

THE NATIONAL COMMERCIAL BANK

(A Saudi Joint Stock Company)

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

30 June 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 (the "Bank") and its subsidiaries as at 30 June 2010, comprising the consolidated statement of financial position as at 30 June 2010 and the related consolidated income statement and consolidated statement of comprehensive income for the three-month and six-month periods ended 30 June 2010 and the consolidated statement of changes in shareholders' equity and cash flows for the six-month period then ended, along with condensed notes 1 through 11. We have not reviewed note 12, nor the information related to "Basel II disclosures" cross-referenced therein, which is not required to be within the scope of our review.

Management's Responsibility for the Consolidated Financial Statements

These interim condensed consolidated financial statements are the responsibility of the Bank's 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 Bank for submission to SAMA and found no material inconsistencies.

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The National Commercial Bank
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2010 (Unaudited) SR '000	31 December 2009 (Audited) SR '000	30 June 2009 (Unaudited) SR '000
ASSETS	<u>Note</u>			
Cash and balances with SAMA		33,850,858	30,238,593	38,869,775
Due from banks and other financial institutions		10,628,631	9,270,948	18,181,267
Investments, net	3	92,964,256	97,455,306	84,746,552
Loans and advances, net		116,956,438	112,157,640	105,811,668
Investment in associates, net		838,489	844,739	851,595
Other real estate, net		291,300	286,888	278,792
Property and equipment, net		2,095,116	2,153,135	2,064,912
Intangible assets, net		1,064,622	1,206,965	1,305,588
Goodwill, net		954,726	983,456	973,496
Other assets		3,627,561	2,854,505	3,821,303
Total assets		263,271,997	257,452,175	256,904,948
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES				
Due to banks and other financial institutions		18,375,766	15,575,021	13,152,167
Customers' deposits		204,808,146	202,582,508	206,861,820
Debt securities issued		2,624,784	2,624,436	2,624,081
Other liabilities		6,791,199	5,810,051	5,818,294
Total liabilities		232,599,895	226,592,016	228,456,362
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT				
Share capital		15,000,000	15,000,000	15,000,000
Treasury shares	4	(177,093)	(177,093)	-
Statutory reserve		9,524,343	9,524,343	8,526,412
Other reserves (cumulative changes in fair values)		1,117,036	367,151	(268,392)
Retained earnings		4,507,086	3,061,538	4,591,528
Proposed dividend		-	2,243,963	-
Foreign currency exchange reserve		(856,994)	(748,815)	(901,279)
Total shareholders' equity attributable to equity holders of the Parent		29,114,378	29,271,087	26,948,269
Non-controlling interests		1,557,724	1,589,072	1,500,317
Total shareholders' equity		30,672,102	30,860,159	28,448,586
Total liabilities and shareholders' equity		263,271,997	257,452,175	256,904,948

The accompanying notes 1 to 12 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		Six Months Ended	
	30 June 2010 SR '000	30 June 2009 SR '000	30 June 2010 SR '000	30 June 2009 SR '000
Special commission income	2,355,718	2,546,621	4,865,771	5,349,731
Special commission expense	(365,472)	(628,124)	(731,739)	(1,365,528)
Net special commission income	1,990,246	1,918,497	4,134,032	3,984,203
Fee income from banking services, net	663,455	666,973	1,264,865	1,250,435
Foreign exchange income, net	103,736	66,588	166,692	146,307
Income/(loss) from FVIS investments, net	36,668	(48,647)	91,606	(42,331)
Trading income, net	7,015	200,070	68,524	256,693
Dividend income	5,062	5,088	36,568	33,250
Gains on non-trading investments, net	204,882	9,335	347,828	354,913
Operating income	3,011,064	2,817,904	6,110,115	5,983,470
Salaries and employee-related expenses	582,819	550,594	1,137,995	1,070,416
Rent and premises-related expenses	105,116	101,460	194,641	176,494
Depreciation of property and equipment	84,169	71,948	167,990	145,249
Amortisation of intangible assets	60,158	48,586	120,317	93,410
Other general and administrative expenses	336,640	310,951	634,662	582,138
Impairment charge for credit losses, net	612,953	425,121	1,164,983	1,096,141
(Reversal of) impairment charge for other financial assets, net	(30,848)	103,553	(30,848)	508,614
Operating expenses	1,751,007	1,612,213	3,389,740	3,672,462
Income from operations, net	1,260,057	1,205,691	2,720,375	2,311,008
Other (expenses)/income				
Donations	(13,604)	(13,741)	(28,843)	(28,024)
Other non-operating (expenses)/income, net	(3,609)	28,840	(6,293)	(11,396)
Net other (expenses)/income	(17,213)	15,099	(35,136)	(39,420)
Net income for the period	1,242,844	1,220,790	2,685,239	2,271,588
Net income for the year attributable to:				
Equity holders of the Parent	1,226,696	1,191,606	2,639,752	2,237,215
Non-controlling interests	16,148	29,184	45,487	34,373
Net income for the period	1,242,844	1,220,790	2,685,239	2,271,588
Earnings per share for the period (expressed in SR per share)	0.82	0.79	1.76	1.49

