

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

**Interim condensed financial information
for the three months ended 31 March 2006**

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

We have reviewed the accompanying interim condensed balance sheet of The National Bank of Ras Al Khaimah (P.S.C.) (“the Bank”) as at 31 March 2006 and the related interim condensed statements of income, cash flows and changes in shareholders’ equity for the three months then ended, prepared for interim reporting purposes. The interim condensed financial information set out on pages 2 to 11 are the responsibility of the management of the Bank. Our responsibility is to issue a report on the interim condensed financial information based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the interim financial information is free of material misstatement. A review is limited primarily to enquiries of Bank’s personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

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

PricewaterhouseCoopers
20 April 2006

Amin H. Nasser
Registered Auditor Number 307

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

Condensed balance sheet

	Notes	31 March 2006 AED'000	31 December 2005 AED'000
ASSETS			
Cash and balances with the UAE Central Bank	3	538,296	563,044
Due from other banks		1,161,529	900,729
Loans and advances	4	5,845,764	5,392,800
Investment securities	5	490,133	321,150
Property and equipment		92,275	94,326
Other assets		104,786	73,969
Total assets		8,232,783	7,346,018
LIABILITIES			
Due to other banks		493,335	550,913
Due to customers		5,219,890	4,913,181
Debt security in issue		1,281,670	731,703
Other liabilities		172,443	126,832
Provision for employees' end of service benefits		12,406	11,361
Total liabilities		7,179,744	6,333,990
SHAREHOLDERS' EQUITY			
Share capital	6	536,250	412,500
Share premium		110,350	110,350
Retained earnings		106,360	174,399
Other reserves	7	300,079	314,779
Total shareholders' equity		1,053,039	1,012,028
Total liabilities and shareholders' equity		8,232,783	7,346,018

The notes on pages 6 to 11 form an integral part of the interim condensed financial information.

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

Condensed statement of income

	Notes	<u>Three months ended 31 March</u>	
		2006	2005
		AED'000	AED'000
Interest income		138,815	96,952
Interest expense		(52,484)	(24,444)
Net interest income		<u>86,331</u>	<u>72,508</u>
Other operating income		56,260	36,192
Operating income		<u>142,591</u>	<u>108,700</u>
Operating expenses		(68,689)	(55,615)
Provision for impairment of loans and advances	4(c)	(18,191)	(10,370)
Net profit for the period		<u><u>55,711</u></u>	<u><u>42,715</u></u>
Earnings per share			
Basic	10	<u><u>AED 0.10</u></u>	<u><u>AED 0.08</u></u>

The notes on pages 6 to 11 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 2005	343,750	110,350	126,858	217,375	798,333
Net profit for the period	-	-	42,715	-	42,715
At 31 March 2005	343,750	110,350	169,573	217,375	841,048
At 1 January 2006	412,500	110,350	174,399	314,779	1,012,028
Issue of bonus shares (Note 6)	123,750	-	(123,750)	-	-
Net changes in available-for- sale investments securities	-	-	-	(14,700)	(14,700)
Net profit for the period	-	-	55,711	-	55,711
At 31 March 2006	536,250	110,350	106,360	300,079	1,053,039

The notes on pages 6 to 11 form an integral part of the interim condensed financial information.

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

Condensed statement of cash flows

	Notes	<u>Three months ended 31 March</u>	
		2006	2005
		AED'000	AED'000
Operating activities			
Net profit for the period		55,711	42,715
Adjustments:			
Net charge for provision for impairment of loans and advances	4(c)	17,087	9,648
Depreciation		4,150	3,544
Provision for employees' end of service benefits (net)		1,045	499
Gain on disposal of property and equipment		-	(87)
Amortisation of discount relating to securities held to maturity		(32)	-
Gain on disposal of investment securities		-	(2,202)
		<hr/>	<hr/>
Operating cash flows before changes in assets and liabilities		77,961	54,117
Changes in assets and liabilities:			
Deposits with the UAE Central Bank		(6,322)	71,790
Due from other banks with maturities over three months		(18,365)	(55,095)
Loans and advances net of provisions and amounts written off		(470,051)	(460,670)
Other assets		(30,817)	(6,325)
Due to other banks		(57,578)	208,741
Due to customers		306,709	63,664
Other liabilities		45,611	9,633
		<hr/>	<hr/>
Net cash used in operating activities		(152,852)	(114,145)
Investing activities			
Purchase of investment securities		(183,651)	(10,130)
Purchase of property and equipment		(2,099)	(2,986)
Proceeds from sale of investment securities		-	18,252
Proceeds from disposal of property and equipment		-	87
		<hr/>	<hr/>
Cash (used in) / provided by investing activities		(185,750)	5,223
Financing activities			
Debt securities in issue		549,967	-
		<hr/>	<hr/>
Cash provided by financing activities		549,967	-
		<hr/>	<hr/>
Net increase / (decrease) in cash and cash equivalents		211,365	(108,922)
Cash and cash equivalents, beginning of the period		1,156,421	606,230
		<hr/>	<hr/>
Cash and cash equivalents, end of the period		1,367,786	497,308
		<hr/> <hr/>	<hr/> <hr/>

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

Notes to the interim condensed financial information for the three months ended 31 March 2006

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 2005.

