### 19 Cash and cash equivalents

	<u>At 30 June</u>	
	2011 (reviewed) AED'000	2010 (reviewed) AED'000
Cash in hand and current account with the UAE Central Bank (Note 3)	452,156	434,461
Due from other banks (Note 4)	848,783	2,017,682
	<u>1,300,939</u>	<u>2,452,143</u>
Less : Due from other banks with original maturity of 3 months or more	(89,513)	(454,505)
	<u>1,211,426</u>	<u>1,997,638</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 2011** (continued)

#### **20 Operating segments**

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Executive Committee (the chief operating decision-maker), which is responsible for allocating resources to the reportable segments and assesses its performance. All operating segments used by the Bank meet the definition of a reportable segment under IFRS 8.

The Bank has three main business segments:

- Retail banking – incorporating private customer current accounts, savings accounts, deposits, credit and debit cards, customer loans and mortgages;
- Business banking – incorporating transactions with corporate bodies including government and public bodies and comprising of loans, advances, deposits and trade finance transactions; and
- Treasury – incorporating activities of the dealing room, related money market, foreign exchange transactions with other banks and financial institutions including the UAE Central Bank, none of which constitute a separately reportable segment.

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

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

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

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

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

### Notes to the condensed interim financial information for the six months ended 30 June 2011 (continued)

#### 20 Operating segments (continued)

The segment information provided to the Executive Committee for the reportable segments for the period ended 30 June 2011 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 2011</b>				
Total segment revenue	1,558,653	70,513	82,897	1,712,063
Inter-segment revenue	(116,606)	(44,663)	(40,036)	(201,305)
Total revenue from external customers	1,442,047	25,850	42,861	1,510,758
Segment result	684,268	(14,245)	36,608	706,631
Unallocated costs				(117,482)
<b>Net profit for the period</b>				589,149
Impairment charge	153,448	(5116)	-	148,332
Depreciation	19,025	533	15,419	34,977
<b>At 30 June 2011</b>				
Total assets	17,778,932	332,446	4,517,598	22,628,976
Total liabilities	11,294,869	5,196,405	2,054,248	18,545,522

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

### Notes to the condensed interim financial information for the six months ended 30 June 2011 (continued)

#### 20 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 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>				<b>468,307</b>
Impairment charge	150,949	(2,165)	-	148,784
Depreciation	13,655	429	9,797	23,881
<b>At 31 December 2010</b>				
Total assets	16,556,715	350,862	4,472,374	21,379,951
Total liabilities	11,042,573	4,964,543	1,656,477	17,663,593



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

## Notes to the condensed interim financial information for the six months ended 30 June 2011 (continued)

### 21 Related parties balances

Related parties comprise key management, businesses controlled by shareholders and directors as well as businesses over which they exercise significant influence. During the period, the Bank entered into transactions with related parties in the ordinary course of business. The transactions with related parties and balances arising from these transactions are as follows:

	<u>Six months ended 30 June</u>	
	2011 (reviewed) AED'000	2010 (reviewed) AED'000
<b>Transactions during the period</b>		
Interest income	74	723
Interest expense	10,572	13,978
Commission income	613	115
Directors' remuneration	5,442	1,219
Remuneration payable to key management personnel	7,767	7,827
	<u>7,767</u>	<u>7,827</u>
	30 June 2011 (reviewed) AED'000	31 December 2010 (audited) AED'000
<b>Balances</b>		
Loans and advances:		
- Shareholders and their related companies	-	2,543
- Directors and their related companies	2,266	388
	<u>2,266</u>	<u>2,931</u>
Due to customers:		
- Shareholders and their related companies	932,662	1,104,222
- Directors and their related companies	74,575	175,973
	<u>1,007,237</u>	<u>1,280,195</u>
<b>Irrevocable commitments and contingent liabilities</b>		
- Shareholders and their related companies	51,114	48,241
- Directors and their related companies	479	379
	<u>51,593</u>	<u>48,620</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 2011 (continued)

#### 22 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:

	30 June 2011 (reviewed) AED'000	31 December 2010 (audited) AED'000
<b>Tier 1 capital</b>		
Ordinary share capital	1,385,327	1,154,439
Share premium	110,350	110,350
Statutory and other reserves	1,678,210	1,180,618
Retained earnings	320,418	268,200
Total	<u>3,494,305</u>	<u>2,713,607</u>
<b>Tier 2 capital</b>		
Subordinated debt	684,467	684,467
Total capital base	<u>4,178,772</u>	<u>3,398,074</u>
<b>Risk weighted assets</b>		
On balance sheet	18,899,524	17,395,125
Off balance sheet	298,675	267,797
Total risk weighted assets	<u>19,198,199</u>	<u>17,662,922</u>
<b>Risk asset ratio on total capital base (%)</b>	21.77%	19.24%
<b>Risk asset ratio on tier 1 capital base (%)</b>	18.20%	15.36%
Minimum risk asset ratio required by the UAE Central Bank	<u>12.00%</u>	<u>12.00%</u>