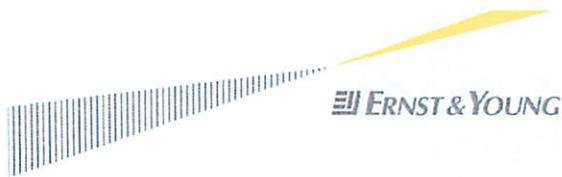


**THE NATIONAL COMMERCIAL BANK**  
(A Saudi Joint Stock Company)

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

**31 March 2012**



Al Fozan & Al Sadhan

**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 31 March 2012, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended along with the condensed notes 1 through 12. 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 12 of the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note 12 to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

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24 Jumad Awal 1433H  
16 April 2012  
Jeddah

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<b>31 March 2012 (Unaudited) SR '000</b>	31 December 2011 (Audited) SR '000	31 March 2011 (Unaudited) SR '000
<u>Note</u>			
<b>ASSETS</b>			
Cash and balances with SAMA	<b>20,697,076</b>	24,702,024	31,024,643
Due from banks and other financial institutions	<b>13,947,739</b>	11,561,490	11,827,535
Investments, net	3 <b>126,940,366</b>	120,489,168	122,309,934
Loans and advances, net	4 <b>142,336,251</b>	135,289,496	124,809,616
Investment in associates, net	<b>837,082</b>	838,575	825,538
Other real estate, net	<b>248,123</b>	249,169	279,389
Property and equipment, net	<b>2,347,491</b>	2,317,353	2,066,306
Intangible assets, net	<b>633,471</b>	626,308	880,704
Goodwill, net	<b>644,268</b>	604,635	737,807
Other assets	<b>5,009,368</b>	4,519,943	4,120,350
<b>Total assets</b>	<b>313,641,235</b>	301,198,161	298,881,822
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
Due to banks and other financial institutions	<b>20,536,548</b>	19,939,666	19,311,995
Customers' deposits	5 <b>247,921,122</b>	239,457,558	239,335,462
Other liabilities	<b>8,401,441</b>	6,215,683	5,897,293
<b>Total liabilities</b>	<b>276,859,111</b>	265,612,907	264,544,750
<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>12,105,333</b>	12,105,333	10,655,725
Other reserves (cumulative changes in fair values)	<b>2,311,346</b>	1,918,274	1,257,345
Retained earnings	<b>7,181,240</b>	5,226,884	5,309,869
Proposed dividend	<b>-</b>	1,495,975	1,495,975
Foreign currency translation reserve	<b>(1,199,311)</b>	(1,404,155)	(802,238)
<b>Total shareholders' equity attributable to equity holders of the Parent</b>	<b>35,221,515</b>	34,165,218	32,739,583
<b>Non-controlling interests</b>	<b>1,560,609</b>	1,420,036	1,597,489
<b>Total shareholders' equity</b>	<b>36,782,124</b>	35,585,254	34,337,072
<b>Total liabilities and shareholders' equity</b>	<b>313,641,235</b>	301,198,161	298,881,822

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

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

**INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT**  
(UNAUDITED)

	<b>Three Months Ended</b>	
	<b>31 March 2012 SR '000</b>	<b>31 March 2011 SR '000</b>
Special commission income	<b>2,678,881</b>	2,446,773
Special commission expense	<b>(375,151)</b>	(374,325)
<b>Net special commission income</b>	<b>2,303,730</b>	2,072,448
Fee income from banking services, net	<b>854,757</b>	662,485
Foreign exchange income, net	<b>131,840</b>	99,479
Income from FVIS investments, net	<b>105,516</b>	24,349
Trading income, net	<b>34,093</b>	56,360
Dividend income	<b>-</b>	21,527
Gains on non-trading investments, net	<b>275,583</b>	122,729
<b>Operating income</b>	<b>3,705,519</b>	3,059,377
Salaries and employee-related expenses	<b>631,566</b>	694,124
Rent and premises-related expenses	<b>111,772</b>	97,342
Depreciation of property and equipment	<b>97,898</b>	86,121
Amortisation of intangible assets	<b>47,334</b>	55,878
Other general and administrative expenses	<b>322,095</b>	262,501
Impairment charge for credit losses, net	<b>395,577</b>	296,600
<b>Operating expenses</b>	<b>1,606,242</b>	1,492,566
<b>Income from operations, net</b>	<b>2,099,277</b>	1,566,811
<b>Other (expenses)</b>		
Donations	<b>(18,253)</b>	(15,349)
Other non-operating (expenses), net	<b>(80,400)</b>	(34,482)
<b>Net other (expenses)</b>	<b>(98,653)</b>	(49,831)
<b>Net income for the period</b>	<b>2,000,624</b>	1,516,980
<b>Net income for the period attributable to:</b>		
Equity holders of the Parent	<b>1,953,735</b>	1,502,976
Non-controlling interests	<b>46,889</b>	14,004
<b>Net income for the period</b>	<b>2,000,624</b>	1,516,980
<b>Basic and diluted earnings per share (expressed in SR per share)</b>	<b>1.31</b>	1.00

