

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

**Condensed interim financial information
for the nine months ended 30 September 2010**

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

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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 balance sheet of The National Bank of Ras Al-Khaimah (P.S.C.) ("the Bank") as of 30 September 2010 and the related income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the nine 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
24 October 2010

Jacques E Fakhoury
Registered Auditor Number 379
Abu Dhabi, United Arab Emirates

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

Balance sheet

	Notes	30 September 2010 AED'000	31 December 2009 AED'000
ASSETS			
Cash and balances with the UAE Central Bank	3	2,212,431	1,044,726
Due from other banks		2,260,445	1,472,985
Loans and advances	4(a)	15,809,660	13,429,696
Investment securities	5	358,755	398,327
Property and equipment	6	718,394	617,371
Other assets		199,029	154,511
Total assets		21,558,714	17,117,616
LIABILITIES			
Due to other banks		50,610	35,155
Due to customers		16,766,109	12,850,031
Debt security in issue	7	872,338	1,068,305
Other liabilities		383,371	330,762
Provision for employees' end of service benefits		43,095	36,387
Total liabilities		18,115,523	14,320,640
Equity			
Share capital	8	1,154,439	962,033
Share premium		110,350	110,350
Retained earnings		998,038	556,809
Other reserves	9	1,180,364	1,167,784
Total equity		3,443,191	2,796,976
Total liabilities and equity		21,558,714	17,117,616

This condensed interim financial information was approved by the Executive Committee on 24 October 2010 and was signed on its behalf by:

Graham Honeybill
General Manager

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

Income statement

	Notes	<u>Three months ended</u> <u>30 September</u>		<u>Nine months ended</u> <u>30 September</u>	
		2010 AED'000	2009 AED'000	2010 AED'000	2009 AED'000
Interest income		533,358	420,575	1,490,829	1,162,929
Interest expense		(125,457)	(92,807)	(315,968)	(295,634)
Net interest income		<u>407,901</u>	<u>327,768</u>	<u>1,174,861</u>	<u>867,295</u>
Fee and commission income		132,767	101,055	406,080	308,254
Foreign exchange income		11,337	10,599	29,853	27,326
Investment income		3,080	7,804	7,895	23,919
Other operating income		9,299	9,303	15,843	14,572
Operating income		<u>564,384</u>	<u>456,529</u>	<u>1,634,532</u>	<u>1,241,366</u>
Operating expenses		(241,372)	(180,231)	(694,429)	(544,091)
Provision for impairment of loans and advances net of write back	4(c)	(61,481)	(89,459)	(210,265)	(166,617)
Net profit for the period		<u>261,531</u>	<u>186,839</u>	<u>729,838</u>	<u>530,658</u>
Earnings per share					
Basic and diluted	12	<u>AED 0.23</u>	<u>AED 0.16</u>	<u>AED 0.63</u>	<u>AED 0.46</u>

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

Statement of comprehensive income

	<u>Three months ended</u>		<u>Nine months ended</u>	
	<u>30 September</u>		<u>30 September</u>	
	2010	2009	2010	2009
	AED'000	AED'000	AED'000	AED'000
Profit for the period	261,531	186,839	729,838	530,658
Other comprehensive income:				
Net changes in fair value of available-for-sale investment securities (Note 5)	4,221	15,986	11,359	41,440
Release of fair value loss to income statement on disposal	-	-	1,221	-
Other comprehensive income for the period	<u>4,221</u>	<u>15,986</u>	<u>12,580</u>	<u>41,440</u>
Total comprehensive income for the period	<u><u>265,752</u></u>	<u><u>202,825</u></u>	<u><u>742,418</u></u>	<u><u>572,098</u></u>

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

Statement of changes in equity

	Share capital AED'000	Share premium AED'000	Retained earnings AED'000	Other reserves AED'000	Total AED'000
At 1 January 2009	740,025	110,350	456,687	771,618	2,078,680
Issue of bonus shares (Note 8)	222,008	-	(222,008)	-	-
Dividend (Note 8)	-	-	(37,001)	-	(37,001)
Total comprehensive income for the period	-	-	530,658	41,440	572,098
At 30 September 2009	<u>962,033</u>	<u>110,350</u>	<u>728,336</u>	<u>813,058</u>	<u>2,613,777</u>
At 1 January 2010	962,033	110,350	556,809	1,167,784	2,796,976
Issue of bonus shares (Note 8)	192,406	-	(192,406)	-	-
Dividend (Note 8)	-	-	(96,203)	-	(96,203)
Total comprehensive income for the period	-	-	729,838	12,580	742,418
At 30 September 2010	<u>1,154,439</u>	<u>110,350</u>	<u>998,038</u>	<u>1,180,364</u>	<u>3,443,191</u>

