

THE NATIONAL COMMERCIAL BANK

(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED**

31 March 2010

REVIEW REPORT

To the Shareholders of the National Commercial Bank:

We have reviewed the accompanying interim condensed consolidated financial statements of The National Commercial Bank, a Saudi Joint Stock Company, and its subsidiaries (the Group) as at 31 March 2010, comprising the consolidated statement of financial position as at 31 March 2010 and the related consolidated income statement, consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the three-month period then ended, along with condensed notes 1 through 11.

Management's Responsibility for the Consolidated Financial Statements

These interim condensed consolidated financial statements are the responsibility of the management and have been prepared by them in accordance with applicable Accounting Standards for Financial Institutions and certain capital adequacy disclosure requirements issued by the Saudi Arabian Monetary Agency ("SAMA") and with International Accounting Standard No. 34 "Interim Financial Reporting" and submitted to us together with all the information and explanations which we required.

Scope of Review

Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

We conducted our review in accordance with generally accepted standards in Saudi Arabia applicable to review engagements and with International Standard on Review Engagements 2410. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion


Based on our review, we are not aware of any material modifications that should be made to the accompanying interim condensed consolidated financial statements for them to be in conformity with applicable Accounting Standards for Financial Institutions issued by SAMA and with International Accounting Standard No. 34.


Other Regulatory Matters

As required by SAMA, certain capital adequacy information has been disclosed in Note 11 of the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in Note 11 to the relevant analysis prepared by the Group for submission to SAMA and found no material inconsistencies.

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5 Jumad Awal 1431H
19 April 2010
Jeddah



The National Commercial Bank
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 March 2010 (Unaudited) <u>SR '000</u>	31 December 2009 (Audited) <u>SR '000</u>	31 March 2009 (Unaudited) <u>SR '000</u>
ASSETS			
Cash and balances with SAMA	30,410,937	30,238,593	51,556,927
Due from banks and other financial institutions	7,694,590	9,270,948	19,612,084
Investments, net	103,480,487	97,455,306	66,861,896
Loans and advances, net	113,793,364	112,157,640	101,925,461
Investment in associates, net	841,614	844,739	856,436
Other real estate, net	290,475	286,888	239,584
Property and equipment, net	2,118,099	2,153,135	2,051,128
Intangible assets, net	1,142,319	1,206,965	1,222,377
Goodwill, net	974,236	983,456	965,852
Other assets	4,077,077	2,854,505	5,394,330
Total assets	264,823,198	257,452,175	250,686,075
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Due to banks and other financial institutions	20,999,436	15,575,021	10,625,267
Customers' deposits	201,259,066	202,582,508	204,041,899
Debt securities issued	2,624,609	2,624,436	2,623,906
Other liabilities	9,518,301	5,810,051	6,640,599
Total liabilities	234,401,412	226,592,016	223,931,671
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Share capital	15,000,000	15,000,000	15,000,000
Treasury shares	(177,093)	(177,093)	-
Statutory reserve	9,524,343	9,524,343	8,526,412
Other reserves (cumulative changes in fair values)	781,107	367,151	(286,296)
Retained earnings	4,474,594	3,061,538	3,399,922
Proposed dividend	-	2,243,963	-
Foreign currency exchange reserve	(779,403)	(748,815)	(1,163,348)
Total shareholders' equity attributable to equity holders of the Parent	28,823,548	29,271,087	25,476,690
Non-controlling interests	1,598,238	1,589,072	1,277,714
Total shareholders' equity	30,421,786	30,860,159	26,754,404
Total liabilities and shareholders' equity	264,823,198	257,452,175	250,686,075

The accompanying notes 1 to 11 form an integral part of these interim condensed consolidated financial statements.

