

THE NATIONAL COMMERCIAL BANK

(A Saudi Joint Stock Company)

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

31 March 2011

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 (the "Group") as at 31 March 2011, comprising the consolidated statement of financial position as at 31 March 2011 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 10.

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.

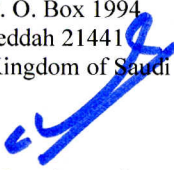
Conclusion

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 10 of the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in Note 10 to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

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Jumada Al Awal 13, 1432H
April 17, 2011
Jeddah

The National Commercial Bank
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | 31 March 2011 (Unaudited) SR '000 | 31 December 2010 (Audited) SR '000 | 31 March 2010 (Unaudited) SR '000 |
|--|-------------|--|---|--|
| | <u>Note</u> | | | |
| ASSETS | | | | |
| Cash and balances with SAMA | | 31,024,643 | 27,932,539 | 30,410,937 |
| Due from banks and other financial institutions | | 11,827,535 | 11,846,431 | 7,694,590 |
| Investments, net | 3 | 122,309,934 | 108,065,249 | 103,480,487 |
| Loans and advances, net | | 124,809,616 | 125,597,091 | 113,793,364 |
| Investment in associates, net | | 825,538 | 827,465 | 841,614 |
| Other real estate, net | | 279,389 | 279,665 | 290,475 |
| Property and equipment, net | | 2,066,306 | 2,097,005 | 2,118,099 |
| Intangible assets, net | | 880,704 | 922,677 | 1,142,319 |
| Goodwill, net | | 737,807 | 734,744 | 974,236 |
| Other assets | | 4,120,350 | 4,069,126 | 4,077,077 |
| Total assets | | 298,881,822 | 282,371,992 | 264,823,198 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | |
| LIABILITIES | | | | |
| Due to banks and other financial institutions | | 19,311,995 | 14,331,698 | 20,999,436 |
| Customers' deposits | | 239,335,462 | 229,160,181 | 201,259,066 |
| Debt securities issued | | - | - | 2,624,609 |
| Other liabilities | | 5,897,293 | 6,023,420 | 9,518,301 |
| Total liabilities | | 264,544,750 | 249,515,299 | 234,401,412 |
| 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) | | 1,257,345 | 1,318,720 | 781,107 |
| Retained earnings | | 5,309,869 | 3,807,791 | 4,474,594 |
| Proposed dividend | | 1,495,975 | 1,495,975 | - |
| Foreign currency translation reserve | | (802,238) | (828,860) | (779,403) |
| Total shareholders' equity attributable to equity holders of the Parent | | 32,739,583 | 31,272,258 | 28,823,548 |
| Non-controlling interests | | 1,597,489 | 1,584,435 | 1,598,238 |
| Total shareholders' equity | | 34,337,072 | 32,856,693 | 30,421,786 |
| Total liabilities and shareholders' equity | | 298,881,822 | 282,371,992 | 264,823,198 |

The accompanying notes 1 to 10 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 2011 | 31 March 2010 |
| <u>Note</u> | <u>SR '000</u> | <u>SR '000</u> |
| Special commission income | 2,446,773 | 2,510,053 |
| Special commission expense | (374,325) | (366,267) |
| Net special commission income | 2,072,448 | 2,143,786 |
| Fee income from banking services, net | 662,485 | 601,410 |
| Foreign exchange income, net | 99,479 | 62,956 |
| Income from FVIS investments, net | 24,349 | 54,938 |
| Trading income, net | 56,360 | 61,509 |
| Dividend income | 21,527 | 31,506 |
| Gains on non-trading investments, net | 122,729 | 142,946 |
| Operating income | 3,059,377 | 3,099,051 |
| Salaries and employee-related expenses | 694,124 | 555,176 |
| Rent and premises-related expenses | 97,342 | 89,525 |
| Depreciation of property and equipment | 86,121 | 83,821 |
| Amortisation of intangible assets | 55,878 | 60,159 |
| Other general and administrative expenses | 262,501 | 255,902 |
| Impairment charge for credit losses, net | 296,600 | 552,030 |
| Operating expenses | 1,492,566 | 1,596,613 |
| Income from operations, net | 1,566,811 | 1,502,438 |
| Other (expenses) | | |
| Donations | (15,349) | (15,239) |
| Other non-operating (expenses), net | (34,482) | (44,804) |
| Net other (expenses) | (49,831) | (60,043) |
| Net income for the period | 1,516,980 | 1,442,395 |
| Net income for the year attributable to: | | |
| Equity holders of the Parent | 1,502,976 | 1,413,056 |
| Non-controlling interests | 14,004 | 29,339 |
| Net income for the period | 1,516,980 | 1,442,395 |
| Earnings per share for the period (expressed in SR per share) | 1.00 | 0.94 |

