

THE NATIONAL COMMERCIAL BANK

(A Saudi Joint Stock Company)

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

30 June 2011

Report on Review of Interim Condensed Consolidated Financial Statements

To the Shareholders of the National Commercial Bank
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of the National Commercial Bank (the "Bank") and its subsidiaries (collectively referred to as "the Group") as of 30 June 2011, and the related interim condensed consolidated income statement and the interim condensed consolidated statements of comprehensive income for the three-month and six-month periods ended 30 June 2011, and the interim condensed consolidated statements of changes in equity and cash flows for the six-month period then ended and the notes from 1 to 11 for the six-month period then ended. We have not reviewed note 12, nor the information related to "Basel II Pillar III Disclosures" cross-referenced therein, which is not required to be within the scope of our review. The Bank's management is responsible for the preparation and presentation of these interim condensed consolidated financial statements 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". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with generally accepted standards in the Kingdom of Saudi Arabia applicable to review engagements and with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim condensed consolidated financial statements 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 generally accepted auditing standards in the Kingdom of Saudi Arabia and 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance 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

	<u>Note</u>	30 June 2011 (Unaudited) SR '000	31 December 2010 (Audited) SR '000	30 June 2010 (Unaudited) SR '000
ASSETS				
Cash and balances with SAMA		26,535,032	27,932,539	33,850,858
Due from banks and other financial institutions		7,830,981	11,846,431	10,628,631
Investments, net	3	139,971,275	108,065,249	92,964,256
Loans and advances, net		130,181,338	125,597,091	116,956,438
Investment in associates, net		822,912	827,465	838,489
Other real estate, net		272,791	279,665	291,300
Property and equipment, net		2,042,611	2,097,005	2,095,116
Intangible assets, net		801,102	922,677	1,064,622
Goodwill, net		702,063	734,744	954,726
Other assets		4,624,056	4,069,126	3,627,561
Total assets		313,784,161	282,371,992	263,271,997
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES				
Due to banks and other financial institutions		22,090,745	14,331,698	18,375,766
Customers' deposits		250,657,804	229,160,181	204,808,146
Debt securities issued		-	-	2,624,784
Other liabilities		7,689,866	6,023,420	6,791,199
Total liabilities		280,438,415	249,515,299	232,599,895
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)	(177,093)
Statutory reserve		10,655,725	10,655,725	9,524,343
Other reserves (cumulative changes in fair values)		1,720,946	1,318,720	1,117,036
Retained earnings		5,540,835	3,807,791	4,507,086
Proposed dividend		-	1,495,975	-
Foreign currency exchange reserve		(961,471)	(828,860)	(856,994)
Total shareholders' equity attributable to equity holders of the Parent		31,778,942	31,272,258	29,114,378
Non-controlling interests		1,566,804	1,584,435	1,557,724
Total shareholders' equity		33,345,746	32,856,693	30,672,102
Total liabilities and shareholders' equity		313,784,161	282,371,992	263,271,997

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 2011 SR '000	30 June 2010 SR '000	30 June 2011 SR '000	30 June 2010 SR '000
Special commission income	2,536,077	2,355,718	4,982,850	4,865,771
Special commission expense	(420,075)	(365,472)	(794,400)	(731,739)
Net special commission income	2,116,002	1,990,246	4,188,450	4,134,032
Fee income from banking services, net	724,853	663,455	1,387,338	1,264,865
Foreign exchange income, net	115,093	103,736	214,572	166,692
Income from FVIS investments, net	31,034	36,668	55,383	91,606
Trading income, net	39,896	7,015	96,256	68,524
Dividend income	13,594	5,062	35,121	36,568
Gains on non-trading investments, net	34,622	204,882	157,351	347,828
Operating income	3,075,094	3,011,064	6,134,471	6,110,115
Salaries and employee-related expenses	611,276	582,819	1,305,400	1,137,995
Rent and premises-related expenses	114,873	105,116	212,215	194,641
Depreciation of property and equipment	86,911	84,169	173,032	167,990
Amortisation of intangible assets	47,334	60,158	103,212	120,317
Other general and administrative expenses	310,993	293,879	573,494	549,781
Impairment charge for credit losses, net	407,967	612,953	704,567	1,164,983
(Reversal of) impairment charge for other financial assets, net	-	(30,848)	-	(30,848)
Operating expenses	1,579,354	1,708,246	3,071,920	3,304,859
Income from operations, net	1,495,740	1,302,818	3,062,551	2,805,256
Other (expenses)				
Donations	(14,866)	(13,604)	(30,215)	(28,843)
Other non-operating (expenses), net	(30,399)	(46,370)	(64,881)	(91,174)
Net other (expenses)	(45,265)	(59,974)	(95,096)	(120,017)
Net income for the period	1,450,475	1,242,844	2,967,455	2,685,239
Net income for the year attributable to:				
Equity holders of the Parent	1,424,322	1,226,696	2,927,298	2,639,752
Non-controlling interests	26,153	16,148	40,157	45,487
Net income for the period	1,450,475	1,242,844	2,967,455	2,685,239
Earnings per share for the period (expressed in SR per share)	0.95	0.82	1.96	1.76