The National Commercial Bank
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
(UNAUDITED)

	Three Months Ended	
	31 March 2010 <u>SR '000</u>	31 March 2009 <u>SR '000</u>
Special commission income	2,510,053	2,803,110
Special commission expense	(366,267)	(737,404)
Net special commission income	2,143,786	2,065,706
Fee income from banking services, net	601,410	583,462
Foreign exchange income, net	62,956	79,719
Income from FVIS investments, net	54,938	6,316
Trading income, net	61,509	56,623
Dividend income	31,506	28,162
Gains on non-trading investments, net	142,946	345,578
Operating income	3,099,051	3,165,566
Salaries and employee-related expenses	555,176	519,822
Rent and premises-related expenses	89,525	75,034
Depreciation of property and equipment	83,821	73,301
Amortisation of intangible assets	60,159	44,824
Other general and administrative expenses	298,022	271,187
Impairment charge for credit losses, net	552,030	671,020
Impairment charge for other financial assets, net	-	405,061
Operating expenses	1,638,733	2,060,249
Income from operations, net	1,460,318	1,105,317
Other expenses		
Donations	(15,239)	(14,283)
Other non-operating expenses, net	(2,684)	(40,236)
Net other expenses	(17,923)	(54,519)
Net income for the period	1,442,395	1,050,798
Net income for the year attributable to:		
Equity holders of the Parent	1,413,056	1,045,609
Non-controlling interests	29,339	5,189
Net income for the period	1,442,395	1,050,798
Earnings per share for the period (expressed in SR per share)	SR 0.94	SR 0.70

The accompanying notes 1 to 11 form an integral part of these interim condensed consolidated financial statements.

The National Commercial Bank
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)

	Three Months Ended	
	31 March 2010 <u>SR '000</u>	31 March 2009 <u>SR '000</u>
Net income for the period	1,442,395	1,050,798
Other comprehensive income (loss):		
Net changes arising during the period in:		
Fair value of cash flow hedges	(35,147)	61,679
Fair value of available for sale investments (AFS)	579,581	(1,394,800)
Foreign currency exchange reserve	(49,671)	(485,918)
Transfer to consolidated income statement:		
Loss (gains) on cash flow hedges	16,287	(93)
(Gains) on non-trading investments, net (AFS)	(147,845)	(345,578)
Impairment charge for other financial assets (AFS)	-	340,673
Other comprehensive income (loss) for the period	363,205	(1,824,037)
Total comprehensive income (loss) for the period	1,805,600	(773,239)
Total comprehensive income (loss) attributable to:		
Equity holders of the parent	1,796,424	(638,156)
Non-controlling interests	9,176	(135,083)
Total comprehensive income (loss) for the period	1,805,600	(773,239)

The accompanying notes 1 to 11 form an integral part of these interim condensed consolidated financial statements.

The National Commercial Bank
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)

	Attributable to equity holders of the Parent											
	Share capital <u>SR' 000</u>	Treasury shares <u>SR' 000</u>	Statutory reserve <u>SR' 000</u>	<u>Other reserves</u>			Retained earnings <u>SR' 000</u>	Proposed dividend <u>SR' 000</u>	Foreign currency exchange reserve <u>SR' 000</u>	Total <u>SR' 000</u>	Non- controlling interests <u>SR' 000</u>	Total <u>SR' 000</u>
				Available for sale financial assets <u>SR' 000</u>	Cash flow hedge <u>SR' 000</u>	Cash flow hedge <u>SR' 000</u>						
For the three months ended												
31 March 2010												
Balance as at 1 January 2010	15,000,000	(177,093)	9,524,343	281,941	85,210	3,061,538	2,243,963	(748,815)	29,271,087	1,589,072	30,860,159	
Total comprehensive income (loss) for the period	-	-	-	432,816	(18,860)	1,413,056	-	(30,588)	1,796,424	9,176	1,805,600	
Adjustments in non-controlling interests	-	-	-	-	-	-	-	-	-	(10)	(10)	
Final proposed dividend transferred to other liabilities	-	-	-	-	-	-	(2,243,963)	-	(2,243,963)	-	(2,243,963)	
Balance as at 31 March 2010	15,000,000	(177,093)	9,524,343	714,757	66,350	4,474,594	-	(779,403)	28,823,548	1,598,238	30,421,786	
For the three months ended												
31 March 2009												
Balance as at 1 January 2009	15,000,000	-	8,526,412	801,486	249,095	2,354,313	-	(816,460)	26,114,846	1,420,655	27,535,501	
Total comprehensive (loss) income for the period	-	-	-	(1,398,463)	61,586	1,045,609	-	(346,888)	(638,156)	(135,083)	(773,239)	
Adjustments in non-controlling interests	-	-	-	-	-	-	-	-	-	(7,858)	(7,858)	
Balance as at 31 March 2009	15,000,000	-	8,526,412	(596,977)	310,681	3,399,922	-	(1,163,348)	25,476,690	1,277,714	26,754,404	

The accompanying notes 1 to 11 form an integral part of these interim condensed consolidated financial statements.

