

THE NATIONAL COMMERCIAL BANK
(A Saudi Joint Stock Company)

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

30 June 2012

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 financial statements of The National Commercial Bank (the "Bank") and its subsidiaries (the "Group"), which comprise the interim condensed consolidated statement of financial position as at 30 June 2012, and the related interim condensed consolidated income statement and interim condensed consolidated statement of comprehensive income for the three-month and six-month periods ended 30 June 2012, and the interim condensed consolidated statements of changes in equity and cash flows for the six-month period then ended along with condensed notes 1 through 14. We have not reviewed note 15, 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 14 of the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note 14 to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

Ernst & Young
P. O. Box 1994
Jeddah 21441
Kingdom of Saudi Arabia

Ahmed I. Reda
Certified Public Accountant
License No. 356



KPMG Al Fozan & Al Sadhan
P. O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia

Tareq Abdulrahman Al Sadhan
Certified Public Accountant
License No. 352



26 Shabaan 1433H
16 July 2012
Jeddah

The National Commercial Bank
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2012 (Unaudited) SR '000	31 December 2011 (Audited) SR '000	30 June 2011 (Unaudited) SR '000
	<u>Note</u>			
ASSETS				
Cash and balances with SAMA		18,473,727	24,702,024	26,535,032
Due from banks and other financial institutions		14,422,687	11,561,490	7,830,981
Investments, net	3	127,214,052	120,489,168	139,971,275
Loans and advances, net	4	150,266,261	135,289,496	130,181,338
Investment in associates, net		835,590	838,575	822,912
Other real estate, net		229,826	249,169	272,791
Property and equipment, net		2,391,700	2,317,353	2,042,611
Intangible assets, net		590,720	626,308	801,102
Goodwill, net		634,681	604,635	702,063
Other assets		5,358,666	4,519,943	4,624,056
Total assets		320,417,910	301,198,161	313,784,161
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES				
Due to banks and other financial institutions		24,824,194	19,939,666	22,090,745
Customers' deposits	5	250,266,198	239,457,558	250,657,804
Other liabilities		8,505,943	6,215,683	7,689,866
Total liabilities		283,596,335	265,612,907	280,438,415
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT				
Share capital	13	15,000,000	15,000,000	15,000,000
Treasury shares	7	(177,093)	(177,093)	(177,093)
Statutory reserve		12,105,333	12,105,333	10,655,725
Other reserves (cumulative changes in fair values)		1,906,768	1,918,274	1,720,946
Retained earnings		7,592,603	5,226,884	5,540,835
Proposed dividend		-	1,495,975	-
Foreign currency translation reserve		(1,213,513)	(1,404,155)	(961,471)
Total shareholders' equity attributable to equity holders of the Parent		35,214,098	34,165,218	31,778,942
Non-controlling interests		1,607,477	1,420,036	1,566,804
Total shareholders' equity		36,821,575	35,585,254	33,345,746
Total liabilities and shareholders' equity		320,417,910	301,198,161	313,784,161

The accompanying notes 1 to 15 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)

	Note	Three Months Ended		Six Months Ended	
		30 June 2012 SR '000	30 June 2011 SR '000	30 June 2012 SR '000	30 June 2011 SR '000
Special commission income		2,759,444	2,536,077	5,438,325	4,982,850
Special commission expense		(583,302)	(420,075)	(958,453)	(794,400)
Net special commission income		2,176,142	2,116,002	4,479,872	4,188,450
Fee income from banking services, net		813,293	724,853	1,668,050	1,387,338
Foreign exchange income, net		149,578	115,093	281,418	214,572
(Loss) income from FVIS investments, net		(79,204)	31,034	26,312	55,383
Trading income, net		18,752	39,896	52,845	96,256
Dividend income		62,556	13,594	62,556	35,121
Gains on non-trading investments, net		248,071	34,622	523,654	157,351
Operating income		3,389,188	3,075,094	7,094,707	6,134,471
Salaries and employee-related expenses		657,109	611,276	1,288,675	1,305,400
Rent and premises-related expenses		116,167	114,873	227,939	212,215
Depreciation of property and equipment		102,350	86,911	200,248	173,032
Amortisation of intangible assets		47,334	47,334	94,668	103,212
Other general and administrative expenses		365,398	310,993	687,493	573,494
Impairment charge for credit losses, net		351,030	407,967	746,607	704,567
Operating expenses		1,639,388	1,579,354	3,245,630	3,071,920
Income from operations, net		1,749,800	1,495,740	3,849,077	3,062,551
Other (expenses)					
Donations		(12,878)	(14,866)	(31,131)	(30,215)
Other non-operating (expenses), net		(81,736)	(30,399)	(162,136)	(64,881)
Net other (expenses)		(94,614)	(45,265)	(193,267)	(95,096)
Net income for the period		1,655,186	1,450,475	3,655,810	2,967,455
Net income for the period attributable to:					
Equity holders of the Parent		1,608,143	1,424,322	3,561,878	2,927,298
Non-controlling interests		47,043	26,153	93,932	40,157
Net income for the period		1,655,186	1,450,475	3,655,810	2,967,455
Basic and diluted earnings per share (expressed in SR per share)	13	1.07	0.95	2.38	1.96