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 2011 SR '000	30 June 2010 SR '000	30 June 2011 SR '000	30 June 2010 SR '000
Net income for the period	1,450,475	1,242,844	2,967,455	2,685,239
Other comprehensive income (loss):				
Net changes arising during the period in:				
Revaluation gains/(losses) on cash flow hedges, net	16,474	(2,251)	17,681	(37,398)
Revaluation gains on available for sale investments (AFS), net	443,770	503,442	494,672	1,083,023
Foreign currency translation reserve - (losses)	(229,151)	(101,699)	(192,022)	(151,370)
Transfer to consolidated income statement:				
Fair value losses/(gains) on cash flow hedges	33,252	(16,297)	28,532	(10)
(Gains) on non-trading investments, net (AFS)	(32,570)	(167,668)	(152,283)	(315,513)
Impairment charge for other financial assets (AFS)	-	5,913	-	5,913
Other comprehensive income for the period	231,775	221,440	196,580	584,645
Total comprehensive income for the period	1,682,250	1,464,284	3,164,035	3,269,884
Total comprehensive income (loss) attributable to:				
Equity holders of the parent	1,728,688	1,485,034	3,196,913	3,281,458
Non-controlling interests	(46,438)	(20,750)	(32,878)	(11,574)
Total comprehensive income for the period	1,682,250	1,464,284	3,164,035	3,269,884

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 CHANGES IN SHAREHOLDERS' EQUITY

(UNAUDITED)

	Attributable to equity holders of the Parent										
	Share capital SR' 000	Treasury shares SR' 000	Statutory reserve SR' 000	Other reserves		Retained earnings SR' 000	Proposed dividend SR' 000	Foreign currency exchange reserve SR' 000	Total SR' 000	Non-controlling interests SR' 000	Total SR' 000
				Available for sale financial assets SR' 000	Cash flow hedge SR' 000						
For the six months ended											
30 June 2011											
Balance as at 1 January 2011	15,000,000	(177,093)	10,655,725	1,289,301	29,419	3,807,791	1,495,975	(828,860)	31,272,258	1,584,435	32,856,693
Total comprehensive income (loss) for the period	-	-	-	384,545	17,681	2,927,298	-	(132,611)	3,196,913	(32,878)	3,164,035
Adjustments in non-controlling interests	-	-	-	-	-	3,692	-	-	3,692	15,247	18,939
Dividend paid	-	-	-	-	-	-	(1,495,975)	-	(1,495,975)	-	(1,495,975)
Premium on acquisition of non-controlling interests	-	-	-	-	-	(1,166)	-	-	(1,166)	-	(1,166)
Interim dividend payable (note 5)	-	-	-	-	-	(1,196,780)	-	-	(1,196,780)	-	(1,196,780)
Balance as at 30 June 2011	15,000,000	(177,093)	10,655,725	1,673,846	47,100	5,540,835	-	(961,471)	31,778,942	1,566,804	33,345,746
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	-	-	-	-	-	(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