The National Commercial Bank
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

	<u>Note</u>	Three Months Ended	
		31 March 2010 <u>SR' 000</u>	31 March 2009 <u>SR' 000</u>
OPERATING ACTIVITIES			
Net income for the period		1,413,056	1,045,609
Adjustments to reconcile net income to net cash from operating activities:			
Amortisation of premium/(accretion of discounts) on non-trading investments, net		4,591	(42,166)
Amortization of discount on debt securities issued		173	174
(Gains) on non-trading investments, net		(142,946)	(345,578)
(Gains) on disposal of property and equipment, net		(1,283)	(406)
(Gains) on disposal of other real estate, net		(1,015)	(862)
Depreciation of property and equipment		83,821	73,301
Amortization of intangible assets		60,159	44,824
Impairment charge for credit losses, net		552,030	671,020
Bank's share in associate's losses		3,125	4,841
Impairment charge for other financial assets, net		-	405,061
		1,971,711	1,855,818
Net (increase)/decrease in operating assets:			
Statutory deposits with SAMA		128,505	(1,356,812)
Held for trading investments		(25,068)	(60,461)
Held as fair value through income statement (FVIS) investments		1,169,039	1,047,726
Loans and advances		(2,187,754)	4,011,351
Other real estate		(2,572)	13,269
Other assets		(1,222,572)	166,785
Net increase/(decrease) in operating liabilities:			
Due to banks and other financial institutions		5,424,415	(2,111,030)
Customers' deposits		(1,323,442)	33,839,872
Other liabilities		1,464,287	(444,158)
Net cash from operating activities		5,396,549	36,962,360
INVESTING ACTIVITIES			
Proceeds from sale and maturities of non-trading / non-FVIS investments		14,144,253	17,895,326
Purchase of non-trading / non-FVIS investments		(20,748,193)	(17,679,094)
Purchase of property and equipment		(48,740)	(26,648)
Proceeds from disposal of property and equipment		1,238	1,695
Net cash (used in) from investing activities		(6,651,442)	191,279
FINANCING ACTIVITIES			
Net movement in non-controlling interests		9,166	(142,941)
Cash from (used in) financing activities		9,166	(142,941)
Net (decrease) increase in cash and cash equivalents		(1,245,727)	37,010,698
Foreign currency exchange reserve - cash and cash equivalents		(29,782)	(443,908)
Cash and cash equivalents at the beginning of the year		29,018,600	25,107,343
Cash and cash equivalents at the end of the period	8	27,743,091	61,674,133
Special commission received during the period		2,492,269	2,960,392
Special commission paid during the period		475,299	717,313
Supplemental non-cash information			
Net change in fair value and transfer to interim condensed consolidated income statement		413,956	(1,336,877)
Acquisition of available for sale investment (equities)	5	1,076,566	-

The accompanying notes 1 to 11 form an integral part of these interim condensed consolidated financial statements.

The National Commercial Bank

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 31 March 2010 and 2009 (UNAUDITED)

1. GENERAL

The financial statements comprise the interim condensed consolidated financial statements of the National Commercial Bank and its subsidiaries (the Group).

The National Commercial Bank (the Bank) is a Saudi Joint Stock Company formed pursuant to Royal Decree No. M/19 on 23 Dhul Qida 1417H (31 March 1997), approving the Bank's conversion from a General Partnership to a Saudi Joint Stock Company.

The Bank commenced business as a partnership under registration certificate authenticated by a Royal Decree on 28 Rajab 1369H (15 May 1950) and registered under commercial registration No. 4030001588 issued on 27 Dhul Hijjah 1376H (24 July 1957). The Bank initiated business in the name of "The National Commercial Bank" under Royal Decree No. 3737 on 20 Rabi Thani 1373H (26 December 1953). The date of 1 July 1997 was determined to be the effective date of the Bank's conversion from a General Partnership to a Saudi Joint Stock Company.