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

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**(UNAUDITED)**

	<b>Three Months Ended</b>	
	<b>31 March</b>	<b>31 March</b>
	<b>2012</b>	<b>2011</b>
	<b><u>SR '000</u></b>	<b><u>SR '000</u></b>
<b>Net income for the period</b>	<b>2,000,624</b>	<b>1,516,980</b>
<b>Other comprehensive income (loss):</b>		
<b>Net changes arising during the period in:</b>		
Revaluation gains on cash flow hedges, net (effective portion)	<b>38,241</b>	1,207
Revaluation gains on available for sale investments (AFS), net	<b>594,809</b>	50,902
Foreign currency translation reserve - gains	<b>288,578</b>	37,129
<b>Transfer to consolidated income statement:</b>		
Fair value (gains) on cash flow hedges	<b>(13,035)</b>	(4,720)
Gains on non-trading investments, net (AFS)	<b>(235,945)</b>	(119,713)
<b>Other comprehensive income (loss) for the period</b>	<b>672,648</b>	<b>(35,195)</b>
<b>Total comprehensive income for the period</b>	<b>2,673,272</b>	<b>1,481,785</b>
<b>Total comprehensive income attributable to:</b>		
Equity holders of the parent	<b>2,551,651</b>	1,468,225
Non-controlling interests	<b>121,621</b>	13,560
<b>Total comprehensive income for the period</b>	<b>2,673,272</b>	<b>1,481,785</b>

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

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

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

	Attributable to equity holders of the Parent										
	Share capital	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	SR' 000
<b>For the three months ended 31 March 2012</b>											
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 for the period	-	-	-	367,866	25,206	1,953,735	-	204,844	2,551,651	121,621	2,673,272
Adjustments in non-controlling interests and subsidiaries	-	-	-	-	-	621	-	-	621	18,952	19,573
Final dividend paid	-	-	-	-	-	-	(1,495,975)	-	(1,495,975)	-	(1,495,975)
<b>Balance as at 31 March 2012</b>	<b>15,000,000</b>	<b>(177,093)</b>	<b>12,105,333</b>	<b>2,229,255</b>	<b>82,091</b>	<b>7,181,240</b>	<b>-</b>	<b>(1,199,311)</b>	<b>35,221,515</b>	<b>1,560,609</b>	<b>36,782,124</b>
<b>For the three months ended 31 March 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	-	-	-	(57,862)	(3,513)	1,502,977	-	26,622	1,468,225	13,560	1,481,785
Adjustments in non-controlling interests and subsidiaries	-	-	-	-	-	(123)	-	-	(123)	(506)	(629)
Premium on acquisition of non-controlling interests	-	-	-	-	-	(776)	-	-	(776)	-	(776)
<b>Balance as at 31 March 2011</b>	<b>15,000,000</b>	<b>(177,093)</b>	<b>10,655,725</b>	<b>1,231,439</b>	<b>25,906</b>	<b>5,309,869</b>	<b>1,495,975</b>	<b>(802,238)</b>	<b>32,739,583</b>	<b>1,597,489</b>	<b>34,337,072</b>

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

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
(UNAUDITED)