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

Statement of cash flows

	Notes	Nine months ended 30 September	
		2010 AED'000	2009 AED'000
Operating activities			
Profit for the period		729,838	530,658
Adjustments:			
Net charge for provision for impairment of loans and advances net of write back	4(c)	210,265	166,617
Depreciation	6	37,077	26,928
Provision for employees' end of service benefits		7,921	7,211
Gain on disposal of property and equipment		(87)	(8)
Amortisation of discount relating to debt security in issue	7	538	807
Amortisation of discount relating to securities held to maturity	5	(1,730)	(3,610)
Release of fair value change to profit and loss		1,221	-
		<hr/>	<hr/>
Operating cash flows before changes in assets and liabilities		985,043	728,603
Payment of employees' end of service benefits		(1,213)	(1,659)
Changes in assets and liabilities:			
Deposits with the UAE Central Bank		(435,845)	(468,270)
Due from other banks with original maturities of three months or over		(433,000)	-
Loans and advances net of provisions for impairment		(2,590,229)	(1,963,552)
Other assets		(44,518)	(24,508)
Due to other banks		15,455	(139,790)
Due to customers		3,916,078	2,646,867
Other liabilities		52,609	(15,110)
		<hr/>	<hr/>
Net cash generated from operating activities		1,464,380	762,581
		<hr/>	<hr/>
Investing activities			
Purchase of investment securities	5	(3,673)	(78,328)
Purchase of property and equipment	6	(138,175)	(232,263)
Proceeds from maturity of investments	5	56,334	208,650
Proceeds from disposal of property and equipment		162	8
		<hr/>	<hr/>
Net cash used in investing activities		(85,352)	(101,933)
		<hr/>	<hr/>
Financing activities			
Dividends paid	8	(96,203)	(37,001)
Maturity of debt security in issue	7	-	(360,000)
Repurchase of debt security in issue	7	(196,505)	(216,707)
		<hr/>	<hr/>
Cash used in financing activities		(292,708)	(613,708)
		<hr/>	<hr/>
Net increase in cash and cash equivalents		1,086,320	46,940
Cash and cash equivalents, beginning of the period		1,528,840	1,107,783
		<hr/>	<hr/>
Cash and cash equivalents, end of the period	14	2,615,160	1,154,723
		<hr/>	<hr/>

The notes on pages 7 to 21 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 nine months ended 30 September 2010

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 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 twenty eight 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 2009.

The condensed interim financial information should therefore be read in conjunction with the financial statements for year ended 31 December 2009.

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.

Amendments and interpretations to published standards that are effective for the Bank's accounting period beginning on or after 1 January 2010

The following amendments and interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after 1 January 2010.

- IFRS 3 (Revised), '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.
- IFRS 1 and IAS 27, 'Cost of investment in a subsidiary, jointly controlled entity or associate', effective for annual periods beginning on or after 1 July 2009.
- IAS 27 (Revised), 'Consolidated and separate financial statements', (effective for annual periods commencing 1 July 2009).

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

Notes to the condensed interim financial information for the nine months ended 30 September 2010 (continued)

2 Significant accounting policies (continued)

Amendments and interpretations to published standards that are effective for the Bank's accounting period beginning on or after 1 January 2010 (continued)

- IFRS 5 (amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective for annual periods commencing 1 July 2009).
- Amendments to IAS 7, 'Statement of Cash Flows' (effective for annual periods commencing 1 January 2010)
- Amendments to IAS 39, 'Financial Instruments: Recognition and Measurement – Eligible Hedged Items' (effective for annual periods beginning on or after 1 July 2009)
- IFRIC 17, 'Distribution of non-cash assets to owners' (effective for annual periods beginning on or after 1 July 2009)
- IFRIC 18, 'Transfers of assets from customers' (effective for annual periods beginning on or after 1 July 2009)
- 'Additional exemptions for first-time adopters' (Amendment to IFRS 1) was issued in July 2009. The amendments are required to be applied for annual periods beginning on or after 1 January 2010
- Improvements to International Financial Reporting Standards 2009 were issued in April 2009. The effective dates vary standard by standard but most are effective 1 January 2010

Management has assessed the impact of the above amendments and interpretations to published standards on the Bank's financial statements and has concluded that they are either not relevant to the Bank or the effect on the Bank's financial statements is not material.

