

**THE NATIONAL COMMERCIAL BANK**

(A Saudi Joint Stock Company)

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

**30 September 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 September 2011, and the related interim condensed consolidated income statement and the interim condensed consolidated statements of comprehensive income for the three-month and nine-month periods ended 30 September 2011, and the interim condensed consolidated statements of changes in equity and cash flows for the nine-month period then ended and the notes from 1 to 13 for the nine-month period then ended. 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.

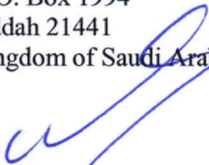
### Conclusion

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

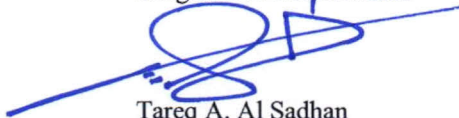
As required by SAMA, certain capital adequacy information has been disclosed in note 13 of the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note 13 to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

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19 Dhul Qa'ada 1432H  
17 October 2011  
Jeddah

**The National Commercial Bank**  
(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

		<b>30 September 2011 (Unaudited) SR '000</b>	31 December 2010 (Audited) SR '000	30 September 2010 (Unaudited) SR '000
	<u>Note</u>			
<b>ASSETS</b>				
Cash and balances with SAMA		<b>17,697,128</b>	27,932,539	21,574,929
Due from banks and other financial institutions		<b>13,648,305</b>	11,846,431	11,686,431
Investments, net	3	<b>136,131,551</b>	108,065,249	106,583,758
Loans and advances, net	4	<b>129,821,930</b>	125,597,091	122,551,269
Investment in associates, net		<b>819,905</b>	827,465	835,365
Other real estate, net		<b>262,533</b>	279,665	295,153
Property and equipment, net		<b>2,078,018</b>	2,097,005	2,071,340
Intangible assets, net		<b>674,752</b>	922,677	1,028,008
Goodwill, net		<b>619,918</b>	734,744	780,043
Other assets		<b>5,221,639</b>	4,069,126	3,826,218
<b>Total assets</b>		<b>306,975,679</b>	282,371,992	271,232,514
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>LIABILITIES</b>				
Due to banks and other financial institutions		<b>23,170,928</b>	14,331,698	14,769,292
Customers' deposits	5	<b>242,988,504</b>	229,160,181	215,078,589
Debt securities issued		-	-	2,624,961
Other liabilities		<b>6,154,672</b>	6,023,420	6,232,049
<b>Total liabilities</b>		<b>272,314,104</b>	249,515,299	238,704,891
<b>SHAREHOLDERS' EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>				
Share capital		<b>15,000,000</b>	15,000,000	15,000,000
Treasury shares	6	<b>(177,093)</b>	(177,093)	(177,093)
Statutory reserve		<b>10,655,725</b>	10,655,725	9,524,343
Other reserves (cumulative changes in fair values)		<b>2,017,618</b>	1,318,720	1,836,909
Retained earnings		<b>7,086,554</b>	3,807,791	5,335,496
Proposed dividend		-	1,495,975	-
Foreign currency exchange reserve		<b>(1,349,119)</b>	(828,860)	(645,795)
<b>Total shareholders' equity attributable to equity holders of the Parent</b>		<b>33,233,685</b>	31,272,258	30,873,860
<b>Non-controlling interests</b>		<b>1,427,890</b>	1,584,435	1,653,763
<b>Total shareholders' equity</b>		<b>34,661,575</b>	32,856,693	32,527,623
<b>Total liabilities and shareholders' equity</b>		<b>306,975,679</b>	282,371,992	271,232,514