	<u>Note</u>	<b>Three Months Ended</b>	
		<b>31 March 2012 SR '000</b>	<b>31 March 2011 SR '000</b>
<b>OPERATING ACTIVITIES</b>			
<b>Net income for the period</b>		<b>2,000,624</b>	1,516,980
Adjustments to reconcile net income to net cash from operating activities:			
(Accretion of discounts)/amortization of premium on non-trading investments, net		(3,398)	5,627
(Gains) on non-trading investments, net		(275,583)	(122,729)
(Gains) on disposal of property and equipment, net		(3,804)	(7,516)
Loss on disposal of other real estate, net		-	397
Depreciation of property and equipment		97,898	86,121
Amortization of intangible assets		47,334	55,878
Impairment charge for credit losses, net		395,577	296,600
Bank's share in associate's losses		1,492	3,127
		<b>2,260,140</b>	1,834,485
<b>Net (increase)/decrease in operating assets:</b>			
Due from banks and other financial institutions maturing after ninety days		(4,770,750)	-
Statutory deposits with SAMA		122,750	(90,800)
Held for trading investments		(7,202)	115,546
Held as fair value through income statement (FVIS) investments		(95,735)	27,791
Loans and advances		(7,442,332)	490,875
Other real estate		1,046	(121)
Other assets		(489,425)	(51,284)
<b>Net increase/(decrease) in operating liabilities:</b>			
Due to banks and other financial institutions		596,882	4,980,297
Customers' deposits		8,463,564	10,175,281
Other liabilities		689,783	(135,102)
<b>Net cash (used in) from operating activities</b>		<b>(671,279)</b>	17,346,968
<b>INVESTING ACTIVITIES</b>			
Proceeds from sale and maturities of non-trading / non-FVIS investments		25,572,187	30,575,563
Purchase of non-trading / non-FVIS investments		(31,276,360)	(44,907,793)
Purchase of property and equipment		(145,500)	(57,134)
Proceeds from disposal of property and equipment		15,680	9,229
<b>Net cash (used in) investing activities</b>		<b>(5,833,993)</b>	(14,380,135)
<b>FINANCING ACTIVITIES</b>			
Net movement in non-controlling interests		18,952	(951)
<b>Cash (used in) financing activities</b>		<b>18,952</b>	(951)
Net (decrease)/increase in cash and cash equivalents		(6,486,320)	2,965,882
Foreign currency translation reserve - net movement on cash and cash equivalents		219,621	16,526
Cash and cash equivalents at the beginning of the period		20,715,528	27,625,299
<b>Cash and cash equivalents at the end of the period</b>	<b>9</b>	<b>14,448,829</b>	30,607,707
Special commission received during the period		2,725,751	2,569,214
Special commission paid during the period		385,133	348,337
<b>Supplemental non-cash information</b>			
Net change in fair value and transfer to interim condensed consolidated income statement		384,070	(61,375)

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

# The National Commercial Bank

## (A Saudi Joint Stock Company)

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### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 31 March 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.

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<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: 90.48%) direct ownership interest in NCB Capital Company and an indirect ownership of 1.87% (2011: 5.90%) (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: 74.21%) 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**

## **(A Saudi Joint Stock Company)**

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### **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

#### **31 March 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**  
**31 March 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.

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**31 March 2012 and 2011 (UNAUDITED)**

**3. INVESTMENTS, NET**

	<b>31 March 2012 (Unaudited) SR '000</b>	31 December 2011 (Audited) SR '000	31 March 2011 (Unaudited) SR '000
Held for trading	515,712	508,510	471,564
Held as FVIS (Fair Value through Income Statement)	3,205,380	3,109,644	4,420,210
Available for sale, net	26,101,258	32,266,748	32,653,846
Held to maturity, net	1,412,596	2,166,288	2,186,215
Other investments held at amortized cost, net	95,705,420	82,437,978	82,578,099
<b>Total</b>	<b>126,940,366</b>	<b>120,489,168</b>	<b>122,309,934</b>

**4. Loans and advances, net**

	<b>31 March 2012 (Unaudited) SR '000</b>	31 December 2011 (Audited) SR '000	31 March 2011 (Unaudited) SR '000
<b>Performing:</b>			
Credit cards	1,763,742	1,779,329	1,833,372
Consumer	46,052,814	38,423,592	35,681,231
Corporate	92,896,816	92,902,974	86,598,646
Others	3,612,803	3,928,963	1,871,112
Performing loans and advances	144,326,175	137,034,858	125,984,361
Non-performing loans and advances	4,439,755	4,271,269	5,205,980
<b>Total loans and advances</b>	<b>148,765,930</b>	<b>141,306,127</b>	<b>131,190,341</b>
Provision for credit losses	(6,429,679)	(6,016,631)	(6,380,725)
<b>Loans &amp; advances, net</b>	<b>142,336,251</b>	<b>135,289,496</b>	<b>124,809,616</b>

**5. Customers' deposits**

	<b>31 March 2012 (Unaudited) SR '000</b>	31 December 2011 (Audited) SR '000	31 March 2011 (Unaudited) SR '000
Current accounts	169,958,249	168,565,006	145,471,980
Savings	151,361	148,876	159,734
Time	67,826,566	60,426,636	83,910,199
Others	9,984,946	10,317,040	9,793,549
<b>Total</b>	<b>247,921,122</b>	<b>239,457,558</b>	<b>239,335,462</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.

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**31 March 2012 and 2011 (UNAUDITED)**