The accompanying notes 1 to 12 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		Six Months Ended	
	30 June 2010 <u>SR '000</u>	30 June 2009 <u>SR '000</u>	30 June 2010 <u>SR '000</u>	30 June 2009 <u>SR '000</u>
Net income for the period	1,242,844	1,220,790	2,685,239	2,271,588
Other comprehensive income (loss):				
Net changes arising during the period in:				
Fair value of cash flow hedges	(2,251)	(19,922)	(37,398)	41,757
Fair value of available for sale investments (AFS)	503,442	237,697	1,083,023	(1,157,103)
Foreign currency exchange reserve	(101,699)	382,456	(151,370)	(103,462)
Transfer to consolidated income statement:				
(Gains) on cash flow hedges	(16,297)	(157,379)	(10)	(157,472)
(Gains) on non-trading investments, net (AFS)	(167,668)	(113,392)	(315,513)	(458,970)
Impairment charge for other financial assets (AFS)	5,913	94,377	5,913	435,050
Other comprehensive income (loss) for the period	221,440	423,837	584,645	(1,400,200)
Total comprehensive income for the period	1,464,284	1,644,627	3,269,884	871,388
Total comprehensive income (loss) attributable to:				
Equity holders of the parent	1,485,034	1,471,579	3,281,458	833,423
Non-controlling interests	(20,750)	173,048	(11,574)	37,965
Total comprehensive income for the period	1,464,284	1,644,627	3,269,884	871,388

The accompanying notes 1 to 12 form an integral part of these interim condensed consolidated financial statements.

The National Commercial Bank

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

	Attributable to equity holders of the Parent										
	Share capital	Treasury shares	Statutory reserve	Other reserves		Retained earnings	Proposed dividend	Foreign currency exchange reserve	Total	Non-controlling interests	Total
				financial assets	Cash flow hedge						
SR' 000	SR' 000	SR' 000	SR' 000	SR' 000	SR' 000	SR' 000	SR' 000	SR' 000	SR' 000	SR' 000	SR' 000
For the six months ended 30 June 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	-	-	-	787,293	(37,408)	2,639,752	-	(108,179)	3,281,458	(11,574)	3,269,884
Adjustments in non-controlling interests	-	-	-	-	-	2,576	-	-	2,576	(18,383)	(15,807)
Dividend paid	-	-	-	-	-	-	(2,243,963)	-	(2,243,963)	(1,391)	(2,245,354)
Interim dividend payable (note 5)	-	-	-	-	-	(1,196,780)	-	-	(1,196,780)	-	(1,196,780)
Balance as at 30 June 2010	15,000,000	(177,093)	9,524,343	1,069,234	47,802	4,507,086	-	(856,994)	29,114,378	1,557,724	30,672,102
For the six months ended 30 June 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	-	-	-	(1,203,258)	(115,715)	2,237,215	-	(84,819)	833,423	37,965	871,388
Adjustments in non-controlling interests	-	-	-	-	-	-	-	-	-	41,697	41,697
Balance as at 30 June 2009	15,000,000	-	8,526,412	(401,772)	133,380	4,591,528	-	(901,279)	26,948,269	1,500,317	28,448,586