The accompanying notes 1 to 13 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		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2011	2010	2011	2010
	SR '000	SR '000	SR '000	SR '000
Special commission income	2,582,311	2,405,962	7,565,161	7,271,733
Special commission expense	(409,094)	(427,792)	(1,203,494)	(1,159,531)
<b>Net special commission income</b>	<b>2,173,217</b>	1,978,170	<b>6,361,667</b>	6,112,202
Fee income from banking services, net	614,339	637,914	2,001,677	1,902,779
Foreign exchange income, net	128,875	88,911	343,447	255,603
(Loss)/income from FVIS investments, net	(62,268)	41,934	(6,885)	133,540
Trading income, net	28,467	55,116	124,723	123,640
Dividend income	28,406	26,213	63,527	62,781
Gains/(losses) on non-trading investments, net	148,600	(2,004)	305,951	345,824
<b>Operating income</b>	<b>3,059,636</b>	2,826,254	<b>9,194,107</b>	8,936,369
Salaries and employee-related expenses	585,262	560,528	1,890,662	1,698,523
Rent and premises-related expenses	112,441	105,395	324,656	300,036
Depreciation of property and equipment	88,182	83,407	261,214	251,397
Amortisation of intangible assets	47,334	60,158	150,546	180,475
Other general and administrative expenses	307,838	254,300	881,332	804,082
Impairment charge for credit losses, net	212,250	587,785	916,817	1,752,768
(Reversal of) impairment charge on investments, net	-	(8,941)	-	(39,789)
Impairment loss on goodwill and intangible assets	-	277,153	-	277,153
<b>Operating expenses</b>	<b>1,353,307</b>	1,919,785	<b>4,425,227</b>	5,224,645
<b>Income from operations, net</b>	<b>1,706,329</b>	906,469	<b>4,768,880</b>	3,711,724
<b>Other (expenses)</b>				
Donations	(9,864)	(20,428)	(40,079)	(49,271)
Other non-operating (expenses), net	(118,155)	(52,694)	(183,036)	(143,867)
<b>Net other (expenses)</b>	<b>(128,019)</b>	(73,122)	<b>(223,115)</b>	(193,138)
<b>Net income for the period</b>	<b>1,578,310</b>	833,347	<b>4,545,765</b>	3,518,586
<b>Net income for the year attributable to:</b>				
Equity holders of the Parent	1,545,872	828,384	4,473,170	3,468,136
Non-controlling interests	32,438	4,963	72,595	50,450
<b>Net income for the period</b>	<b>1,578,310</b>	833,347	<b>4,545,765</b>	3,518,586
<b>Earnings per share for the period (expressed in SR per share)</b>	<b>1.03</b>	0.55	<b>2.99</b>	2.32

The accompanying notes 1 to 13 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		Nine Months Ended	
	30 September 2011 <u>SR '000</u>	30 September 2010 <u>SR '000</u>	30 September 2011 <u>SR '000</u>	30 September 2010 <u>SR '000</u>
<b>Net income for the period</b>	<b>1,578,310</b>	833,347	<b>4,545,765</b>	3,518,586
<b>Other comprehensive income (loss):</b>				
<b>Net changes arising during the period in:</b>				
Revaluation gains/(losses) on cash flow hedges, net	<b>13,001</b>	(10,165)	<b>84,565</b>	(47,563)
Revaluation gains on available for sale investments (AFS), net	<b>384,779</b>	725,810	<b>879,450</b>	1,808,833
Foreign currency translation reserve - (losses)/gains	<b>(556,896)</b>	299,184	<b>(748,919)</b>	147,814
<b>Transfer to consolidated income statement:</b>				
Fair value (gains) on cash flow hedges	<b>(12,381)</b>	(2)	<b>(37,732)</b>	(12)
(Gains)/losses on non-trading investments, net (AFS)	<b>(90,201)</b>	16,286	<b>(242,484)</b>	(299,227)
(Reversal of) impairment charge on investments (AFS)	-	(8,941)	-	(3,028)
<b>Other comprehensive (loss) income for the period</b>	<b>(261,698)</b>	1,022,172	<b>(65,120)</b>	1,606,817
<b>Total comprehensive income for the period</b>	<b>1,316,612</b>	1,855,519	<b>4,480,645</b>	5,125,403
<b>Total comprehensive income (loss) attributable to:</b>				
Equity holders of the parent	<b>1,454,897</b>	1,759,456	<b>4,651,809</b>	5,040,914
Non-controlling interests	<b>(138,285)</b>	96,063	<b>(171,164)</b>	84,489
<b>Total comprehensive income for the period</b>	<b>1,316,612</b>	1,855,519	<b>4,480,645</b>	5,125,403

