THE NATIONAL COMMERCIAL BANK
(A Saudi Joint Stock Company)

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED

30 June 2013

Ernst & Young **KPMG Al Fozan & Al Sadhan**

ERNST & YOUNG | KPMG 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 (collectively referred to as "the Group"), which comprise the interim condensed consolidated statement of financial position as at 30 June 2013, and the related interim condensed consolidated statements of income and comprehensive income for the three-month and six-month periods ended 30 June 2013, and the interim condensed consolidated statements of changes in equity and cash flows for the six-month period then ended along with the condensed notes 1 through 19. We have not reviewed note 18, nor the information related to "Basel III 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 16 of the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note 16 to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

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The National Commercial Bank

(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2013 (Unaudited) SR '000**	31 December 2012 (Audited) SR '000	30 June 2012 (Unaudited) SR '000
ASSETS				
Cash and balances with SAMA		**31,417,055**	40,298,428	18,473,727
Due from banks and other financial institutions		**12,715,077**	16,402,282	14,422,687
Investments, net	3	**129,357,824**	116,427,793	127,214,052
Loans and advances, net	4	**178,225,823**	163,479,092	150,266,261
Investment in associates, net		**830,563**	832,631	835,590
Other real estate, net		**215,610**	218,144	229,826
Property and equipment, net		**2,483,811**	2,549,896	2,391,700
Goodwill and other intangible assets, net		**1,024,438**	1,172,098	1,225,401
Other assets		**6,526,052**	3,939,769	5,358,666
Total assets		**362,796,253**	345,320,133	320,417,910
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks and other financial institutions		**24,248,932**	25,574,176	24,824,194
Customers' deposits	5	**288,045,084**	273,530,090	250,266,198
Debt securities issued		**1,511,250**	-	-
Other liabilities		**7,368,665**	6,811,722	8,505,943
Total liabilities		**321,173,931**	305,915,988	283,596,335
EQUITY				
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK				
Share capital		**15,000,000**	15,000,000	15,000,000
Treasury shares	6	**(177,093)**	(177,093)	(177,093)
Statutory reserve		**13,623,678**	13,623,678	12,105,333
Other reserves (cumulative changes in fair values)		**1,482,032**	1,857,342	1,906,768
Retained earnings		**11,382,058**	7,051,299	7,592,603
Proposed dividend		**-**	1,495,975	-
Foreign currency translation reserve		**(1,398,534)**	(1,147,570)	(1,213,513)
Total equity attributable to equity holders of the Bank		**39,912,141**	37,703,631	35,214,098
NON-CONTROLLING INTEREST		**1,710,181**	1,700,514	1,607,477
Total equity		**41,622,322**	39,404,145	36,821,575
Total liabilities and equity		**362,796,253**	345,320,133	320,417,910

The accompanying notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

	Note	Three Months Ended		Six Months Ended	
		30 June 2013	30 June 2012	**30 June 2013**	30 June 2012
		SR ’000	SR ’000	**SR ’000**	SR ’000
Special commission income		**2,942,804**	2,759,444	**5,907,215**	5,438,325
Special commission expense		**(443,614)**	(583,302)	**(864,696)**	(958,453)
Net special commission income		**2,499,190**	2,176,142	**5,042,519**	4,479,872
Fee income from banking services, net		**776,154**	777,441	**1,650,454**	1,592,988
Exchange income, net		**171,241**	149,578	**324,612**	281,418
(Loss) income from FVIS investments, net		**(2,346)**	(79,204)	**62,480**	26,312
Trading income, net		**28,403**	18,752	**53,129**	52,845
Dividend income		**10,530**	62,556	**62,111**	62,556
Gains on non-trading investments, net		**173,285**	248,071	**526,938**	523,654
Other operating income, net		**24,326**	27,384	**51,020**	64,921
Total operating income		**3,680,783**	3,380,720	**7,773,263**	7,084,566
Salaries and employee-related expenses		**815,099**	657,109	**1,525,640**	1,288,675
Rent and premises-related expenses		**145,368**	116,167	**288,346**	227,939
Depreciation of property and equipment		**115,834**	102,350	**231,603**	200,248
Amortisation of intangible assets		**47,334**	47,334	**94,668**	94,668
Other general and administrative expenses		**380,365**	357,912	**724,467**	678,171
Impairment charge for credit losses, net		**146,525**	351,030	**415,909**	746,607
Impairment charge on investments, net		-	-	**22,157**	-
Total operating expenses		**1,650,525**	1,631,902	**3,302,790**	3,236,308
Income from operations, net		**2,030,258**	1,748,818	**4,470,473**	3,848,258
Other (expenses)					
Donations		**(11,897)**	(12,878)	**(28,278)**	(31,131)
Other non-operating income (expenses), net		**3,316**	(80,754)	**(37,234)**	(161,317)
Net other (expenses)		**(8,581)**	(93,632)	**(65,512)**	(192,448)
Net income for the period		**2,021,677**	1,655,186	**4,404,961**	3,655,810
Net income for the period attributable to:					
Equity holders of the Bank		**1,992,106**	1,608,143	**4,324,064**	3,561,878
Non-controlling interest		**29,571**	47,043	**80,897**	93,932
Net income for the period		**2,021,677**	1,655,186	**4,404,961**	3,655,810
Basic and diluted earnings per share (expressed in SR per share)	13	**1.33**	1.07	**2.89**	2.38