The accompanying notes 1 to 12 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>	<u>Six Months Ended</u>	
		<u>30 June</u> <u>2010</u> <u>SR' 000</u>	<u>30 June</u> <u>2009</u> <u>SR' 000</u>
OPERATING ACTIVITIES			
Net income for the period		2,639,752	2,237,215
Adjustments to reconcile net income to net cash from operating activities:			
Amortisation of premium/(accretion of discounts) on non-trading investments, net		19,501	(89,688)
Amortization of discount on debt securities issued		348	349
(Gains) on non-trading investments, net		(347,828)	(354,913)
(Gains) on disposal of property and equipment, net		(5,677)	(2,431)
(Gains) on disposal of other real estate, net		(2,275)	(3,140)
Depreciation of property and equipment		167,990	145,249
Amortization of intangible assets		120,317	93,410
Impairment charge for credit losses, net		1,164,983	1,096,141
Bank's share in associate's losses		6,250	9,682
(Reversal of) impairment charge for other financial assets, net		(30,848)	508,614
		3,732,513	3,640,488
Net (increase)/decrease in operating assets:			
Statutory deposits with SAMA		183,180	(2,378,816)
Due from banks and other financial institutions maturing after ninety days		(1,100,000)	-
Held for trading investments		(70,089)	(48,185)
Held as fair value through income statement (FVIS) investments		67,724	1,894,039
Loans and advances		(5,963,782)	1,056,317
Other real estate		(2,137)	(23,661)
Other assets		(773,056)	1,739,812
Net increase/(decrease) in operating liabilities:			
Due to banks and other financial institutions		2,800,745	415,870
Customers' deposits		2,225,638	35,011,190
Other liabilities		(215,632)	(1,266,463)
Net cash from operating activities		885,104	40,040,591
INVESTING ACTIVITIES			
Proceeds from sale and maturities of non-trading / non-FVIS investments		36,118,814	24,471,170
Purchase of non-trading / non-FVIS investments		(30,446,721)	(43,026,975)
Purchase of property and equipment		(110,233)	(115,526)
Proceeds from disposal of property and equipment		5,939	6,866
Net cash from (used in) investing activities		5,567,799	(18,664,465)
FINANCING ACTIVITIES			
Net movement in non-controlling interests		(31,348)	114,035
Dividends paid		(2,243,963)	-
Cash (used in) from financing activities		(2,275,311)	114,035
Net increase in cash and cash equivalents		4,177,592	21,490,161
Foreign currency exchange reserve - cash and cash equivalents		(124,464)	(63,343)
Cash and cash equivalents at the beginning of the period		29,018,600	25,107,343
Cash and cash equivalents at the end of the period	8	33,071,728	46,534,161
Special commission received during the period		4,837,301	5,805,601
Special commission paid during the period		639,090	1,306,652
Supplemental non-cash information			
Net change in fair value and transfer to interim condensed consolidated income statement		749,884	(1,318,973)
Acquisition of available for sale investment (equities)	3	1,076,566	-

The accompanying notes 1 to 12 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 30 June 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: 89.42%) direct ownership interest in NCB Capital Company and an indirect ownership of 5.75% (2009: 4.52%) (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)

NCB Capital Company acquired 100% ownership interest of the Capital Partnership Group Limited on 1 October 2008. On 30 June 2009, NCB Capital disposed off its 22% ownership interest in this subsidiary without losing control. 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
30 June 2010 and 2009 (UNAUDITED)

2. BASIS OF PREPARATION

a) Statement of compliance

The 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 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 also 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 Company 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 of net assets attributable to interests which are not owned, directly or indirectly, by the Bank in its subsidiaries and are presented separately in the interim condensed consolidated income statement and within equity in the consolidated statement of financial position, separately from equity attributable to the equity holders of the parent.