The accompanying notes 1 to 13 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 exchange reserve	Total	Non-controlling interests	Total
				Available for sale 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
<b>For the nine months ended 30 September 2011</b>											
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	-	-	-	652,065	46,833	4,473,170	-	(520,259)	4,651,809	(171,164)	4,480,645
Adjustments in non-controlling interests	-	-	-	-	-	3,539	-	-	3,539	14,619	18,158
Final 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 paid (note 7)	-	-	-	-	-	(1,196,780)	-	-	(1,196,780)	-	(1,196,780)
<b>Balance as at 30 September 2011</b>	<b>15,000,000</b>	<b>(177,093)</b>	<b>10,655,725</b>	<b>1,941,366</b>	<b>76,252</b>	<b>7,086,554</b>	<b>-</b>	<b>(1,349,119)</b>	<b>33,233,685</b>	<b>1,427,890</b>	<b>34,661,575</b>
<b>For the nine months ended 30 September 2010</b>											
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	-	-	-	1,517,333	(47,575)	3,468,136	-	103,020	5,040,914	84,489	5,125,403
Adjustments in non-controlling interests	-	-	-	-	-	2,602	-	-	2,602	(18,407)	(15,805)
Final 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)
<b>Balance as at 30 September 2010</b>	<b>15,000,000</b>	<b>(177,093)</b>	<b>9,524,343</b>	<b>1,799,274</b>	<b>37,635</b>	<b>5,335,496</b>	<b>-</b>	<b>(645,795)</b>	<b>30,873,860</b>	<b>1,653,763</b>	<b>32,527,623</b>

The accompanying notes 1 to 13 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>	<b>Nine Months Ended</b>	
		<b>30 September 2011 <u>SR' 000</u></b>	<b>30 September 2010 <u>SR' 000</u></b>
<b>OPERATING ACTIVITIES</b>			
<b>Net income for the period</b>		<b>4,473,170</b>	3,468,136
Adjustments to reconcile net income to net cash from operating activities:			
(Accretion of discounts)/amortization of premium on non-trading investments, net		<b>(52,994)</b>	32,507
Amortization of discount on debt securities issued		-	525
(Gains) on non-trading investments, net		<b>(305,951)</b>	(345,824)
(Gains) on disposal of property and equipment, net		<b>(15,467)</b>	(642)
(Gains) on disposal of other real estate, net		<b>(684)</b>	(2,275)
Depreciation of property and equipment		<b>261,214</b>	251,397
Amortization of intangible assets		<b>150,546</b>	180,475
Impairment charge for credit losses, net		<b>916,817</b>	1,752,768
Bank's share in associate's losses		<b>9,761</b>	9,374
(Reversal of) impairment charge on investments, net		-	(39,789)
Impairment loss on goodwill and intangible assets		-	277,153
		<b>5,436,412</b>	5,583,805
<b>Net (increase)/decrease in operating assets:</b>			
Statutory deposits with SAMA		<b>(1,207,427)</b>	(784,475)
Due from banks and other financial institutions maturing after ninety days		<b>(1,536,191)</b>	(1,100,000)
Held for trading investments		<b>84,631</b>	(125,491)
Held as fair value through income statement (FVIS) investments		<b>1,249,272</b>	(27,274)
Loans and advances		<b>(5,141,656)</b>	(12,145,797)
Other real estate		<b>17,816</b>	(5,990)
Other assets		<b>(1,153,918)</b>	(971,713)
<b>Net increase/(decrease) in operating liabilities:</b>			
Due to banks and other financial institutions		<b>8,839,230</b>	(805,729)
Customers' deposits		<b>13,828,323</b>	12,496,081
Other liabilities		<b>131,252</b>	421,398
<b>Net cash from operating activities</b>		<b>20,547,744</b>	2,534,815
<b>INVESTING ACTIVITIES</b>			
Proceeds from sale and maturities of non-trading / non-FVIS investments		<b>93,142,750</b>	47,819,242
Purchase of non-trading / non-FVIS investments		<b>(121,485,111)</b>	(55,038,026)
Purchase of property and equipment		<b>(233,269)</b>	(169,977)
Proceeds from disposal of property and equipment		<b>6,509</b>	1,017
<b>Net cash used in investing activities</b>		<b>(28,569,121)</b>	(7,387,744)
<b>FINANCING ACTIVITIES</b>			
Net movement in non-controlling interests		<b>(154,172)</b>	64,691
Dividends paid		<b>(1,495,975)</b>	(2,243,963)
Interim dividend paid	7	<b>(1,196,780)</b>	(1,196,780)
<b>Cash used in financing activities</b>		<b>(2,846,927)</b>	(3,376,052)
Net (decrease) in cash and cash equivalents		<b>(10,868,304)</b>	(8,228,981)
Foreign currency exchange reserve - cash and cash equivalents		<b>(308,851)</b>	96,325
Cash and cash equivalents at the beginning of the period		<b>27,625,299</b>	29,018,600
<b>Cash and cash equivalents at the end of the period</b>	10	<b>16,448,144</b>	20,885,944
Special commission received during the period		<b>7,532,490</b>	7,510,929
Special commission paid during the period		<b>1,219,266</b>	1,070,234
<b>Supplemental non-cash information</b>			
Net change in fair value and transfer to interim condensed consolidated income statement		<b>698,898</b>	1,469,758
Acquisition of available for sale investment (equities)	3	-	(1,076,566)