The accompanying notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Three Months Ended		Six Months Ended	
	30 June 2013 SR '000	30 June 2012 SR '000	**30 June 2013 SR '000**	30 June 2012 SR '000
Net income for the period	**2,021,677**	1,655,186	**4,404,961**	3,655,810
Other comprehensive (loss) income to be reclassified to statement of income in subsequent periods:				
Foreign currency translation reserve - (losses)/gains	**(355,730)**	(23,355)	**(354,421)**	265,223
Available for sale financial assets:				
- Net change in fair values	**(151,056)**	(247,817)	**62,624**	346,992
- Transfers to interim condensed consolidated statement of income	**(128,118)**	(169,048)	**(451,288)**	(404,993)
- Impairment charge on investments (AFS)	-	-	**22,157**	-
Cash flow hedges:				
- Effective portion of change in fair values	**(44,159)**	33,982	**(5,853)**	72,223
- Transfers to interim condensed consolidated statement of income	**(9,646)**	(12,748)	**(19,682)**	(25,783)
Total comprehensive income for the period	**1,332,968**	1,236,200	**3,658,498**	3,909,472
Attributable to:				
Equity holders of the Bank	**1,425,973**	1,189,363	**3,697,790**	3,741,014
Non-controlling interest	**(93,005)**	46,837	**(39,292)**	168,458
Total comprehensive income for the period	**1,332,968**	1,236,200	**3,658,498**	3,909,472

The accompanying notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(UNAUDITED)

	Attributable to equity holders of the Bank										
				Other reserves							
	Share capital SR' 000	Treasury shares SR' 000	Statutory reserve SR' 000	Available for sale financial assets SR' 000	Cash flow hedges SR' 000	Retained earnings SR' 000	Proposed dividend SR' 000	Foreign currency translation reserve SR' 000	Total SR' 000	Non-controlling interest SR' 000	Total equity SR' 000
For the six months ended 30 June 2013											
Balance as at 1 January 2013	**15,000,000**	**(177,093)**	**13,623,678**	**1,765,983**	**91,359**	**7,051,299**	**1,495,975**	**(1,147,570)**	**37,703,631**	**1,700,514**	**39,404,145**
Total comprehensive (loss) / income for the period	-	-	-	**(349,775)**	**(25,535)**	**4,324,064**	-	**(250,964)**	**3,697,790**	**(39,292)**	**3,658,498**
Adjustments in non-controlling interest and subsidiaries	-	-	-	-	-	**6,695**	-	-	**6,695**	**(16,580)**	**(9,885)**
Capital injection	-	-	-	-	-	-	-	-	-	**65,539**	**65,539**
Final dividend paid	-	-	-	-	-	-	**(1,495,975)**	-	**(1,495,975)**	-	**(1,495,975)**
Balance as at 30 June 2013	**15,000,000**	**(177,093)**	**13,623,678**	**1,416,208**	**65,824**	**11,382,058**	-	**(1,398,534)**	**39,912,141**	**1,710,181**	**41,622,322**
	-	-	-	-		-	-	-	-	-	-
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 (loss)/income 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 and subsidiaries	-	-	-	-	-	621	-	-	621	18,983	19,604
Final dividend paid	-	-	-	-	-	-	(1,495,975)	-	(1,495,975)	-	(1,495,975)
Interim dividend payable	-	-	-	-	-	(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