Intra-group balances, and income and expenses arising from intra-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
30 June 2010 and 2009 (UNAUDITED)

3. INVESTMENTS, NET

	30 June 2010 (Unaudited) SR '000	31 December 2009 (Audited) SR '000	30 June 2009 (Unaudited) SR '000
Held for trading	1,389,120	1,314,076	1,255,957
Held as FVIS (Fair Value through Income Statement)	4,188,614	4,256,338	5,441,882
Available for sale, net	33,047,514	35,809,956	29,814,459
Held to maturity, net	2,197,659	1,193,312	1,204,389
Other investments held at amortized cost, net	52,141,349	54,881,624	47,029,865
Total	92,964,256	97,455,306	84,746,552

The Bank acquired equities from a customer as a result of partial set-off of debt. These have been classified as available for sale investments.

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. INTERIM DIVIDEND

On 9 June 2010, the Board of Directors has approved an interim dividend for distribution to the shareholders. This interim dividend payable, which is included in "other liabilities", will result in a payment to the shareholders of SR 1,196.8 million (SR 0.80 per share), net of zakat.

6. DERIVATIVES

The table below sets out the positive and negative fair values of derivative financial instruments together with their notional amounts. 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 Group's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor of market risk.

	<u>30 June 2010 (Unaudited)</u>			<u>31 December 2009 (Audited)</u>			<u>30 June 2009 (Unaudited)</u>		
	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</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	260,084	(248,305)	13,929,087	232,742	(219,013)	5,891,769	48,178	(31,824)	5,964,554
Special commission rate options and futures	37,319	(36,466)	2,855,478	47,636	(43,749)	2,866,892	53,415	(47,943)	4,249,055
Forward foreign exchange contracts	105,933	(42,826)	50,810,606	86,295	(183,999)	39,487,406	145,872	(90,365)	30,999,331
Currency options	19,062	(22,313)	2,089,276	15,913	(16,287)	1,363,804	122,769	(123,134)	11,470,012
Held as fair value hedges:									
Special commission rate swaps	-	(203,083)	1,707,330	78,849	(269,463)	1,759,500	41,859	(19,906)	2,014,147
Held as cash flow hedges:									
Special commission rate swaps	46,713	-	1,129,000	84,111	-	4,964,000	127,416	-	4,764,000
Total	469,111	(552,993)	72,520,777	545,546	(732,511)	56,333,371	539,509	(313,172)	59,461,099
Portfolio (collective) provision for counterparty risk	(217)	-		(217)	-		(217)	-	
Fair value, net	<u>468,894</u>	<u>(552,993)</u>		<u>545,329</u>	<u>(732,511)</u>		<u>539,292</u>	<u>(313,172)</u>	

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2010 and 2009 (UNAUDITED)

7. CREDIT RELATED COMMITMENTS AND CONTINGENCIES

	30 June 2010 (Unaudited) SR '000	31 December 2009 (Audited) SR '000	30 June 2009 (Unaudited) SR '000
Guarantees	33,892,153	37,275,757	39,600,868
Letters of credit	14,401,752	13,399,082	12,663,915
Acceptances	2,544,008	2,238,681	2,809,119
Irrevocable commitments to extend credit	675,000	982,500	982,500
Total	51,512,913	53,896,020	56,056,402

8. CASH AND CASH EQUIVALENTS

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

	30 June 2010 (Unaudited) SR '000	31 December 2009 (Audited) SR '000	30 June 2009 (Unaudited) SR '000
Cash and balances with SAMA excluding statutory deposits	23,543,097	19,747,652	28,352,894
Due from banks and other financial institutions maturing within ninety days	9,528,631	9,270,948	18,181,267
Total	33,071,728	29,018,600	46,534,161

9. SEGMENT INFORMATION

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 sized businesses and private banking customers.
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 (related to investments).
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 operating segments are recorded as per the Bank and its subsidiaries' transfer pricing system.