The Bank's Head Office is located at the following address:

The National Commercial Bank
Head Office
King Abdul Aziz street
P.O. Box 3555
Jeddah 21481, Saudi Arabia
<http://www.alahli.com>

The objective of the Bank is to provide a full range of banking services. The Bank also provides non-interest based banking products in compliance with *Shariah* rules, which are approved and supervised by an independent *Shariah* Board.

Group's subsidiaries

The details of the Group's subsidiaries are as follows:

(i) NCB Capital Company

In April 2007, the Bank formed a new capital market company, namely, NCB Capital Company, a Saudi Joint Stock Company formed in accordance with Capital Market Authority's Resolution No. 2-83-2005 dated 21 Jumad Awal 1426H (28 June 2005), and registered in the Kingdom of Saudi Arabia. The Bank has 89.42% (2009: 89.995%) direct ownership interest in NCB Capital Company and an indirect ownership of 4.17% (2009: 4.556%) (the indirect ownership is held via an intermediary Trust for future grant to NCB Capital employees).

(ii) Türkiye Finans Katılım Bankası A.Ş.

The Bank has 64.68% (2009: 64.68%) direct ownership interest in Türkiye Finans Katılım Bankası A.Ş. (the Turkish Bank). The Turkish Bank operates as a participation bank, by collecting funds through current accounts and profit sharing accounts, and lending funds to consumer and corporate customers, through finance leases and profit/loss sharing partnerships.

(iii) Eastgate Capital Holdings Inc. (Eastgate)

The Group has 72.06% (2009: 72.06%) effective ownership interest in Eastgate Capital Holdings Inc., a Middle East-based private equity firm acquired through its subsidiary, NCB Capital Company. NCB Capital Company acquired 77% direct ownership interest in Eastgate and the remaining 23% is owned by the management of Eastgate.

(iv) The Capital Partnership Group Limited (TCP)

The Group has 73% (2009: 89.995%) effective ownership interest in the Capital Partnership Group Limited acquired through its subsidiary, NCB Capital Company. On 30 June 2009, NCB Capital Company disposed of its 22% interest in this subsidiary without losing control and as a result, NCB Capital Company had 78% (31 March 2009: 100%) direct ownership interest in the Capital Partnership Group Limited and the remaining 22% (31 March 2009: Nil) was owned by the management of the Capital Partnership Group Limited. TCP was incorporated and registered in the Dubai International Financial Centre on 1 November 2006. Its principal activity is providing investment management services.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2010 and 2009 (UNAUDITED)

2. BASIS OF PREPARATION

a) Statement of compliance

The National Commercial Bank prepares these interim condensed consolidated financial statements in accordance with the applicable accounting standards for financial institutions promulgated by the Saudi Arabian Monetary Agency (SAMA), and International Accounting Standard (IAS) 34 - Interim Financial Reporting. The interim condensed consolidated financial statements do not include all information and disclosure required in the annual (consolidated) financial statements and should be read in conjunction with the Bank's annual consolidated financial statements for the year ended 31 December 2009.

b) Basis of measurement

These interim condensed consolidated financial statements are prepared under the historical cost convention except for the measurement at fair value of derivatives, financial assets held for trading, held at Fair Value through Income Statement (FVIS) and available for sale investments. In addition, assets or liabilities that are hedged in a fair value hedging relationship are carried at fair value to the extent of the risk being hedged.

c) Functional and presentation currency

These interim condensed consolidated financial statements are presented in Saudi Riyals (SR) which is the Group's functional currency and have been rounded off to the nearest thousand Saudi Riyals.

d) Basis of consolidation

These interim condensed consolidated financial statements comprise the consolidated financial statements of "The National Commercial Bank" and its subsidiaries - NCB Capital Company and its subsidiaries and Turkiye Finans Katlim Bankasi A.S. NCB Capital also consolidates the financial statements of Eastgate and The Capital Partnership Group Limited in its consolidated financial statements. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Group, using consistent accounting policies.