The accompanying notes 1 to 15 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 2012 SR '000	30 June 2011 SR '000	30 June 2012 SR '000	30 June 2011 SR '000
Net income for the period	1,655,186	1,450,475	3,655,810	2,967,455
Other comprehensive income/(loss):				
Foreign currency translation reserve - (losses)/gains	(23,355)	(229,151)	265,223	(192,022)
Available for sale financial assets:				
- Net change in fair values	(247,817)	443,770	346,992	494,672
- Transfers to interim condensed consolidated income statement	(169,048)	(32,570)	(404,993)	(152,283)
Cash flow hedges:				
- Net change in fair values	33,982	16,474	72,223	17,681
- Transfers to interim condensed consolidated income statement	(12,748)	33,252	(25,783)	28,532
Total comprehensive income for the period	1,236,200	1,682,250	3,909,472	3,164,035
Attributable to:				
Equity holders of the Parent	1,189,363	1,728,688	3,741,014	3,196,913
Non-controlling interests	46,837	(46,438)	168,458	(32,878)
Total comprehensive income for the period	1,236,200	1,682,250	3,909,472	3,164,035

The accompanying notes 1 to 15 form an integral part of these interim condensed consolidated financial statements.

The National Commercial Bank
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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)

	Attributable to equity holders of the Parent										
	Share capital	Treasury shares	Statutory reserve	Other reserves		Retained earnings	Proposed dividend	Foreign currency exchange reserve	Total	Non-controlling interests	Total
				financial assets	Cash flow hedge						
SR' 000	SR' 000	SR' 000	SR' 000	SR' 000	SR' 000	SR' 000	SR' 000	SR' 000	SR' 000	SR' 000	SR' 000
For the six months ended											
30 June 2012											
Balance as at 1 January 2012	15,000,000	(177,093)	12,105,333	1,861,389	56,885	5,226,884	1,495,975	(1,404,155)	34,165,218	1,420,036	35,585,254
Total comprehensive income (loss) for the period	-	-	-	(57,946)	46,440	3,561,878	-	190,642	3,741,014	168,458	3,909,472
Adjustments in non-controlling interests	-	-	-	-	-	621	-	-	621	18,983	19,604
Final dividend paid	-	-	-	-	-	-	(1,495,975)	-	(1,495,975)	-	(1,495,975)
Interim dividend payable (note 6)	-	-	-	-	-	(1,196,780)	-	-	(1,196,780)	-	(1,196,780)
Balance as at 30 June 2012	15,000,000	(177,093)	12,105,333	1,803,443	103,325	7,592,603	-	(1,213,513)	35,214,098	1,607,477	36,821,575
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
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 payable (note 6)	-	-	-	-	-	(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