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>	Six Months Ended	
		30 June 2011 <u>SR' 000</u>	30 June 2010 <u>SR' 000</u>
OPERATING ACTIVITIES			
Net income for the period		2,927,298	2,639,752
Adjustments to reconcile net income to net cash from operating activities:			
(Accretion of discounts)/amortisation of premium on non-trading investments, net		(21,661)	19,501
Amortization of discount on debt securities issued		-	348
(Gains) on non-trading investments, net		(157,351)	(347,828)
(Gains) on disposal of property and equipment, net		(12,464)	(5,677)
(Gains) on disposal of other real estate, net		(18)	(2,275)
Depreciation of property and equipment		173,032	167,990
Amortization of intangible assets		103,212	120,317
Impairment charge for credit losses, net		704,567	1,164,983
Bank's share in associate's losses		6,253	6,250
(Reversal of) impairment charge for other financial assets, net		-	(30,848)
		<u>3,722,868</u>	<u>3,732,513</u>
Net (increase)/decrease in operating assets:			
Statutory deposits with SAMA		(1,044,866)	183,180
Due from banks and other financial institutions maturing after ninety		(1,112,053)	(1,100,000)
Held for trading investments		107,968	(70,089)
Held as fair value through income statement (FVIS) investments		103,575	67,724
Loans and advances		(5,288,814)	(5,963,782)
Other real estate		6,892	(2,137)
Other assets		(554,937)	(773,056)
Net increase/(decrease) in operating liabilities:			
Due to banks and other financial institutions		7,759,047	2,800,745
Customers' deposits		21,497,623	2,225,638
Other liabilities		466,806	(215,632)
Net cash from operating activities		<u>25,664,109</u>	<u>885,104</u>
INVESTING ACTIVITIES			
Proceeds from sale and maturities of non-trading / non-FVIS investments		59,639,357	36,118,814
Purchase of non-trading / non-FVIS investments		(91,175,687)	(30,446,721)
Purchase of land, property and equipment		(122,125)	(110,233)
Proceeds from disposal of property and equipment		15,951	5,939
Net cash (used in) from investing activities		<u>(31,642,504)</u>	<u>5,567,799</u>
FINANCING ACTIVITIES			
Net movement in non-controlling interests		(13,939)	(31,348)
Dividends paid		(1,495,975)	(2,243,963)
Cash used in financing activities		<u>(1,509,914)</u>	<u>(2,275,311)</u>
Net (decrease) increase in cash and cash equivalents		(7,488,309)	4,177,592
Foreign currency exchange reserve - cash and cash equivalents		(81,567)	(124,464)
Cash and cash equivalents at the beginning of the period		27,625,299	29,018,600
Cash and cash equivalents at the end of the period	8	<u>20,055,423</u>	<u>33,071,728</u>
Special commission received during the period		4,898,345	4,837,301
Special commission paid during the period		778,211	639,090
Supplemental non-cash information			
Net change in fair value and transfer to interim condensed consolidated income statement		402,226	749,884
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 2011 and 2010 (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 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 90.71% (2010: 89.42%) direct ownership interest in NCB Capital Company and an indirect ownership of 3.72% (2010: 5.75%) (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% (2010: 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 72.71% (2010: 73.28%) 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 2011 and 2010 (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 2010.

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 2010.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2011 and 2010 (UNAUDITED)

3. INVESTMENTS, NET

	30 June 2011 (Unaudited) SR '000	31 December 2010 (Audited) SR '000	30 June 2010 (Unaudited) SR '000
Held for trading	479,141	587,110	1,389,120
Held as FVIS (Fair Value through Income Statement)	4,344,426	4,448,001	4,188,614
Available for sale, net	37,417,852	30,485,077	33,047,514
Held to maturity, net	2,176,286	2,188,787	2,197,659
Other investments held at amortized cost, net	95,553,570	70,356,274	52,141,349
Total	139,971,275	108,065,249	92,964,256

The Bank acquired equities from a customer as a result of partial set-off of debt in 2010. These were 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 6 June 2011, 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 2011 (Unaudited)</u>			<u>31 December 2010 (Audited)</u>			<u>30 June 2010 (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	216,939	(208,555)	8,207,211	223,778	(224,658)	10,754,834	260,084	(248,305)	13,929,087
Special commission rate options and futures	21,204	(21,330)	1,698,927	34,705	(26,859)	2,041,926	37,319	(36,466)	2,855,478
Forward foreign exchange contracts	69,477	(91,547)	64,405,252	91,421	(89,497)	54,148,814	105,933	(42,826)	50,810,606
Currency options	43,345	(44,910)	31,988,294	20,958	(20,958)	4,679,046	19,062	(22,313)	2,089,276
Held as fair value hedges:									
Special commission rate swaps	-	(338,586)	1,855,169	-	(190,347)	1,814,332	-	(203,083)	1,707,330
Held as cash flow hedges:									
Special commission rate swaps	79,603	(3,970)	2,569,000	32,168	(2,748)	769,000	46,713	-	1,129,000
Total	430,568	(708,898)	110,723,853	403,030	(555,067)	74,207,952	469,111	(552,993)	72,520,777
Portfolio (collective) provision for counterparty risk	(217)	-		(217)	-		(217)	-	
Fair value, net	<u>430,351</u>	<u>(708,898)</u>		<u>402,813</u>	<u>(555,067)</u>		<u>468,894</u>	<u>(552,993)</u>	

