

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

**Condensed interim financial information
for the six months ended 30 June 2008**

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

Condensed interim financial information for the six months ended 30 June 2008

	Pages
Review report	1
Balance sheet	2
Income statement	3
Statement of changes in shareholders' equity	4
Cash flow statement	5
Notes to the condensed interim financial information	6 - 13

**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 2008 and the related condensed income statement, statement of changes in shareholders' equity and cash flow statement for the six months period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 – Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers
21 July 2008

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 2008 AED'000	31 December 2007 AED'000
ASSETS			
Cash and balances with the UAE Central Bank	3	1,073,959	1,493,604
Due from other banks		1,104,361	336,094
Loans and advances	4(a)	9,645,825	8,172,483
Investment securities	5	740,053	626,155
Property and equipment		116,276	115,834
Other assets		376,841	229,609
Total assets		13,057,315	10,973,779
LIABILITIES			
Due to other banks		436,466	233,613
Due to customers		8,842,065	7,239,466
Debt security in issue		1,643,505	1,642,984
Other liabilities		289,942	258,703
Provision for employees' end of service benefits		25,738	22,012
Total liabilities		11,237,716	9,396,778
SHAREHOLDERS' EQUITY			
Share capital	6	740,025	616,688
Share premium		110,350	110,350
Retained earnings		470,588	343,974
Other reserves	7	498,636	505,989
Total shareholders' equity		1,819,599	1,577,001
Total liabilities and shareholders' equity		13,057,315	10,973,779

This condensed interim financial information was approved by the Executive Committee on 21 July 2008 and was signed on its behalf by:

.....
Graham Honeybill
General Manager

The notes on pages 6 to 13 form an integral part of the condensed interim financial information.

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

Income statement

	Notes	Three months ended 30 June		Six months ended 30 June	
		2008 AED'000	2007 AED'000	2008 AED'000	2007 AED'000
Interest income		271,030	207,942	527,831	404,847
Interest expense		(54,223)	(76,398)	(125,902)	(153,403)
Net interest income		<u>216,807</u>	<u>131,544</u>	<u>401,929</u>	<u>251,444</u>
Fee and commission income		97,390	71,904	192,055	139,721
Foreign exchange income		11,207	6,842	23,686	12,324
Investment income		11,575	7,575	19,674	14,195
Other operating income		4,116	2,499	5,925	3,924
Operating income		<u>341,095</u>	<u>220,364</u>	<u>643,269</u>	<u>421,608</u>
Operating expenses		(162,809)	(103,911)	(305,558)	(196,993)
Provision for impairment of loans and advances	4(c)	(8,977)	(20,403)	(26,092)	(42,488)
Net profit for the period		<u><u>169,309</u></u>	<u><u>96,050</u></u>	<u><u>311,619</u></u>	<u><u>182,127</u></u>
Earnings per share					
Basic	10	<u><u>AED 0.229</u></u>	<u><u>AED 0.130</u></u>	<u><u>AED 0.421</u></u>	<u><u>AED 0.246</u></u>

The notes on pages 6 to 13 form an integral part of the condensed interim financial information.

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

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 2007	536,250	110,350	234,688	365,810	1,247,098
Issue of bonus shares (Note 6)	80,438	-	(80,438)	-	-
Dividend (Note 6)	-	-	(80,438)	-	(80,438)
Net changes in fair value of available-for-sale investment securities (Note 5)	-	-	-	1,524	1,524
Net profit for the period	-	-	182,127	-	182,127
At 30 June 2007	<u>616,688</u>	<u>110,350</u>	<u>255,939</u>	<u>367,334</u>	<u>1,350,311</u>
At 1 January 2008	616,688	110,350	343,974	505,989	1,577,001
Issue of bonus shares (Note 6)	123,337	-	(123,337)	-	-
Dividend (Note 6)	-	-	(61,668)	-	(61,668)
Net changes in fair value of available-for-sale investment securities (Note 5)	-	-	-	(7,353)	(7,353)
Net profit for the period	-	-	311,619	-	311,619
At 30 June 2008	<u>740,025</u>	<u>110,350</u>	<u>470,588</u>	<u>498,636</u>	<u>1,819,599</u>

The notes on pages 6 to 13 form an integral part of the condensed interim financial information.