The accompanying notes 1 to 15 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 2012 SR '000	30 June 2011 SR '000
OPERATING ACTIVITIES			
Net income for the period		3,655,810	2,967,455
Adjustments to reconcile net income to net cash from operating activities:			
(Accretion of discounts) on non-trading investments, net		(1,552)	(21,661)
(Gains) on non-trading investments, net		(523,654)	(157,351)
(Gains) on disposal of property and equipment, net		(8,261)	(12,464)
(Gains) on disposal of other real estate, net		(4,380)	(18)
Depreciation of property and equipment		200,248	173,032
Amortization of intangible assets		94,668	103,212
Impairment charge for credit losses, net		746,607	704,567
Bank's share in associate's losses		2,983	6,253
		4,162,469	3,763,025
Net (increase)/decrease in operating assets:			
Due from banks and other financial institutions maturing after ninety days		(3,245,749)	(1,112,053)
Statutory deposits with SAMA		(114,566)	(1,044,866)
Investment held at FVIS (including trading investments)		(245,222)	211,543
Loans and advances		(15,606,552)	(5,288,814)
Other real estate		26,128	6,892
Other assets		(838,395)	(595,094)
Net increase in operating liabilities:			
Due to banks and other financial institutions		4,884,528	7,759,047
Customers' deposits		10,808,640	21,497,623
Other liabilities		976,660	466,806
Net cash from operating activities		807,941	25,664,109
INVESTING ACTIVITIES			
Proceeds from sale and maturities of non-trading / non-FVIS investments		41,978,619	59,639,357
Purchase of non-trading / non-FVIS investments		(47,944,550)	(91,175,687)
Purchase of property and equipment		(272,506)	(122,125)
Proceeds from disposal of property and equipment		12,987	15,951
Net cash (used in) investing activities		(6,225,450)	(31,642,504)
FINANCING ACTIVITIES			
Net movement in non-controlling interests		19,572	(13,939)
Dividends paid		(1,495,975)	(1,495,975)
Cash (used in) financing activities		(1,476,403)	(1,509,914)
Net (decrease) in cash and cash equivalents		(6,893,912)	(7,488,309)
Foreign currency translation reserve - net movement on cash and cash equivalents		166,498	(81,567)
Cash and cash equivalents at the beginning of the period		20,715,528	27,625,299
Cash and cash equivalents at the end of the period	10	13,988,114	20,055,423
Special commission received during the period		5,355,814	4,898,345
Special commission paid during the period		799,291	778,211
Supplemental non-cash information			
Net change in fair value and transfer to interim condensed consolidated income statement		11,561	402,226

The accompanying notes 1 to 15 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 2012 and 2011 (UNAUDITED)

1. GENERAL

(1.1) Introduction

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

(1.2) Group's subsidiaries

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

(a) 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% (2011: 90.71%) direct ownership interest in NCB Capital Company and an indirect ownership of 1.87% (2011: 3.72%) (the indirect ownership is held via an intermediary Trust for future grant to NCB Capital employees).

(b) Türkiye Finans Katılım Bankası A.Ş.

The Bank has 64.68% (2011: 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.

(c) Eastgate Capital Holdings Inc. (Eastgate)

The Group has 71.29% (2011: 72.71%) 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 and the remaining 23% is owned by the management of Eastgate.

The National Commercial Bank

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2012 and 2011 (UNAUDITED)

1. GENERAL (continued)

(1.2) Group's subsidiaries (continued)

(d) 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.

(e) Real Estate Development Company

The Bank formed Real Estate Development Company (the Company) as a Limited Liability Company registered in the Kingdom of Saudi Arabia under Commercial Registration number 4030146558 dated 21 Dhul Qida 1424H (corresponding to 13 January 2004). The Bank has 100% ownership (2011: 100%) in the Company. The objectives of the Company primarily include keeping and managing property title deeds in the name of the Bank or others (as collateral); registering such title deeds in its name; purchasing land and constructing buildings on such land for future sale or lease.

2. BASIS OF PREPARATION

(2.1) 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 Bank prepares its interim condensed consolidated financial statements to comply with the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia. 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 2011.

(2.2) 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.

(2.3) 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.

(2.4) Basis of consolidation

These interim condensed consolidated financial statements comprise the financial statements of "The National Commercial Bank" and its subsidiaries - NCB Capital Company and its subsidiaries and Turkiye Finans Katlim Bankasi A.S (the Turkish Bank). NCB Capital also consolidates the financial statements of Eastgate and The Capital Partnership Group 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2012 and 2011 (UNAUDITED)

2. BASIS OF PREPARATION (continued)

(2.4) Basis of consolidation (continued)

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 interim condensed consolidated statement of financial position, separately from equity attributable to the equity holders of the Parent.