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2011 and 2010 (UNAUDITED)

7. CREDIT RELATED COMMITMENTS AND CONTINGENCIES

	30 June	31 December	30 June
	2011	2010	2010
	(Unaudited)	(Audited)	(Unaudited)
	SR '000	SR '000	SR '000
Guarantees	44,985,513	42,203,545	33,892,153
Letters of credit	19,594,199	17,956,579	14,401,752
Acceptances	2,795,966	2,504,919	2,544,008
Irrevocable commitments to extend credit	7,096,343	880,000	675,000
Total	<u>74,472,021</u>	<u>63,545,043</u>	<u>51,512,913</u>

8. CASH AND CASH EQUIVALENTS

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

	30 June	31 December	30 June
	2011	2010	2010
	(Unaudited)	(Audited)	(Unaudited)
	SR '000	SR '000	SR '000
Cash and balances with SAMA excluding statutory deposits	13,336,495	15,778,868	23,543,097
Due from banks and other financial institutions maturing within ninety days	6,718,928	11,846,431	9,528,631
Total	<u>20,055,423</u>	<u>27,625,299</u>	<u>33,071,728</u>

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 follows:

30 June 2011	SR '000					
	<u>Consumer</u>	<u>Corporate</u>	<u>Treasury</u>	<u>Capital Market</u>	<u>International</u>	<u>Total</u>
Total assets	46,883,904	76,717,645	158,192,053	1,281,316	30,709,243	313,784,161
Total liabilities	139,346,871	92,477,568	21,867,009	282,319	26,464,648	280,438,415
Fee income from banking services	506,203	291,100	-	275,870	314,165	1,387,338
Operating income	2,435,581	1,019,854	1,487,212	294,401	897,423	6,134,471
Operating expenses	1,419,258	634,422	143,168	198,686	676,386	3,071,920
of which:						
- Depreciation of property and equipment	95,633	17,263	13,758	9,468	36,910	173,032
- Impairment charge for credit losses, net	254,331	366,640	-	-	83,596	704,567
Net income (parent and non-controlling interests)	1,009,608	372,387	1,329,537	99,716	156,207	2,967,455
30 June 2010	SR '000					
	<u>Consumer</u>	<u>Corporate</u>	<u>Treasury</u>	<u>Capital Market</u>	<u>International</u>	<u>Total</u>
Total assets	45,587,699	67,063,601	123,952,007	1,755,657	24,913,033	263,271,997
Total liabilities	133,804,483	54,763,354	22,220,715	278,664	21,532,679	232,599,895
Fee income from banking services	508,307	216,303	-	239,618	300,637	1,264,865
Operating income	2,784,141	1,066,911	1,107,322	263,139	888,601	6,110,114
Operating expenses	1,338,060	996,976	122,328	211,421	636,074	3,304,859
of which:						
- Depreciation of property and equipment	94,309	17,188	13,651	9,779	33,063	167,990
- Impairment charge for credit losses, net	306,502	791,263	-	-	67,218	1,164,983
Net income (parent and non-controlling interests)	1,433,559	65,252	957,753	50,590	178,085	2,685,239

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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 un-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. At a July 15, 2010 conference with the Court, the presiding judge acknowledged that he would need to enter a supplemental order to formally certify that his final judgment may be appealed immediately notwithstanding the ongoing proceedings as to the remaining defendants. Following a further (September 13, 2010) round of decisions by the presiding judge, on motions to dismiss made by other defendants, the parties are in the process of agreeing upon the form of a "certification" order for submission to the Court. Based on the public statements of plaintiffs' counsel, it appears likely that plaintiffs will appeal the judgment dismissing the claims against the Bank, once they are certified for appeal.

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%.

	Capital Adequacy Ratio (Pillar 1)	
	30 June 2011	30 June 2010
	%	%
Core capital (Tier 1)	17.2%	17.3%
Core and supplementary capital (Tier 1 and Tier 2)	18.3%	17.9%

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.