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 2005 financial statements.

Interpretations and amendments to published standards effective in 2006

Management has assessed the relevance of the interpretation and amendment to published standards effective in 2006 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.

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

Notes to the interim condensed financial information for the three months ended 31 March 2006 (continued)

3 Cash and balances with the UAE Central Bank

	31 March 2006 AED'000	31 December 2005 AED'000
Cash in hand	86,254	105,756
Balances with the UAE Central Bank	452,042	457,288
	<u>538,296</u>	<u>563,044</u>

Balances with the UAE Central Bank include statutory deposits of AED 276.9 million (31 December 2005: 270.6 million) is not available to finance the day to day operations of the Bank.

4 Loans and advances

	31 March 2006 AED'000	31 December 2005 AED'000
4(a) Loans and advances		
Loans	5,478,487	5,025,390
Overdrafts	457,375	467,300
Loans against trust receipts	40,624	45,033
Bills discounted	40,259	23,920
Others	4,489	496
Total loans and advances	<u>6,021,234</u>	<u>5,562,139</u>
Provision for impairment	(175,470)	(169,339)
Net loans and advances	<u>5,845,764</u>	<u>5,392,800</u>
4(b) Provision for impairment		
Balance brought forward	169,339	180,753
Net charge for provision for impairment during the period /year	17,087	45,479
Written off during the period/year	(10,956)	(56,893)
Balance carried forward	<u>175,470</u>	<u>169,339</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 2006 (continued)

4 Loans and advances (continued)

4(c) Net charge for the period

	Three months ended 31 March	
	2006 AED'000	2005 AED'000
Net charge for provision for impairment during the period	17,087	9,648
Write off during the period	1,104	722
	<u>18,191</u>	<u>10,370</u>

4(d) Classified loans and advances

At 31 March 2006, the aggregate amount of non-performing loans amounted to AED 207.1 million (31 December 2005: AED 179.3 million). Provisions in relation to such loans amounted to AED 116.5 million as at 31 March 2006 (31 December 2005: AED 110.3 million).

5 Investment securities

	31 March 2006 AED'000	31 December 2005 AED'000
Securities-available-for-sale		
Quoted equity securities	24,700	39,400
Quoted debt securities	91,640	91,640
Unquoted debt securities	238,746	55,095
	<u>355,086</u>	<u>186,135</u>
Securities held-to-maturity		
Quoted debt securities	135,047	135,015
Total investment securities	<u>490,133</u>	<u>321,150</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 2006 (continued)

6 Share capital

At 31 March 2006, the authorised, issued and fully paid share capital of the Bank comprises 536.25 million shares of AED 1 each (31 December 2005: 412.5 million shares of AED 1 each).

- At the annual general meeting of the shareholders held on 11 March 2006, the shareholders of the Bank approved a stock dividend (issue of bonus shares) in respect of 2005 at 30% of the issued and paid up capital amounting to AED 123.75 million (2005: AED 68.75 million).

7 Other reserves

Other reserves include legal reserve and voluntary reserve. In accordance with the Articles of Association of the Bank, 10% of the net profit for the year is to be transferred to a legal reserve until such time as the balance in the reserve equals 50% of the issued share capital and 10% of the net profit for the year is to be transferred to a voluntary reserve until such time as the balance in the reserve equals 20% of the issued share capital. No allocations to the legal reserve and the voluntary reserve have been made for the three month period ended 31 March 2006, as these will be effected at the year end based on the Bank's results for 2006.

8 Contingencies and commitments

	31 March 2006 AED'000	31 December 2005 AED'000
Guarantees	441,348	491,266
Letters of credit	78,467	75,748
Acceptances	20,195	25,753
Commitments to extend credit	543,009	564,421
Other	913	1,449
	<u>1,083,932</u>	<u>1,158,637</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 2006 (continued)

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.

The Bank has entered into the following forward exchange transactions.

	Contract amount AED'000	Fair value AED'000
31 March 2006	29,593	16
	<u> </u>	<u> </u>
31 December 2005	117,146	(69)
	<u> </u>	<u> </u>

10 Earnings per share

The basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the period. In accordance with IAS 33 "Earnings Per Share", the impact of bonus shares issued 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 2006 amounted to 536,250,000 shares (31 March 2005: 536,250,000 shares)

11 Fiduciary activities

The Bank holds assets in a fiduciary capacity for its customers without recourse to itself. At 31 March 2006, such assets amounted to AED 236.70 million (31 December 2005: AED 182.6 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 2006 (continued)

12 Business segments

Primary segment information

	Retail banking AED' 000	Business segment AED' 000	Treasury and others AED' 000	Elimination AED' 000	Total AED' 000
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	188,362	21,822	40,047	(55,156)	195,075
Segment result	44,145	9,841	12,631	-	66,617
Unallocated costs	-	-	-	-	(10,906)
Net profit for the period					55,711
Three months ended 31 March 2005					
External revenue	116,000	6,533	10,611	-	133,144
Revenues from other segments	8,831	6,446	10,085	(25,362)	-
Total revenues	124,831	12,979	20,696	(25,362)	133,144
Segment result	40,160	3,462	8,490	-	52,112
Unallocated costs	-	-	-	-	(9,397)
Net profit for the period					42,715