**7. 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 2012 (Unaudited)</u>			<u>31 December 2011 (Audited)</u>			<u>31 March 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>
<b>Held for trading:</b>									
Special commission rate swaps	173,377	(168,582)	5,548,689	182,484	(177,291)	5,424,126	190,110	(182,388)	5,793,668
Special commission rate options and futures	4,582	(4,582)	458,462	995	(995)	332,432	28,911	(24,055)	1,988,676
Forward foreign exchange contracts	156,266	(105,427)	50,182,464	135,939	(81,879)	52,094,215	125,380	(100,107)	66,514,588
Options	7,076	(7,075)	499,276	4,169	(5,951)	117,599	2,601	(2,601)	96,412
Structured derivatives	69,763	(69,763)	27,614,406	69,422	(69,657)	20,530,078	45,144	(51,198)	37,425,025
<b>Held as fair value hedges:</b>									
Special commission rate swaps	-	(452,447)	1,846,238	-	(430,189)	1,833,069	-	(239,940)	1,856,363
<b>Held as cash flow hedges:</b>									
Special commission rate swaps	89,706	(7,615)	5,501,373	73,164	(16,279)	4,830,250	29,894	(3,987)	2,669,000
<b>Total</b>	<b>500,770</b>	<b>(815,491)</b>	<b>91,650,908</b>	<b>466,173</b>	<b>(782,241)</b>	<b>85,161,769</b>	<b>422,040</b>	<b>(604,276)</b>	<b>116,343,732</b>
Provision for counterparty risk	(217)	-		(217)	-		(217)	-	
Fair value, net	<u>500,553</u>	<u>(815,491)</u>		<u>465,956</u>	<u>(782,241)</u>		<u>421,823</u>	<u>(604,276)</u>	

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**8. CREDIT RELATED COMMITMENTS AND CONTINGENCIES**

	<b>31 March</b>	31 December	31 March
	<b>2012</b>	2011	2011
	<b>(Unaudited)</b>	(Audited)	(Unaudited)
	<b><u>SR '000</u></b>	<u>SR '000</u>	<u>SR '000</u>
Guarantees	<b>49,259,553</b>	47,861,293	43,635,581
Letters of credit	<b>23,127,092</b>	18,954,630	19,323,627
Acceptances	<b>4,040,947</b>	3,261,620	2,801,902
Irrevocable commitments to extend credit	<b>10,353,241</b>	9,099,812	5,272,517
	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b><u>86,780,833</u></b>	<u>79,177,355</u>	<u>71,033,627</u>

**9. CASH AND CASH EQUIVALENTS**

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

	<b>31 March</b>	31 December	31 March
	<b>2012</b>	2011	2011
	<b>(Unaudited)</b>	(Audited)	(Unaudited)
	<b><u>SR '000</u></b>	<u>SR '000</u>	<u>SR '000</u>
Cash and balances with SAMA excluding statutory deposits	<b>7,023,090</b>	10,905,288	18,780,172
Due from banks and other financial institutions maturing within ninety days	<b>7,425,739</b>	9,810,240	11,827,535
	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b><u>14,448,829</u></b>	<u>20,715,528</u>	<u>30,607,707</u>

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**10. 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.

<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 supports and Head Office expenses are allocated to segments using activity-based costing.

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**10. OPERATING SEGMENTS (continued)**

The Group's total assets and liabilities at period end, its operating income and expenses (total and main items) and net income for the period, by operating segments, are as follows:

31 March 2012	<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	54,794,934	80,310,307	144,594,699	1,279,695	32,661,600	313,641,235
Total liabilities	151,919,224	77,699,726	21,486,356	224,094	25,529,711	276,859,111
Fee income from banking services, net	302,091	167,803	-	218,636	166,227	854,757
Operating income	1,371,842	597,982	933,293	228,808	573,594	3,705,519
Operating expenses	672,362	382,761	80,075	95,741	375,303	1,606,242
of which:						
- Depreciation of property and equipment	59,101	9,672	8,623	4,250	16,252	97,898
- Impairment charge for credit losses, net	65,978	239,200	-	-	90,399	395,577
Net income (parent and non-controlling interests)	686,505	198,812	833,080	134,811	147,416	2,000,624

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

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**11. 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 has filed an opening brief on 20 January 2012.

In the interim, the Plaintiffs filed a Motion to Vacate and Remand the dismissal of the Bank with the Court of Appeals. On 26 March, 2012, this was denied "without prejudice to reargument in the parties' briefs".

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.

**12. 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>31 March 2012 SR 000</b>	31 December 2011 SR 000	31 March 2011 SR 000
Credit risk	<b>179,521,965</b>	169,732,836	155,932,842
Operational risk	<b>22,677,369</b>	22,107,907	19,435,725
Market risk	<b>6,535,056</b>	7,809,547	4,260,965
<b>Total Pillar-1 - risk weighted assets</b>	<b>208,734,390</b>	199,650,290	179,629,532
Core capital (Tier 1)	<b>35,479,523</b>	34,318,125	32,693,698
Supplementary capital (Tier 2)	<b>2,219,162</b>	2,008,707	1,662,049
Core and supplementary capital (Tier 1 and Tier 2)	<b>37,698,685</b>	36,326,832	34,355,747
<b>Capital Adequacy Ratio (Pillar 1):-</b>			
Core capital (Tier 1) - (%)	<b>17.0%</b>	17.2%	18.2%
Core and supplementary capital (Tier 1 and Tier 2) - (%)	<b>18.1%</b>	18.2%	19.1%

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.