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

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9. SEGMENT INFORMATION (continued)

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

30 June 2010	SR '000					
	Consumer	Corporate	Treasury	Capital Market	International	Total
Total assets	45,587,698	67,063,600	123,952,007	1,755,657	24,913,035	263,271,997
Total liabilities	133,804,483	54,763,354	22,220,715	278,664	21,532,679	232,599,895
Total operating income	2,784,141	1,066,910	1,109,500	260,962	888,602	6,110,115
Total operating expenses	1,403,377	965,246	92,597	211,421	717,099	3,389,740
of which:						
- Depreciation of property and equipment	101,465	14,244	9,735	9,779	32,767	167,990
- Amortization of intangible assets	-	-	-	7,605	112,712	120,317
- Impairment charge for credit losses, net	306,502	791,263	-	-	67,218	1,164,983
Net income (parent and non-controlling interests)	1,368,242	96,982	989,662	48,412	181,941	2,685,239

30 June 2009	SR '000					
	Consumer	Corporate	Treasury	Capital Market	International	Total
Total assets	44,941,051	57,831,227	128,934,080	2,604,508	22,594,082	256,904,948
Total liabilities	129,108,299	58,833,099	20,509,050	322,755	19,683,159	228,456,362
Total operating income	3,230,093	1,058,136	507,663	334,876	852,702	5,983,470
Total operating expenses	1,367,981	781,828	551,306	206,641	764,706	3,672,462
of which:						
- Depreciation of property and equipment	100,073	13,152	3,294	5,656	23,074	145,249
- Amortization of intangible assets	-	-	-	7,605	85,805	93,410
- Impairment charge for credit losses, net	267,777	567,365	-	-	260,999	1,096,141
Net income (parent and non-controlling interests)	1,843,638	255,918	(64,520)	147,009	89,543	2,271,588

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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.

In January 2010, the magistrate issued a ruling denying the plaintiffs' requests for additional discovery (subject to reconsideration, on one issue, by the presiding judge after the plaintiffs had responded to the Bank's renewed motion to dismiss), and directed the plaintiffs to respond to the Bank's renewed motion to dismiss. Thereafter, the plaintiffs appealed all rulings in the magistrate's discovery order to the presiding judge, and the parties agreed to a schedule for completing the briefing of the Bank's renewed motion to dismiss.

On June 16, 2010, the presiding judge granted the Bank's renewed motion to dismiss all of plaintiffs' claims against the Bank, finding that the evidence did not support the exercise of U.S. jurisdiction over the Bank either generally, or specifically in connection with plaintiffs' claims. The presiding judge also found that the plaintiffs had not demonstrated that any further discovery would be relevant to the question of jurisdiction.

The presiding judge declared that his June 16, 2010 order dismissing the claims against the Bank was a "final judgment" allowing the plaintiffs to take an appeal therefrom. However, before an appeal can be taken, the presiding judge may need to formally certify that his final judgment may be appealed immediately notwithstanding the ongoing proceedings as to the remaining defendants. Based on the public statements of plaintiffs' counsel, it appears likely that plaintiffs will appeal the judgment dismissing the claims against the Bank.

The Bank's U.S. legal counsel has advised the Bank's management that they believe the judgment dismissing the claims against the Bank has a strong basis in both law and fact, and that the plaintiffs will face significant difficulties in challenging that judgment if they choose to file an appeal.

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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 eligible capital with 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 assets at or above the agreed minimum of 8%.

	30 June	30 June
	2010	2009
	<u>%</u>	<u>%</u>
Core capital (Tier 1)	17.3%	16.5%
Core and supplementary capital (Tier 1 and Tier 2)	17.9%	17.4%

12. BASEL II PILLAR III QUANTITATIVE DISCLOSURES

Basel II Pillar III quantitative semi-annual disclosures are required by SAMA to be presented on the Bank's website www.alahli.com. Such disclosures are not reviewed by the external auditors as such review is not required by SAMA.