Intra-group balances, and income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions are eliminated in preparing the interim condensed consolidated financial statements.

(2.5) 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 2011 except for the adoption of following amendments and revisions to existing standards mentioned below which has had no financial impact on the interim condensed consolidated financial statements of the Group:

- a) Amendments to IFRS 7 – Financial Instruments: Disclosures (Transfers of Financial Assets):
These amendments introduce new disclosure requirements about transfers of financial assets, including disclosures for:
 - financial assets that are not derecognised in their entirety; and
 - financial assets that are derecognised in their entirety but for which the entity retains continuing involvement.

- b) Improvements to IFRSs 2011 – IAS 34 Interim Financial Reporting
These amendments emphasise the principle in IAS 34 that the disclosure about significant events and transactions in interim periods should update the relevant information presented in the most recent annual financial report and clarify how to apply this principle in respect of financial instruments and their fair values. The amendments add examples to the list of events or transactions that require disclosure under IAS 34 and remove references to materiality in IAS 34 that describes other minimum disclosures.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2012 and 2011 (UNAUDITED)

3. INVESTMENTS, NET

	30 June 2012 (Unaudited) SR '000	31 December 2011 (Audited) SR '000	30 June 2011 (Unaudited) SR '000
Held as FVIS (Fair Value through Income Statement)	3,863,376	3,618,154	4,823,567
Available for sale, net	24,455,652	32,266,748	37,417,852
Held to maturity, net	1,412,318	2,166,288	2,176,286
Other investments held at amortized cost, net	97,482,706	82,437,978	95,553,570
Total	127,214,052	120,489,168	139,971,275

FVIS investments above include investments held for trading amounting to SR 816 million (31 December 2011: SR 509 million and 30 June 2011: SR 479 million).

4. Loans and advances, net

	30 June 2012 (Unaudited) SR '000	31 December 2011 (Audited) SR '000	30 June 2011 (Unaudited) SR '000
Credit cards	1,948,934	1,779,329	1,800,614
Consumer	44,577,157	38,423,592	35,231,721
Corporate	100,727,122	92,902,974	92,376,727
Others	4,878,787	3,928,963	2,402,402
Performing loans and advances	152,132,000	137,034,858	131,811,464
Non-performing loans and advances	4,778,008	4,271,269	4,859,031
Total loans and advances	156,910,008	141,306,127	136,670,495
Provision for credit losses	(6,643,747)	(6,016,631)	(6,489,157)
Loans & advances, net	150,266,261	135,289,496	130,181,338

5. Customers' deposits

	30 June 2012 (Unaudited) SR '000	31 December 2011 (Audited) SR '000	30 June 2011 (Unaudited) SR '000
Current accounts	171,123,862	168,565,006	149,717,026
Savings	150,797	148,876	155,761
Time	68,161,930	60,426,636	90,972,650
Others	10,829,609	10,317,040	9,812,367
Total	250,266,198	239,457,558	250,657,804

6. INTERIM DIVIDEND

On 10 June 2012, 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), (June 2011: SR 1,196.8 million, SR 0.80 per share), net of zakat.

7. TREASURY SHARES

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

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2012 and 2011 (UNAUDITED)

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 June 2012 (Unaudited)</u>			<u>31 December 2011 (Audited)</u>			<u>30 June 2011 (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	180,007	(176,524)	6,735,025	182,484	(177,291)	5,424,126	210,612	(203,157)	5,663,513
Special commission rate options and futures	765	(904)	1,256,443	995	(995)	332,432	21,204	(21,330)	1,698,927
Forward foreign exchange contracts	90,819	(90,759)	59,124,567	135,939	(81,879)	52,094,215	69,477	(91,547)	64,405,252
Options	13,904	(13,812)	3,031,868	4,169	(5,951)	117,599	3,276	(3,273)	6,245,186
Structured derivatives	66,235	(66,275)	26,333,712	69,422	(69,657)	20,530,078	46,396	(47,035)	28,286,806
Held as fair value hedges:									
Special commission rate swaps	-	(188,862)	843,750	-	(430,189)	1,833,069	-	(338,586)	1,855,169
Special commission rate futures	-	(18,809)	793,500	-	-	-	-	-	-
Held as cash flow hedges:									
Special commission rate swaps	111,375	(8,049)	6,251,373	73,164	(16,279)	4,830,250	79,603	(3,970)	2,569,000
Total	463,105	(563,994)	104,370,238	466,173	(782,241)	85,161,769	430,568	(708,898)	110,723,853
Provision for counterparty risk	(217)	-		(217)	-		(217)	-	
Fair value, net	462,888	(563,994)		465,956	(782,241)		430,351	(708,898)	