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

Cash flow statement

	Notes	Six months ended 30 June	
		2008 AED'000	2007 AED'000
Operating activities			
Net profit for the period		311,619	182,127
Adjustments:			
Net charge for provision for impairment of loans and advances	4(c)	26,092	42,488
Depreciation		12,434	10,105
Provision for employees' end of service benefits		5,917	4,766
Gain on disposal of property and equipment		(101)	(42)
Amortisation of discount relating to debt security in issue		521	493
Amortisation of discount relating to securities held to maturity	5	(64)	(68)
Operating cash flows before changes in assets and liabilities		356,418	239,869
Payment of employees' end of service benefits		(2,191)	(1,328)
Changes in assets and liabilities:			
Deposits with the UAE Central Bank		106,104	(127,066)
Due from other banks with maturities over three months		47,995	-
Loans and advances net of provisions for impairment		(1,499,434)	(684,431)
Other assets		(147,232)	23,866
Due to other banks		202,853	(108,251)
Due to customers		1,602,599	672,781
Other liabilities		31,239	(24,284)
Net cash generated from/(used in) operating activities		698,351	(8,844)
Investing activities			
Purchase of investment securities	5	(201,437)	(18,365)
Proceeds from maturity of investment securities	5	80,250	-
Purchase of property and equipment		(13,017)	(16,721)
Proceeds from disposal of property and equipment		242	42
Net cash used in investing activities		(133,962)	(35,044)
Financing activities			
Dividends paid	6	(61,668)	(80,438)
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents, beginning of the period		502,721	(124,326)
Cash and cash equivalents, end of the period	12	747,837	962,599
		1,250,558	838,273

The notes on pages 6 to 13 form an integral part of the condensed interim financial information. (5)

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

Notes to the condensed interim financial information for the six months ended 30 June 2008

1 Incorporation and principal activities

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

The Bank is engaged in providing commercial banking services through a network of 22 branches in the UAE.

2 Significant accounting policies

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 2007.

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

Costs that occur unevenly during the financial year are anticipated or deferred in the 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, amendments and interpretations to published standards

The following interpretations are mandatory for the first time for the financial year beginning 1 January 2008 but are not currently relevant for the Bank:

- IFRIC 11, 'IFRS 2 – Group and treasury share transactions'.
- IFRIC 12, 'Service concession arrangements'.
- IFRIC 14, 'IAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction'.

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

Notes to the condensed interim financial information for the six months ended 30 June 2008 (continued)

2 Significant accounting policies (continued)

Standard, amendments and interpretations to published standards (continued)

The following new standard, amendments and interpretation to published standards have been issued but are not effective for the financial year beginning 1 January 2008 and have not been early adopted by the Bank:

- IFRIC 13, 'Customer loyalty programmes', effective for annual periods beginning on or after 1 July 2008;
- IFRS 8, 'Operating segments', effective for annual periods beginning on or after 1 January 2009. IFRS 8 replaces IAS 14, 'Segment reporting', and requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes;
- IAS 23 (amendment), 'Borrowing costs', effective for annual periods beginning on or after 1 January 2009;
- IFRS 2 (amendment) 'Share-based payment', effective for annual periods beginning on or after 1 January 2009;
- IAS 1 (amendment), 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009;
- IAS 32 (amendment), 'Financial instruments: presentation', and consequential amendments to IAS 1, 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009; and
- IFRS 3 (amendment), 'Business combinations' and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates' and IAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

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

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

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

Notes to the condensed interim financial information for the six months ended 30 June 2008 (continued)

3 Cash and balances with the UAE Central Bank

	30 June 2008 AED'000	31 December 2007 AED'000
Cash in hand and current account with the UAE Central Bank	190,273	178,814
Statutory deposits and certificates of deposit with the UAE Central Bank	883,686	1,314,790
	<u>1,073,959</u>	<u>1,493,604</u>

As 30 June 2008, Statutory deposits with the UAE Central Bank amounted to AED 598.7 million (31 December 2007: 429.8 million). Statutory deposits are not available to finance the day to day operations of the Bank.