The accompanying notes 1 to 13 form an integral part of these interim condensed consolidated financial statements.

# The National Commercial Bank

## (A Saudi Joint Stock Company)

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### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 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 3.79% (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 72.77% (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 September 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 Türkiye Finans Katılım Bankası A.Ş. 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 period 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 period, 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**

**30 September 2011 and 2010 (UNAUDITED)**

**3. INVESTMENTS, NET**

	<b>30 September 2011 (Unaudited) <u>SR '000</u></b>	31 December 2010 (Audited) <u>SR '000</u>	30 September 2010 (Unaudited) <u>SR '000</u>
Held for trading	502,479	587,110	1,439,567
Held as FVIS (Fair Value through Income Statement)	3,198,729	4,448,001	4,283,612
Available for sale, net	34,786,688	30,485,077	33,790,038
Held to maturity, net	2,169,598	2,188,787	2,196,585
Other investments held at amortized cost, net	95,474,057	70,356,274	64,873,956
<b>Total</b>	<b><u>136,131,551</u></b>	<b><u>108,065,249</u></b>	<b><u>106,583,758</u></b>

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

**4. Loans and advances, net**

	<b>30 September 2011 (Unaudited) <u>SR '000</u></b>	31 December 2010 (Audited) <u>SR '000</u>	30 September 2010 (Unaudited) <u>SR '000</u>
<b>Performing:</b>			
Credit cards	1,837,551	1,954,481	1,969,919
Consumer	37,267,204	32,874,953	33,916,291
Corporate	89,478,783	89,401,995	85,334,050
Others	2,896,843	2,240,058	2,051,735
Performing loans and advances	<u>131,480,381</u>	<u>126,471,487</u>	<u>123,271,995</u>
Non-performing loans and advances	4,681,683	5,162,610	5,826,072
<b>Total loans and advances</b>	<b><u>136,162,064</u></b>	<b><u>131,634,097</u></b>	<b><u>129,098,067</u></b>
Provision for credit losses	<u>(6,340,134)</u>	<u>(6,037,006)</u>	<u>(6,546,797)</u>
<b>Loans &amp; advances, net</b>	<b><u>129,821,930</u></b>	<b><u>125,597,091</u></b>	<b><u>122,551,270</u></b>

Others include private banking customers and bank loans.

**5. Customers' deposits**

	<b>30 September 2011 (Unaudited) <u>SR '000</u></b>	31 December 2010 (Audited) <u>SR '000</u>	30 September 2010 (Unaudited) <u>SR '000</u>
Current accounts	160,178,775	142,116,553	136,331,292
Savings	148,873	153,474	158,723
Time	71,922,270	75,708,149	70,918,381
Others	10,738,586	11,182,005	7,670,193
<b>Total</b>	<b><u>242,988,504</u></b>	<b><u>229,160,181</u></b>	<b><u>215,078,589</u></b>

**6. TREASURY SHARES**

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

**7. INTERIM DIVIDEND**

On 6 June 2011, the Board of Directors approved an interim dividend for distribution to the shareholders. This interim dividend has been paid to the shareholders during the third quarter of 2011, amounting to SR 1,196.8 million (SR 0.80 per share), net of Zakat.