The accompanying notes 1 to 10 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 2011 SR '000 | 31 March 2010 SR '000 |
| Net income for the period | 1,516,980 | 1,442,395 |
| Other comprehensive (loss) income : | | |
| Net changes arising during the period in: | | |
| Revaluation gains/(losses) on cash flow hedges, net | 1,207 | (35,147) |
| Revaluation gains on available for sale investments (AFS), net | 50,902 | 579,581 |
| Foreign currency translation reserve - gains/(losses) | 37,129 | (49,671) |
| Transfer to consolidated income statement: | | |
| Fair value (gains)/losses on cash flow hedges | (4,720) | 16,287 |
| (Gains) on non-trading investments, net (AFS) | (119,713) | (147,845) |
| Other comprehensive (loss) income for the period | (35,195) | 363,205 |
| Total comprehensive income for the period | 1,481,785 | 1,805,600 |
| Total comprehensive income attributable to: | | |
| Equity holders of the parent | 1,468,225 | 1,796,424 |
| Non-controlling interests | 13,560 | 9,176 |
| Total comprehensive income for the period | 1,481,785 | 1,805,600 |

The accompanying notes 1 to 10 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 | Treasury shares | Statutory reserve | Other reserves | | Retained earnings | Proposed dividend | Foreign currency translation 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 three months ended | | | | | | | | | | | |
| 31 March 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 (loss) income for the period | - | - | - | (57,861) | (3,513) | 1,502,976 | - | 26,623 | 1,468,225 | 13,560 | 1,481,785 |
| Adjustments in non-controlling interests | - | - | - | - | - | (123) | - | - | (123) | (507) | (630) |
| Premium on acquisition of non-controlling interests | - | - | - | - | - | (776) | - | - | (776) | - | (776) |
| Balance as at 31 March 2011 | 15,000,000 | (177,093) | 10,655,725 | 1,231,440 | 25,906 | 5,309,868 | 1,495,975 | (802,237) | 32,739,584 | 1,597,488 | 34,337,072 |
| 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 (loss) income 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 |