4 Loans and advances

	30 June 2008 AED'000	31 December 2007 AED'000
4(a) Loans and advances		
Loans	9,301,548	7,801,345
Overdrafts	414,224	471,470
Loans against trust receipts	107,132	91,845
Bills discounted	28,761	22,539
Others	-	3,105
Total loans and advances	<u>9,851,665</u>	<u>8,390,304</u>
Provision for impairment (Note 4(b))	<u>(205,840)</u>	<u>(217,821)</u>
Net loans and advances	<u>9,645,825</u>	<u>8,172,483</u>

4(b) Provision for impairment

Balance brought forward	217,821	195,150
Net charge for provision for impairment during the period /year	38,994	73,815
Written off during the period/year	(50,975)	(51,144)
Balance carried forward	<u>205,840</u>	<u>217,821</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 2008 (continued)

4 Loans and advances (continued)

4(b) Provision for impairment (continued)

The total impairment provision for loans and advances is AED 205.84 million (31 December 2007: AED 217.82 million) of which AED 105.84 million (31 December 2007: AED 122.8 million) represents the individually impaired loans and advances and the remaining amount of AED 100 million (31 December 2007: AED 95 million) represents the portfolio provision.

4(c) Net charge for the period

	Three months ended 30 June		Six months ended 30 June	
	2008	2007	2008	2007
	AED'000	AED'000	AED'000	AED'000
Net charge for provision for impairment during the period (Note 4(b))	16,771	24,770	38,994	49,349
Write back during the period	(7,794)	(4,367)	(12,902)	(6,861)
	<u>8,977</u>	<u>20,403</u>	<u>26,092</u>	<u>42,488</u>

4(d) Classified loans and advances

At 30 June 2008, the aggregate amount of non-performing loans amounted to AED 138.92 million (31 December 2007: AED 192.84 million). The provision in respect of non-performing loans is disclosed in Note 4(b).

5 Investment securities

	30 June 2008 AED'000	31 December 2007 AED'000
Securities available-for-sale		
Quoted equity securities	20,600	24,600
Quoted debt securities	226,556	178,377
Unquoted debt securities	287,940	287,892
	<u>535,096</u>	<u>490,869</u>
Securities held-to-maturity		
Quoted debt securities	204,957	135,286
	<u>740,053</u>	<u>626,155</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 2008 (continued)

5 Investment securities (continued)

The movement in investment securities is summarised as follows:

	Securities available-for- sale AED'000	Securities held – to – maturity AED'000	Total AED'000
At 1 January 2007	363,551	135,148	498,699
Purchases	18,365	-	18,365
Changes in fair value	1,524	-	1,524
Amortisation of discount	-	68	68
	<hr/>	<hr/>	<hr/>
At 30 June 2007	383,440	135,216	518,656
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 1 January 2008	490,869	135,286	626,155
Purchases	51,580	149,857	201,437
Maturity	-	(80,250)	(80,250)
Changes in fair value	(7,353)	-	(7,353)
Amortisation of discount	-	64	64
	<hr/>	<hr/>	<hr/>
At 30 June 2008	535,096	204,957	740,053
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

6 Share capital and dividend

At 30 June 2008, the authorised, issued and fully paid share capital of the Bank comprised 740.03 million shares of AED 1 each (31 December 2007: 616.69 million shares of AED 1 each).

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

7 Other reserves

Other reserves include legal reserve and voluntary reserve. In accordance with the Articles of Association of the Bank, 10% of the net profit for the year is to be transferred to a legal reserve until such time as the balance in the reserve equals 50% of the issued share capital and 10% of the net profit for the year is to be transferred to a voluntary reserve until such time as the balance in the reserve equals 20% of the issued share capital. No allocations to the legal reserve and the voluntary reserve have been made for the six months ended 30 June 2008, as these will be effected at the year end based on the Bank's results for the year ending 31 December 2008.