Subsidiaries are all entities over which the Bank has the power to govern the financial and operating policies, so as to obtain benefits from its activities, generally accompanying an ownership interest of more than one half of the voting rights. Subsidiaries are consolidated from the date on which control is transferred to the Bank and cease to be consolidated from the date on which the control is transferred from the Bank. The results of subsidiaries acquired or disposed of during the year, if any, are included in the consolidated statement of income from the date of the acquisition or up to the date of disposal, as appropriate.

Non-controlling interests represent the portion of net income and net assets not owned, directly or indirectly, by the Bank in its subsidiaries and are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

Inter-group balances, and income and expenses arising from inter-group transactions are eliminated in preparing the interim condensed consolidated financial statements.

e) Accounting policies

The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the Bank's annual consolidated financial statements for the year ended 31 December 2009, except for the amendment in IAS 27 (amended) as mentioned below, effective from 1 January 2010. The Group will apply this amendment to transactions occurring subsequent to 1 January 2010.

IAS 27 (amended) 'Consolidated and separate financial statements':

The amendment requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transaction will no longer give rise to goodwill, nor will it give rise to a gain or loss.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2010 and 2009 (UNAUDITED)

3. INVESTMENTS, NET

	31 March 2010 (Unaudited) SR '000	31 December 2009 (Audited) SR '000	31 March 2009 (Unaudited) SR '000
Held for trading	1,339,144	1,314,076	1,268,233
Held as FVIS (Fair Value through Income Statement)	3,087,299	4,256,338	6,288,195
Available for sale, net	36,367,619	35,809,956	26,100,396
Held to maturity, net	2,308,883	1,193,312	1,180,833
Other investments held at amortized cost, net	60,377,542	54,881,624	32,024,239
Total	103,480,487	97,455,306	66,861,896

4. TREASURY SHARES

During 2009, the Bank acquired its own equity shares from a customer as a result of partial set-off of debt.

5. ACQUISITION OF AVAILABLE FOR SALE INVESTMENTS (EQUITIES)

The Bank acquired equities from a customer as a result of partial set-off of debt.

6. DERIVATIVES

The table below shows the positive and negative fair values of derivative financial instruments. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the end of the period, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Bank's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor to market risk.

	<u>31 March 2010 (Unaudited)</u>			<u>31 December 2009 (Audited)</u>			<u>31 March 2009 (Unaudited)</u>		
	<u>SR'000</u>			<u>SR'000</u>			<u>SR'000</u>		
	<u>Positive fair value</u>	<u>Negative fair value</u>	<u>Notional amount</u>	<u>Positive fair value</u>	<u>Negative fair value</u>	<u>Notional amount</u>	<u>Positive fair value</u>	<u>Negative fair value</u>	<u>Notional amount</u>
Held for trading:									
Special commission rate swaps	260,965	(231,084)	10,884,752	232,742	(219,013)	5,891,769	62,312	(45,337)	7,346,251
Special commission rate options and futures	47,731	(43,909)	3,388,892	47,636	(43,749)	2,866,892	53,669	(49,784)	4,535,505
Swaption	-	-	-	-	-	-	-	(8,578)	1,274,762
Forward foreign exchange contracts	89,926	(49,849)	35,679,449	86,295	(183,999)	39,487,406	191,383	(150,717)	43,007,432
Currency options	11,523	(14,717)	2,693,272	15,913	(16,287)	1,363,804	423,715	(424,048)	25,693,282
Held as fair value hedges:									
Special commission rate swaps	-	(447,786)	1,703,700	78,849	(269,463)	1,759,500	5,407	(17,485)	1,501,466
Held as cash flow hedges:									
Special commission rate swaps	48,965	-	1,379,000	84,111	-	4,964,000	315,773	(6,650)	8,024,000
Total	459,110	(787,345)	55,729,065	545,546	(732,511)	56,333,371	1,052,259	(702,599)	91,382,698
Portfolio (collective) provision for counterparty risk	(217)	-		(217)	-		(217)	-	
Fair value, net	458,893	(787,345)		545,329	(732,511)		1,052,042	(702,599)	

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2010 and 2009 (UNAUDITED)