The accompanying notes 1 to 10 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 | 31 March |
| | | 2011 | 2010 |
| | | SR' 000 | SR' 000 |
| OPERATING ACTIVITIES | | | |
| Net income for the period | | 1,502,976 | 1,413,056 |
| Adjustments to reconcile net income to net cash from operating activities: | | | |
| Amortisation of premium/(accretion of discounts) on non-trading investments, net | | 5,627 | 4,591 |
| Amortization of discount on debt securities issued | | - | 173 |
| (Gains) on non-trading investments, net | | (122,729) | (142,946) |
| (Gains) on disposal of property and equipment, net | | (7,516) | (1,283) |
| Losses/(gains) on disposal of other real estate, net | | 397 | (1,015) |
| Depreciation of property and equipment | | 86,121 | 83,821 |
| Amortization of intangible assets | | 55,878 | 60,159 |
| Impairment charge for credit losses, net | | 296,600 | 552,030 |
| Bank's share in associate's losses | | 3,127 | 3,125 |
| | | 1,820,481 | 1,971,711 |
| Net (increase)/decrease in operating assets: | | | |
| Statutory deposits with SAMA | | (90,800) | 128,505 |
| Due from banks and other financial institutions maturing after ninety days | | - | - |
| Held for trading investments | | 115,546 | (25,068) |
| Held as fair value through income statement (FVIS) investments | | 27,791 | 1,169,039 |
| Loans and advances | | 490,875 | (2,187,754) |
| Other real estate | | (121) | (2,572) |
| Other assets | | (51,284) | (1,222,572) |
| Net increase/(decrease) in operating liabilities: | | | |
| Due to banks and other financial institutions | | 4,980,297 | 5,424,415 |
| Customers' deposits | | 10,175,281 | (1,323,442) |
| Other liabilities | | (135,102) | 1,464,287 |
| Net cash from operating activities | | 17,332,964 | 5,396,549 |
| INVESTING ACTIVITIES | | | |
| Proceeds from sale and maturities of non-trading / non-FVIS investments | | 30,575,563 | 14,144,253 |
| Purchase of non-trading / non-FVIS investments | | (44,907,793) | (20,748,193) |
| Purchase of land, property and equipment | | (57,134) | (48,740) |
| Proceeds from disposal of property and equipment | | 9,229 | 1,238 |
| Net cash (used in) investing activities | | (14,380,135) | (6,651,442) |
| FINANCING ACTIVITIES | | | |
| Net movement in non-controlling interests | | 13,053 | 9,166 |
| Cash from financing activities | | 13,053 | 9,166 |
| Net increase (decrease) in cash and cash equivalents | | 2,965,882 | (1,245,727) |
| Foreign currency exchange reserve - cash and cash equivalents | | 16,526 | (29,782) |
| 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 | 7 | 30,607,707 | 27,743,091 |
| Special commission received during the period | | 2,569,214 | 2,492,269 |
| Special commission paid during the period | | 348,337 | 475,299 |
| Supplemental non-cash information | | | |
| Net change in fair value and transfer to interim condensed consolidated income statement | | (61,375) | 413,956 |
| Acquisition of available for sale investment (equities) | 3 | - | 1,076,566 |

The accompanying notes 1 to 10 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 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 90.48% (2010: 89.42%) direct ownership interest in NCB Capital Company and an indirect ownership of 5.90% (2010: 4.17%) (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 74.21% (2010: 72.06%) effective ownership interest in Eastgate Capital Holdings Inc., a Middle East-based private equity firm acquired through its subsidiary, NCB Capital. NCB Capital Company acquired 77% direct ownership interest 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
31 March 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.

The National Commercial Bank
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2011 and 2010 (UNAUDITED)

3. INVESTMENTS, NET

| | 31 March 2011 (Unaudited) SR '000 | 31 December 2010 (Audited) SR '000 | 31 March 2010 (Unaudited) SR '000 |
|--|--|---|--|
| Held for trading | 471,564 | 587,110 | 1,339,144 |
| Held as FVIS (Fair Value through Income Statement) | 4,420,210 | 4,448,001 | 3,087,299 |
| Available for sale, net | 32,653,846 | 30,485,077 | 36,367,619 |
| Held to maturity, net | 2,186,215 | 2,188,787 | 2,308,883 |
| Other investments held at amortized cost, net | 82,578,099 | 70,356,274 | 60,377,542 |
| Total | 122,309,934 | 108,065,249 | 103,480,487 |

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. 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>31 March 2011 (Unaudited)</u> | | | <u>31 December 2010 (Audited)</u> | | | <u>31 March 2010 (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 | 213,014 | (204,153) | 10,258,689 | 223,778 | (224,658) | 10,754,834 | 260,965 | (231,084) | 10,884,752 |
| Special commission rate options and futures | 28,911 | (24,055) | 1,988,676 | 34,705 | (26,859) | 2,041,926 | 47,731 | (43,909) | 3,388,892 |
| Forward foreign exchange contracts | 125,380 | (100,107) | 66,514,588 | 91,421 | (89,497) | 54,148,814 | 89,926 | (49,849) | 35,679,449 |
| Currency options | 24,841 | (32,034) | 33,056,416 | 20,958 | (20,958) | 4,679,046 | 11,523 | (14,717) | 2,693,272 |
| Held as fair value hedges: | | | | | | | | | |
| Special commission rate swaps | - | (239,940) | 1,856,363 | - | (190,347) | 1,814,332 | - | (447,786) | 1,703,700 |
| Held as cash flow hedges: | | | | | | | | | |
| Special commission rate swaps | 29,894 | (3,987) | 2,669,000 | 32,168 | (2,748) | 769,000 | 48,965 | - | 1,379,000 |
| Total | 422,040 | (604,276) | 116,343,732 | 403,030 | (555,067) | 74,207,952 | 459,110 | (787,345) | 55,729,065 |
| Portfolio (collective) provision for counterparty risk | (217) | - | | (217) | - | | (217) | - | |
| Fair value, net | 421,823 | (604,276) | | 402,813 | (555,067) | | 458,893 | (787,345) | |