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**8. 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 September 2011 (Unaudited)</u>			<u>31 December 2010 (Audited)</u>			<u>30 September 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>
<b>Held for trading:</b>									
Special commission rate swaps	168,798	(164,541)	5,348,795	223,778	(224,658)	10,754,834	264,043	(260,248)	11,121,439
Special commission rate options and futures	5,610	(5,733)	523,326	34,705	(26,859)	2,041,926	34,698	(33,843)	2,105,478
Forward foreign exchange contracts	121,707	(130,994)	65,485,972	91,421	(89,497)	54,148,814	193,628	(65,361)	49,476,233
Currency options	83,026	(76,717)	28,949,734	20,958	(20,958)	4,679,046	13,462	(16,717)	1,091,822
<b>Held as fair value hedges:</b>									
Special commission rate swaps	-	(391,750)	1,831,774	-	(190,347)	1,814,332	-	(257,822)	1,752,435
<b>Held as cash flow hedges:</b>									
Special commission rate swaps	100,759	(24,506)	3,917,500	32,168	(2,748)	769,000	42,686	(6,137)	769,000
<b>Total</b>	<b>479,900</b>	<b>(794,241)</b>	<b>106,057,101</b>	<b>403,030</b>	<b>(555,067)</b>	<b>74,207,952</b>	<b>548,517</b>	<b>(640,128)</b>	<b>66,316,407</b>
Portfolio (collective) provision for counterparty risk	(217)	-		(217)	-		(217)	-	
Fair value, net	<u>479,683</u>	<u>(794,241)</u>		<u>402,813</u>	<u>(555,067)</u>		<u>548,300</u>	<u>(640,128)</u>	

**9. CREDIT RELATED COMMITMENTS AND CONTINGENCIES**

	<u>30 September 2011 (Unaudited) SR '000</u>	<u>31 December 2010 (Audited) SR '000</u>	<u>30 September 2010 (Unaudited) SR '000</u>
Guarantees	44,948,749	42,203,545	37,578,024
Letters of credit	18,270,788	17,956,579	14,931,471
Acceptances	2,777,637	2,504,919	2,605,215
Irrevocable commitments to extend credit	8,313,629	880,000	675,000
<b>Total</b>	<b>74,310,803</b>	<b>63,545,043</b>	<b>55,789,710</b>

**10. CASH AND CASH EQUIVALENTS**

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

	<u>30 September 2011 (Unaudited) SR '000</u>	<u>31 December 2010 (Audited) SR '000</u>	<u>30 September 2010 (Unaudited) SR '000</u>
Cash and balances with SAMA excluding statutory deposits	4,336,030	15,778,868	10,299,513
Due from banks and other financial institutions maturing within ninety days	12,112,114	11,846,431	10,586,431
<b>Total</b>	<b>16,448,144</b>	<b>27,625,299</b>	<b>20,885,944</b>

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**11. 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:

- |                       |   |   |
|-----------------------|---|---|
| <b>Consumer</b>       | - | 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.                                   |
| <b>Corporate</b>      | - | 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.  |
| <b>Treasury</b>       | - | 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). |
| <b>Capital Market</b> | - | Provides wealth management, assets management, investment banking and shares brokerage services (local, regional and international).  |
| <b>International</b>  | - | 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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**11. 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 September 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	49,546,709	75,626,591	151,087,197	1,299,675	29,415,507	306,975,679
Total liabilities	150,600,554	75,550,367	21,678,387	262,938	24,221,858	272,314,104
Total operating income	3,376,038	1,789,269	2,359,610	315,654	1,353,536	9,194,107
Total operating expenses	2,132,323	832,298	203,970	294,695	961,941	4,425,227
of which:						
- Depreciation of property and equipment	145,826	29,658	19,399	14,044	52,287	261,214
- Impairment charge for credit losses, net	376,883	419,836	-	-	120,098	916,817
Net income (parent and non-controlling interests)	1,452,475	626,960	2,074,944	108,068	283,318	4,545,765
				<u>SR '000</u>		
30 September 2010	<u>Consumer</u>	<u>Corporate</u>	<u>Treasury</u>	<u>Capital Market</u>	<u>International</u>	<u>Total</u>
Total assets	45,600,825	71,792,427	124,937,179	1,511,552	27,390,531	271,232,514
Total liabilities	137,066,323	59,867,371	18,519,529	224,986	23,026,682	238,704,891
Total operating income	4,034,197	1,647,064	1,570,676	417,109	1,267,323	8,936,369
Total operating expenses	2,155,000	1,425,313	171,484	584,943	887,905	5,224,645
of which:						
- Depreciation of property and equipment	139,798	28,940	18,887	14,925	48,847	251,397
- Impairment charge for credit losses, net	562,913	1,085,515	-	-	104,340	1,752,768
Net income (parent and non-controlling interests)	1,864,930	208,723	1,368,736	(176,197)	252,394	3,518,586

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**12. 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 additional consideration of the plaintiffs' requests for supplemental 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 supplemental 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. On 14 July 2011, the presiding judge entered the requisite supplemental order and the Clerk of the Court issued a formal judgement of dismissal of the Bank and numerous other defendants, through a series of notices filed on or before 15 August 2011. The plaintiffs in all lawsuits against the Bank commenced appeals of the judgment of dismissal of the Bank and numerous other defendants.

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 on appeal.

A related lawsuit was commenced by the Underwriting Members of Lloyd's Syndicate 3500 against the Bank, and other Saudi defendants on September 8, 2011, in a U.S. federal court in Pennsylvania (the "Lloyd's Action") seeking to recover from all defendants at least U.S. \$215 million allegedly paid by Lloyd's Syndicate 3500 in settlement of separate litigation against their insureds sometime in 2011. On September 19, 2011, the Lloyd's Action was voluntarily dismissed by the plaintiff. If the same claim is later re-filed against the Bank, the Bank will move to dismiss the claim based on the New York court's June 16, 2010 ruling.

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**13. 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 Group's eligible capital with its assets, commitments & contingencies and notional amount of derivatives at a weighted amount to reflect their relative credit risk, market risk and operational risk. SAMA requires to hold the minimum level of the regulatory capital and maintain a ratio of total eligible capital to the risk-weighted asset at or above the agreed minimum of 8%. Regulatory Capital is computed for Credit, Market and Operational risk which comprise the Pillar 1 minimum capital requirements.

The following table summarizes the Bank's Pillar-1 Risk Weighted Assets, Tier 1 and Tier 2 capital and capital adequacy ratios.

	<b>Risk weighted assets</b>		
	<b>30 September 2011 SR 000</b>	31 December 2010 SR 000	30 September 2010 SR 000
Credit risk	164,670,899	154,962,437	145,101,714
Operational risk	21,228,496	19,205,066	19,251,190
Market risk	6,527,691	8,261,749	10,532,720
<b>Total Pillar-1 - risk weighted assets</b>	<b>192,427,086</b>	<b>182,429,252</b>	174,885,624
Core capital (Tier 1)	33,342,043	31,174,410	30,694,711
Supplementary capital (Tier 2)	1,961,213	1,584,662	1,163,950
Core and supplementary capital (Tier 1 and Tier 2)	<b>35,303,256</b>	<b>32,759,072</b>	31,858,661
<b>Capital Adequacy Ratio (Pillar 1):-</b>			
Core capital (Tier 1) - (%)	<b>17.3%</b>	17.1%	17.6%
Core and supplementary capital (Tier 1 and Tier 2) - (%)	<b>18.3%</b>	18.0%	18.2%

Tier 1 capital of the Group comprises share capital, statutory reserve, other reserves, retained earnings, proposed dividend and non-controlling interests less treasury shares, goodwill, intangible assets and other prescribed deductions. Tier 2 capital comprises a prescribed amount of eligible portfolio (collective) provisions less prescribed deductions.