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

Notes to the condensed interim financial information for the six months ended 30 June 2008 (continued)

8 Contingencies and commitments

	30 June 2008 AED'000	31 December 2007 AED'000
Letters of guarantee	442,947	461,577
Letters of credit	110,180	111,468
Acceptances	30,296	33,203
Commitments to extend credit	3,137,831	2,712,214
Other	-	136
	<u>3,721,254</u>	<u>3,318,598</u>

9 Forward foreign exchange contracts

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

Outstanding foreign forward exchange transactions at 30 June 2008 and 31 December 2007 are as follows:

	Contract amount AED'000	Fair value AED'000
30 June 2008	<u>370,966</u>	<u>13</u>
31 December 2007	<u>77,353</u>	<u>-</u>

10 Earnings per share

The basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the period. In accordance with IAS 33 - Earnings Per Share, the impact of bonus shares issued have been considered retrospectively while computing the weighted average number of ordinary shares during all periods presented. The weighted average number of ordinary shares during the period ended 30 June 2008 amounted to 740,025,600 shares (30 June 2007: 740,025,600 shares)

11 Fiduciary activities

The Bank holds assets in a fiduciary capacity for its customers without recourse to itself. At 30 June 2008, such assets amounted to AED 475.84 million (31 December 2007: AED 347.29 million) and are excluded from the financial statements of the Bank.

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

Notes to the condensed interim financial information for the six months ended 30 June 2008 (continued)

12 Cash and cash equivalents

	At 30 June	
	2008 AED'000	2007 AED'000
Cash in hand and current account with the UAE Central Bank (Note 3)	190,273	305,039
Certificates of deposit with the UAE Central Bank	-	345,000
Due from other banks	1,060,285	188,234
	<u>1,250,558</u>	<u>838,273</u>

13 Business segments

Primary segment information

	Retail banking AED' 000	Business banking AED' 000	Treasury and others AED' 000	Elimination AED' 000	Total AED' 000
Six months ended 30 June 2008					
External revenue	680,384	34,770	54,017	-	769,171
Revenues from other segments	98,008	24,417	51,274	(173,699)	-
Total revenues	<u>778,392</u>	<u>59,187</u>	<u>105,291</u>	<u>(173,699)</u>	<u>769,171</u>
Segment result	320,847	19,524	35,055	-	375,426
Unallocated costs	-	-	-	-	(63,807)
Net profit for the period					<u><u>311,619</u></u>
Six months ended 30 June 2007					
External revenue	501,393	30,013	43,605	-	575,011
Revenues from other segments	71,576	28,971	72,462	(173,009)	-
Total revenues	<u>572,969</u>	<u>58,984</u>	<u>116,067</u>	<u>(173,009)</u>	<u>575,011</u>
Segment result	172,658	20,565	27,369	-	220,592
Unallocated costs					(38,465)
Net profit for the period					<u><u>182,127</u></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 2008 (continued)

14 Related parties balances

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

	30 June 2008 AED'000	30 June 2007 AED'000
Transactions during the period		
Interest income	406	1,367
Interest expense	4,464	7,037
Commission income	803	198
Directors' remuneration	1,550	470
Remuneration payable to key management personnel	10,745	7,064
	<u>10,745</u>	<u>7,064</u>
	30 June 2008 AED'000	31 December 2007 AED'000
Balances		
Loans and advances:		
- Shareholders and their related companies	18,499	18,313
- Directors and their related companies	18,062	4,975
	<u>36,561</u>	<u>23,288</u>
Due to customers:		
- Shareholders and their related companies	505,803	292,063
- Directors and their related companies	11,663	122,776
	<u>517,466</u>	<u>414,839</u>
Irrevocable commitments and contingent liabilities		
- Shareholders and their related companies	55,074	74,998
- Directors and their related companies	7,891	1,627
	<u>62,965</u>	<u>76,625</u>