The National Commercial Bank
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2011 and 2010 (UNAUDITED)

6. CREDIT RELATED COMMITMENTS AND CONTINGENCIES

| | 31 March 2011 (Unaudited) SR '000 | 31 December 2010 (Audited) SR '000 | 31 March 2010 (Unaudited) SR '000 |
|--|--|---|--|
| Guarantees | 43,635,581 | 42,203,545 | 36,220,810 |
| Letters of credit | 19,323,627 | 17,956,579 | 15,882,605 |
| Acceptances | 2,801,902 | 2,504,919 | 2,130,159 |
| Irrevocable commitments to extend credit | 5,272,517 | 880,000 | 982,500 |
| Total | <u>71,033,627</u> | <u>63,545,043</u> | <u>55,216,074</u> |

7. CASH AND CASH EQUIVALENTS

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

| | 31 March 2011 (Unaudited) SR '000 | 31 December 2010 (Audited) SR '000 | 31 March 2010 (Unaudited) SR '000 |
|---|--|---|--|
| Cash and balances with SAMA excluding statutory deposits | 18,780,172 | 15,778,868 | 20,048,501 |
| Due from banks and other financial institutions maturing within ninety days | 11,827,535 | 11,846,431 | 7,694,590 |
| Total | <u>30,607,707</u> | <u>27,625,299</u> | <u>27,743,091</u> |

8. 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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8. SEGMENT INFORMATION (continued)

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

| 31 March 2011 | <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 | 43,520,855 | 74,538,738 | 149,975,869 | 1,221,513 | 29,624,847 | 298,881,822 |
| Total liabilities | 137,539,867 | 82,736,808 | 18,532,640 | 247,978 | 25,487,457 | 264,544,750 |
| Fee income from banking services, net | 244,886 | 138,499 | - | 129,904 | 149,196 | 662,485 |
| Operating income | 1,224,257 | 512,029 | 746,659 | 146,969 | 429,463 | 3,059,377 |
| Operating expenses | 741,267 | 245,156 | 68,135 | 97,590 | 340,418 | 1,492,566 |
| of which: | | | | | | |
| - Depreciation of property and equipment | 46,432 | 9,794 | 6,835 | 4,661 | 18,399 | 86,121 |
| - Impairment charge for credit losses, net | 150,477 | 103,554 | - | - | 42,569 | 296,600 |
| Net income (parent and non-controlling interests) | 478,801 | 260,850 | 665,749 | 51,634 | 59,946 | 1,516,980 |

| 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 | 44,359,909 | 66,145,905 | 128,496,270 | 1,720,851 | 24,100,263 | 264,823,198 |
| Total liabilities | 133,873,635 | 54,833,235 | 24,087,056 | 349,100 | 21,258,386 | 234,401,412 |
| Fee income from banking services, net | 250,509 | 94,369 | - | 101,967 | 154,565 | 601,410 |
| Operating income | 1,429,425 | 550,422 | 556,181 | 112,373 | 450,650 | 3,099,051 |
| Operating expenses | 563,804 | 578,232 | 54,527 | 99,749 | 300,301 | 1,596,613 |
| of which: | | | | | | |
| - Depreciation of property and equipment | 46,910 | 10,226 | 5,608 | 4,774 | 16,303 | 83,821 |
| - Impairment charge for credit losses, net | 75,948 | 454,189 | - | - | 21,893 | 552,030 |
| Net income (parent and non-controlling interests) | 857,246 | (30,761) | 491,856 | 11,474 | 112,580 | 1,442,395 |

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9. 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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10. 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) | |
| | 31 March | 31 March |
| | 2011 | 2010 |
| | % | % |
| Core capital (Tier 1) | 18.2% | 18.0% |
| Core and supplementary capital (Tier 1 and Tier 2) | 19.1% | 18.7% |