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9. CREDIT RELATED COMMITMENTS AND CONTINGENCIES

	30 June	31 December	30 June
	2012	2011	2011
	(Unaudited)	(Audited)	(Unaudited)
	<u>SR '000</u>	<u>SR '000</u>	<u>SR '000</u>
Letters of guarantee	50,107,362	47,861,293	44,985,513
Letters of credit	23,926,995	18,954,630	19,594,199
Acceptances	4,256,592	3,261,620	2,795,966
Irrevocable commitments to extend credit	10,462,371	9,099,812	7,096,343
	<hr/>	<hr/>	<hr/>
Total	<u>88,753,320</u>	<u>79,177,355</u>	<u>74,472,021</u>

10. CASH AND CASH EQUIVALENTS

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

	30 June	31 December	30 June
	2012	2011	2011
	(Unaudited)	(Audited)	(Unaudited)
	<u>SR '000</u>	<u>SR '000</u>	<u>SR '000</u>
Cash and balances with SAMA excluding statutory deposits	4,562,425	10,905,288	13,336,495
Due from banks and other financial institutions maturing within ninety days	9,425,689	9,810,240	6,718,928
	<hr/>	<hr/>	<hr/>
Total	<u>13,988,114</u>	<u>20,715,528</u>	<u>20,055,423</u>

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11. OPERATING SEGMENTS

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Group management.

The Group has five reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different products and services, and are managed separately based on the Group's management and internal reporting structure.

- | | | |
|-----------------------|---|--|
| 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 Group'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 supports and Head Office expenses are allocated to segments using activity-based costing.

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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 during 2004. These lawsuits were 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 July 2008, the Bank made a renewed motion to dismiss all of these lawsuits based on a lack of United States jurisdiction over the Bank. On 16 June 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 United States jurisdiction over the Bank, either generally, or specifically in connection with the plaintiffs' claims.

On 14 July 2011, the Clerk of the Court issued a formal judgment 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 have commenced appeals of the judgment of dismissal of the Bank and numerous other defendants and have filed an opening brief on 20 January 2012. The Plaintiffs filed their replies to the various briefs on 25 June 2012. All parties will now await the date for oral arguments in the Court of Appeals.

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.

13. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share for the periods ended 30 June 2012 and 2011 is calculated by dividing the net income attributable to equity holders of the parent for the periods by the weighted average number of shares outstanding during the periods.

The authorized, issued and fully paid share capital of the Bank excluding treasury shares consists of 1,495,975,148 shares of SR 10 each (2011: 1,495,975,148 shares of SR 10 each), wholly owned by Saudi shareholders.

The calculation of diluted earnings per share is not applicable to the Group.

14. 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.

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14. CAPITAL ADEQUACY (continued)

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

	Risk weighted assets		
	30 June 2012 (Unaudited) SR 000	31 December 2011 (Audited) SR 000	30 June 2011 (Unaudited) SR 000
Credit risk	194,027,101	169,732,836	161,338,505
Operational risk	21,255,250	22,107,907	19,748,100
Market risk	6,545,966	7,809,547	3,616,687
Total Pillar-1 - risk weighted assets	221,828,317	199,650,290	184,703,292
Core capital (Tier 1)	35,559,987	34,318,125	31,817,719
Supplementary capital (Tier 2)	2,225,924	2,008,707	1,915,498
Core and supplementary capital (Tier 1 and Tier 2)	37,785,911	36,326,832	33,733,217
Capital Adequacy Ratio (Pillar 1):-			
Core capital (Tier 1) - (%)	16.0%	17.2%	17.2%
Core and supplementary capital (Tier 1 and Tier 2) - (%)	17.0%	18.2%	18.3%

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, foreign currency translation reserve and other prescribed deductions. Tier 2 capital comprises a prescribed amount of eligible portfolio (collective) provisions less prescribed

15. 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.