7. CREDIT RELATED COMMITMENTS AND CONTINGENCIES

	31 March 2010 (Unaudited) SR '000	31 December 2009 (Audited) SR '000	31 March 2009 (Unaudited) SR '000
Guarantees	36,220,810	37,275,757	38,500,147
Letters of credit	15,882,605	13,399,082	11,408,923
Acceptances	2,130,159	2,238,681	2,938,975
Irrevocable commitments to extend credit	982,500	982,500	982,500
Total	55,216,074	53,896,020	53,830,545

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following:

	31 March 2010 (Unaudited) SR '000	31 December 2009 (Audited) SR '000	31 March 2009 (Unaudited) SR '000
Cash and balances with SAMA excluding statutory deposits	20,048,501	19,747,652	42,062,049
Due from banks and other financial institutions maturing within ninety days	7,694,590	9,270,948	19,612,084
Total	27,743,091	29,018,600	61,674,133

9. BUSINESS SEGMENTS

A segment is a distinguishable component of the Group, that is engaged in providing products or services, which is subject to risks and rewards that are different from those of other segments.

For management purposes, the Bank and its subsidiaries are organised into the following segments:

Consumer	-	Provides banking services, including lending and current accounts in addition to products in compliance with <i>Shariah</i> rules which are supervised by the independent <i>Shariah</i> Board, to individuals, small
Corporate	-	Provides banking services including all conventional credit-related products and financing products in compliance with <i>Shariah</i> rules to medium and large establishments and companies.
Treasury	-	Provides a full range of treasury products and services, including money market and foreign exchange, to the Bank's clients, in addition to carrying out investment and trading activities (local and international) and managing liquidity risk, market risk and credit risk
Capital Market	-	Provides wealth management, assets management, investment banking and shares brokerage services (local, regional and international).
International	-	Comprises banking services provided outside Saudi Arabia including overseas subsidiaries and international banking services.

Transactions between the business segments are recorded as per the Bank and its subsidiaries' transfer pricing system.

The supports and Head Office expenses are allocated to segments using activity-based costing.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2010 and 2009 (UNAUDITED)

9. BUSINESS SEGMENTS (continued)

The Group's total assets and liabilities, its operating income and expenses, and net income, by business segments, are as follows:

31 March 2010	<u>SR '000</u>					
	<u>Consumer</u>	<u>Corporate</u>	<u>Treasury</u>	<u>Capital Market</u>	<u>International</u>	<u>Total</u>
Total assets	44,534,960	65,943,287	128,494,309	1,710,236	24,140,406	264,823,198
Total liabilities	133,837,353	54,280,681	24,665,092	349,100	21,269,186	234,401,412
Operating income						
from external customers	1,180,929	558,112	819,490	91,757	448,763	3,099,051
Inter-segment operating income (expense)	297,143	(213)	(323,251)	24,436	1,885	-
Fee income from banking services	250,490	94,369	128	101,859	154,564	601,410
Total operating income	1,478,072	557,899	496,239	116,193	450,648	3,099,051
Operating expenses	622,720	542,061	33,197	101,280	339,475	1,638,733
of which:						
- Depreciation of property and equipment	55,490	872	499	11,244	15,716	83,821
- Amortization of intangible assets	-	-	-	3,803	56,356	60,159
- Impairment charge for credit losses, net	75,948	454,189	-	-	21,893	552,030
- Impairment charge for other financial assets	-	-	-	-	-	-
Net income (parent and non-controlling interests)	811,785	10,965	494,166	9,954	115,525	1,442,395
				<u>SR '000</u>		
				<u>Capital Market</u>	<u>International</u>	<u>Total</u>
31 March 2009	<u>Consumer</u>	<u>Corporate</u>	<u>Treasury</u>			
Total assets	43,990,050	58,973,634	125,427,065	1,738,656	20,556,670	250,686,075
Total liabilities	131,428,880	57,760,822	16,590,647	387,789	17,763,533	223,931,671
Operating income						
from external customers	1,178,305	682,530	763,614	120,903	420,214	3,165,566
Inter-segment operating income (expense)	437,068	(132,071)	(354,185)	44,891	4,297	-
Fee income from banking services	216,057	87,860	3,519	137,381	138,645	583,462
Total operating income	1,615,373	550,459	409,429	165,794	424,511	3,165,566
Operating expenses	781,635	365,957	434,237	92,993	385,427	2,060,249
of which:						
- Depreciation of property and equipment	52,704	1,054	518	6,391	12,634	73,301
- Amortization of intangible assets	-	-	-	3,803	41,021	44,824
- Impairment charge for credit losses, net	213,463	292,208	-	-	165,349	671,020
- Impairment charge for other financial assets	-	-	401,209	3,852	-	405,061
Net income (parent and non-controlling interests)	815,758	182,068	(19,692)	67,371	5,293	1,050,798