Standards, amendments and interpretations to published standards issued but not effective for financial year beginning 1 January 2010

The following new standards, interpretations and amendments to published standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted by the Bank:

- IFRS 9, 'Financial instruments', issued in December 2009. This addresses the classification and measurement of financial assets and is likely to affect the Bank's accounting for its financial assets. The standard is not materially applicable until 1 January 2013 but is available for early adoption.
- 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. Earlier application, in whole or in part, is permitted.

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

Notes to the condensed interim financial information for the nine months ended 30 September 2010 (continued)

2 Significant accounting policies (continued)

Standards, amendments and interpretations to existing standards issued but not effective for financial year beginning 1 January 2010 (continued)

- 'Classification of rights issues' (Amendment to IAS 32), issued in October 2009. For rights issues offered for a fixed amount of foreign currency, current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to all the entity's existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment should be applied for annual periods beginning on or after 1 February 2010. Earlier application is permitted.
- 'Prepayments of a minimum funding requirement' (Amendments to IFRIC 14), issued in November 2009. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct the problem. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented.
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'. This clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after 1 July 2010. Earlier application is permitted.
- Improvements to International Financial Reporting Standards 2010 were issued in May 2010. The effective dates vary standard by standard but most are effective 1 January 2010.

Management has assessed the impact of the above new standards, amendments and interpretations to published standards on the Bank's financial statements and has concluded that they are either not relevant to the Bank or 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 nine months ended 30 September 2010 (continued)

3 Cash and balances with the UAE Central Bank

	30 September 2010 AED'000	31 December 2009 AED'000
Cash in hand and balances with the UAE Central Bank	787,715	55,855
Statutory deposit with the UAE Central Bank	844,716	728,871
Certificates of deposit with the UAE Central Bank	580,000	260,000
	<u>2,212,431</u>	<u>1,044,726</u>

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

4 Loans and advances

	30 September 2010 AED'000	31 December 2009 AED'000
4(a) Loans and advances		
Loans	15,700,280	13,313,804
Overdrafts	325,182	341,834
Loans against trust receipts	73,080	85,241
Bills discounted	15,730	25,403
Others	6,385	10,150
Total loans and advances	<u>16,120,657</u>	<u>13,776,432</u>
Provision for impairment (Note 4(b))	(310,997)	(346,736)
Net loans and advances	<u>15,809,660</u>	<u>13,429,696</u>

4(b) Provision for impairment

Balance brought forward	346,736	225,316
Net charge for provision for impairment during the period /year	252,757	297,896
Written off during the period/year	(288,496)	(176,476)
Balance carried forward	<u>310,997</u>	<u>346,736</u>

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

Notes to the condensed interim financial information for the nine months ended 30 September 2010 (continued)

4 Loans and advances (continued)

4(c) Net charge for the period

	<u>Three months ended</u>		<u>Nine months ended</u>	
	<u>30 September</u>		<u>30 September</u>	
	2010	2009	2010	2009
	AED'000	AED'000	AED'000	AED'000
Net charge for provision for impairment during the period (Note 4(b))	77,370	102,957	252,757	202,809
Write back during the period	(15,889)	(13,498)	(42,492)	(36,192)
	<u>61,481</u>	<u>89,459</u>	<u>210,265</u>	<u>166,617</u>

4(d) Classified loans and advances

At 30 September 2010, the aggregate amount of non-performing loans amounted to AED 399.34 million (31 December 2009: AED 350.65 million). Specific provisions in relation to such loans amounted to AED 203.4 million as at 30 September 2010 (31 December 2009: AED 241.14 million). In addition, a collective impairment provision amounting to AED 107.6 million was held by the Bank at 30 September 2010 (31 December 2009: AED 105.6 million).

5 Investment securities

	30 September 2010 AED'000	31 December 2009 AED'000
Securities available-for-sale		
Quoted equity securities	-	1,413
Quoted debt securities	124,662	109,456
	<u>124,662</u>	<u>110,869</u>
Securities held-to-maturity		
Quoted debt securities	234,093	287,458
Total investment securities	<u>358,755</u>	<u>398,327</u>

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

Notes to the condensed interim financial information for the nine months ended 30 September 2010 (continued)

5 Investment securities (continued)

The movement in investment securities is summarised as follows:

	Securities available-for- sale	Securities held – to – maturity	Total
	AED'000	AED'000	AED'000
At 1 January 2010	110,869	287,458	398,327
Purchases	3,673	-	3,673
Disposal/Maturity	(1,239)	(55,095)	(56,334)
Changes in fair value	11,359	-	11,359
Amortisation of discount	-	1,730	1,730
	<u>124,662</u>	<u>234,093</u>	<u>358,755</u>
At 30 September 2010	<u>124,662</u>	<u>234,093</u>	<u>358,755</u>
At 1 January 2009	407,936	237,136	645,072
Purchases	-	78,328	78,328
Maturity	(183,650)	(25,000)	(208,650)
Changes in fair value	41,440	-	41,440
Amortisation of discount	-	3,610	3,610
	<u>265,726</u>	<u>294,074</u>	<u>559,800</u>
At 30 September 2009	<u>265,726</u>	<u>294,074</u>	<u>559,800</u>

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

Notes to the condensed interim financial information for the nine months ended 30 September 2010 (continued)

6 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
Cost					
At 1 January 2010	83,197	48,089	209,419	445,068	785,773
Additions	1,382	252	12,330	124,211	138,175
Transfers	193,545	10,220	18,101	(221,866)	-
Disposals	-	-	(600)	-	(600)
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At 30 September 2010	278,124	58,561	239,250	347,413	923,348
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Depreciation					
At 1 January 2010	(11,045)	(28,643)	(128,714)	-	(168,402)
Charge for the period	(4,274)	(5,964)	(26,839)	-	(37,077)
Disposals	-	-	525	-	525
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At 30 September 2010	(15,319)	(34,607)	(155,028)	-	(204,954)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book amount					
At 30 September 2010	<u>262,805</u>	<u>23,954</u>	<u>84,222</u>	<u>347,413</u>	<u>718,394</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>

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

Notes to the condensed interim financial information for the nine months ended 30 September 2010 (continued)

6 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
Cost					
At 1 January 2009	66,627	39,849	157,388	244,012	507,876
Additions	-	420	11,755	220,088	232,263
Transfers	16,569	7,820	28,938	(53,327)	-
Disposals	-	-	(46)	-	(46)
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At 30 September 2009	83,196	48,089	198,035	410,773	740,093
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Depreciation					
At 1 January 2009	(9,807)	(22,404)	(98,527)	-	(130,738)
Charge for the period	(889)	(4,555)	(21,484)	-	(26,928)
Disposals	-	-	46	-	46
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At 30 September 2009	(10,696)	(26,959)	(119,965)	-	(157,620)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book amount					
At 30 September 2009	<u>72,500</u>	<u>21,130</u>	<u>78,070</u>	<u>410,773</u>	<u>582,473</u>
At 31 December 2008	<u>56,820</u>	<u>17,445</u>	<u>58,861</u>	<u>244,012</u>	<u>377,138</u>

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

Notes to the condensed interim financial information for the nine months ended 30 September 2010 (continued)

7 Debt security in issue

	30 September 2010 AED'000	31 December 2009 AED'000
USD medium-term note	872,338	1,068,843
Less: debt security issue costs	-	(538)
	<u>872,338</u>	<u>1,068,305</u>

The movement in debt security in issue is summarised as follows:

	Nine months ended 30 September	
	2010 AED'000	2009 AED'000
1 January	1,068,305	1,644,026
Maturity	-	(360,000)
Repurchase	(196,505)	(216,707)
Amortisation of issue costs	538	807
30 September	<u>872,338</u>	<u>1,068,126</u>

The debt security in issue matured and has been repaid by the bank subsequent to the balance sheet date.

8 Share capital and dividend

At 30 September 2010, the authorised, issued and fully paid share capital of the Bank comprises 1,154.44 million shares of AED 1 each (31 December 2009: 962.03 million shares of AED 1 each).

At the Annual General Meeting of the shareholders held on 7 March 2010, the shareholders of the Bank approved a stock dividend (issue of bonus shares) in respect of 2009 at 20% (2008: 30%) of the issued and paid up capital amounting to AED 192.4 million (2008: AED 222 million) and cash dividend at 10% (2008: 5%) of the issued and paid up capital amounting to AED 96.2 million (2008: AED 37 million).

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

Notes to the condensed interim financial information for the nine months ended 30 September 2010 (continued)

9 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 nine month period ended 30 September 2010, as these will be effected at the year end based on the Bank's results for the year ending 31 December 2010. The movement in other reserves is on account of changes in fair value of investment securities.

10 Contingent liabilities and commitments

	30 September 2010 AED'000	31 December 2009 AED'000
Letters of guarantee	400,259	441,969
Letters of credit	45,121	79,898
Acceptances	21,054	23,357
Commitments to extend credit	4,816,432	4,200,460
Capital commitments	19,169	25,727
	<u>5,302,035</u>	<u>4,771,411</u>

11 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 September 2010 and 31 December 2009 are as follows:

	Contract amount AED'000	Fair value gain AED'000
30 September 2010	<u>684,786</u>	<u>67</u>
31 December 2009	<u>130,803</u>	<u>185</u>

The fair value gains on the outstanding foreign exchange forward contracts are recorded in other assets.