The National Commercial Bank
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2010 and 2009 (UNAUDITED)

10. LEGAL PROCEEDING

The Bank is one of many Saudi and non-Saudi defendants in certain lawsuits initiated in the United States. These lawsuits have been consolidated in a federal court in New York for preliminary pre-trial purposes. During 2004, the Bank filed motions to dismiss the lead lawsuits and asserted a number of threshold jurisdictional and legal defenses. In January 2005, the federal court issued a decision that denied the Bank's motions to dismiss the lead lawsuits, with leave to renew those motions following a limited factual inquiry (discovery) into issues governing the Bank's entitlement to the threshold jurisdictional defenses. The Bank thereafter made a motion to reconsider the Court's ruling and dismiss the claims as legally insufficient without first resolving the Bank's jurisdictional defenses, or alternatively, to adjust the sequence and scope of jurisdictional discovery. On 21 September 2005, the court granted the Bank's motion for reconsideration in part.

Between 2006 and 2008, at the direction of the presiding judge, a magistrate resolved differences between the plaintiffs and the Bank on the scope and time-period of limited discovery aimed at determining whether a US court has jurisdiction over the Bank or not. The Bank provided the limited jurisdictional discovery ordered by the court.

At the direction of the court, the Bank also received discovery from the plaintiffs concerning the basis for their jurisdictional theories. In July 2008, with leave of the court, the Bank made a renewed motion to dismiss all of these lawsuits based on lack of U.S. jurisdiction over the Bank. In August 2008, the plaintiffs requested additional discovery from the Bank before responding to the Bank's motion.

In September 2008, the magistrate supervising discovery postponed plaintiffs' deadline to respond to the Bank's renewed motion to dismiss, pending further consideration of the plaintiffs' requests for additional discovery. In April and May 2009, the magistrate held hearings on those discovery requests and in July 2009, the presiding judge held a conference with the parties and announced his plan to issue rulings on many pending motions during the fourth quarter of 2009. In January 2010, the magistrate issued a ruling denying the plaintiffs' requests for additional discovery and directed the plaintiffs to respond to the Bank's renewed motion to dismiss within 60 days. Thereafter, the plaintiffs appealed all rulings in the magistrate's discovery order to the presiding judge, and the parties have agreed to a schedule that will complete the briefing on the Bank's renewed motion to dismiss the lead lawsuits by early June 2010. The presiding judge has not yet ruled on the plaintiffs' appeal on the magistrate's discovery order.

In addition to its threshold jurisdictional and legal defenses, the Bank's management has been advised by U.S. legal counsel handling the cases that the Bank has other valid defenses to the litigation. Consequently, the Bank's management and counsel believe that the claims made against the Bank can be defended successfully.

11. CAPITAL ADEQUACY

The Group's objectives when managing capital are to comply with the capital requirements set by SAMA to safeguard the Group's ability to continue as a going concern and to maintain a strong capital base.

The Group monitors the adequacy of its capital using the ratios and weights established by SAMA. These ratios measure capital adequacy by comparing the Bank's eligible capital with its balance sheet assets, commitments & contingencies and notional amount of derivatives at a weighted amount to reflect their relative risk. SAMA requires to hold the minimum level of the regulatory capital and maintain a ratio of total eligible capital to the risk-weighted asset at or above the agreed minimum of 8%.

	31 March 2010	31 March 2009
	%	%
Core capital (Tier 1)	18.0%	15.2%
Core and supplementary capital (Tier 1 and Tier 2)	18.7%	16.0%