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

Notes to the condensed interim financial information for the nine months ended 30 September 2010 (continued)

12 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 September 2010 amounted to 1,154,439,000 shares (30 September 2009: 1,154,439,000 shares).

13 Fiduciary activities

The Bank holds assets in a fiduciary capacity for its customers without recourse to itself. At 30 September 2010, such assets amounted to AED 231.3 million (31 December 2009: AED 345.46 million) and are excluded from the financial statements of the Bank.

14 Cash and cash equivalents

	<u>As at 30 September</u>	
	2010	2009
	AED'000	AED'000
Cash in hand and current account with the UAE Central Bank (Note 3)	787,715	362,932
Due from other banks	2,260,445	791,791
	<u>3,048,160</u>	<u>1,154,723</u>
Less : Due from other banks with original maturity of 3 months or more	(433,000)	-
	<u><u>2,615,160</u></u>	<u><u>1,154,723</u></u>

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

Notes to the condensed interim financial information for the nine months ended 30 September 2010 (continued)

15 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.

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

Notes to the condensed interim financial information for the nine months ended 30 September 2010 (continued)

15 Operating segments (continued)

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

The segment information provided to the Executive Committee for the reportable segments for the period ended 30 September 2010 is as follows:

	Retail banking AED' 000	Business banking AED' 000	Treasury and others AED' 000	Total AED' 000
Nine months ended				
30 September 2010				
Total segment revenue	2,040,760	98,888	95,558	2,235,206
Inter-segment revenue	(163,433)	(56,711)	(64,562)	(284,706)
Total revenue from external customers	1,877,327	42,177	30,996	1,950,500
Segment result	860,516	(12,163)	21,800	870,153
Unallocated costs				(140,315)
Net profit for the period				729,838
Impairment charge	212,429	(2,164)	-	210,265
Depreciation	20,758	674	15,645	37,077
At 30 September 2010				
Total assets	15,913,166	390,445	5,255,103	21,558,714
Total liabilities	10,837,819	4,655,135	2,622,569	18,115,523

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

Notes to the condensed interim financial information for the nine months ended 30 September 2010 (continued)

15 Operating segments (continued)

	Retail banking AED' 000	Business banking AED' 000	Treasury and others AED' 000	Total AED' 000
Nine months ended				
30 September 2009				
Total segment revenue	1,590,508	100,074	139,703	1,830,285
Inter-segment revenue	(153,988)	(46,409)	(92,888)	(293,285)
	<u>1,436,520</u>	<u>53,665</u>	<u>46,815</u>	<u>1,537,000</u>
Total revenue from external customers				
Segment result	596,633	9,118	37,499	643,250
Unallocated costs				(112,592)
				<u>530,658</u>
Net profit for the period				
Impairment charge	168,171	(1,554)	-	166,617
Depreciation	15,384	553	10,991	26,928
	<u>183,555</u>	<u>(901)</u>	<u>10,991</u>	<u>193,645</u>
At 31 December 2009				
Total assets	13,479,581	452,236	3,185,799	17,117,616
Total liabilities	8,020,810	3,314,950	2,984,880	14,320,640
	<u>13,479,581</u>	<u>452,236</u>	<u>3,185,799</u>	<u>17,117,616</u>
	<u>8,020,810</u>	<u>3,314,950</u>	<u>2,984,880</u>	<u>14,320,640</u>

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

Notes to the condensed interim financial information for the nine months ended 30 September 2010 (continued)

16 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:

	Nine months ended 30 September	
	2010 AED'000	2009 AED'000
Transactions during the period		
Interest income	1,020	2,274
Interest expense	21,032	17,321
Commission income	367	142
Directors' remuneration	1,979	2,688
Remuneration payable to key management personnel	11,875	9,606
	<u>11,875</u>	<u>9,606</u>
	30 September 2010 AED'000	31 December 2009 AED'000
Balances		
Loans and advances:		
- Shareholders and their related companies	12,500	21,552
- Directors and their related companies	641	11,534
	<u>13,141</u>	<u>33,086</u>
Due to customers:		
- Shareholders and their related companies	869,530	732,810
- Directors and their related companies	179,534	142,787
	<u>1,049,064</u>	<u>875,597</u>
Irrevocable commitments and contingent liabilities		
- Shareholders and their related companies	63,814	53,668
- Directors and their related companies	379	676
	<u>64,193</u>	<u>54,344</u>