The accompanying notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Note	Six Months Ended 30 June 2013 SR '000	Six Months Ended 30 June 2012 SR '000
OPERATING ACTIVITIES			
Net income for the period		**4,404,961**	3,655,810
Adjustments to reconcile net income to net cash (used in) from operating activities:			
Amortization of premium (accretion of discounts) on non-trading investments, net		**97,769**	(1,552)
(Gains) on non-trading investments, net		**(526,938)**	(523,654)
(Gains) on disposal of property and equipment, net		**(9,063)**	(8,261)
Loss (gains) on disposal of other repossessed assets		**2,048**	(4,380)
Depreciation of property and equipment		**231,603**	200,248
Amortization of intangible assets		**94,668**	94,668
Impairment charge for credit losses, net		**415,909**	746,607
Bank's share in associate's losses		**2,069**	2,983
Impairment charge on investments, net		**22,157**	-
		4,735,183	4,162,469
Net (increase)/decrease in operating assets:			
Statutory deposits with SAMA		**(2,307,048)**	(114,566)
Due from banks and other financial institutions maturing after ninety days		**(3,686,214)**	(3,245,749)
Investment held at FVIS (including trading investment)		**87,765**	(245,222)
Loans and advances		**(17,246,976)**	(15,606,552)
Other real estate		**19,133**	26,128
Other assets		**(2,456,576)**	(838,395)
Net increase/(decrease) in operating liabilities:			
Due to banks and other financial institutions		**(891,686)**	4,884,528
Customers' deposits		**16,247,257**	10,808,640
Other liabilities		**586,770**	976,660
Net cash (used in) from operating activities		**(4,912,392)**	807,941
INVESTING ACTIVITIES			
Proceeds from sale and maturities of non-trading / non-FVIS investments		**45,546,307**	41,978,619
Purchase of non-trading / non-FVIS investments		**(58,646,186)**	(47,944,550)
Purchase of property and equipment		**(184,684)**	(272,506)
Proceeds from disposal of property and equipment		**9,158**	12,987
Net cash (used in) investing activities		**(13,275,405)**	(6,225,450)
FINANCING ACTIVITIES			
Debt securities issued		**1,511,250**	-
Net movement in non-controlling interest		**70,034**	19,572
Dividends paid		**(1,495,975)**	(1,495,975)
Net cash from (used in) financing activities		**85,309**	(1,476,403)
Net (decrease) in cash and cash equivalents		**(18,102,488)**	(6,893,912)
Foreign currency translation reserve - net movement on cash and cash equivalents		**(459,352)**	166,498
Cash and cash equivalents at the beginning of the period		**38,088,205**	20,715,528
Cash and cash equivalents at the end of the period	10	**19,526,365**	13,988,114
Special commission received during the period		**6,085,129**	5,355,814
Special commission paid during the period		**873,247**	799,291
Supplemental non-cash information			
Movement in other reserve and transfers to interim condensed consolidated statement of income		**414,199**	11,561

The accompanying notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013 and 2012 (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 a 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

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% (2012: 90.71%) direct ownership interest in NCB Capital Company and an indirect ownership of 1.51% (2012: 1.87%) (the indirect ownership is held via an intermediary Trust for future grant to NCB Capital employees).

(b) Türkiye Finans Katılım Bankası A.Ş. (TFK)

The Bank has 66.27% (2012: 64.68%) 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. During the year ended 31 December 2012, the shareholders of TFK, resolved to increase the capital by TL 975 million, which was subsequently endorsed by the Central Bank of Turkey (BRSA). Accordingly, the share capital of Turkish Bank has been increased to TL 1,775 million through capitalization of retained earnings and cash contribution. The Bank's share of such cash contribution was TL 206 million (SR 431 million).

During May 2013, Turkiye Finans Katilim Bankasi, issued 5 year fixed rate sukuk cetificates amounting to US $500 million. The certificates are listed on Irish Stock Exchange and carry a fixed rate of 3.95% payable semi annually.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013 and 2012 (UNAUDITED)

1. GENERAL (continued)

(1.2) **Group's subsidiaries (continued)**

(c) Eastgate Capital Holdings Inc. (Eastgate)

The Group has a 71.01% (2012: 71.29%) effective ownership interest in Eastgate Capital Holdings Inc., and its subsidiaries a Middle East-based private equity firm acquired through its subsidiary, NCB Capital Company. NCB Capital Company acquired a 77% direct ownership interest and the remaining 23% is owned by the management of Eastgate.

(d) 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 (2012: 100%) in the Company. The objectives of the Company primarily include keeping and managing title deeds and collateralised real estate properties on behalf of the Bank.

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 2012.

The preparation of interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the Group’s accounting policies are the same as those that applied to the annual consolidated financial statements for the year ended 31 December 2012, except for the adoption of newly effective standards (refer to note 2.5).

(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) **Functional and Presentation currency**

These interim condensed consolidated financial statements are presented in Saudi Riyals (SR) which is the Bank's functional currency and have been rounded off to the nearest thousand Saudi Riyals.

2. BASIS OF PREPARATION (continued)

(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, Turkiye Finans Katilim Bankasi A.S (the Turkish Bank) and Real Estate Development Company. NCB Capital also consolidates the financial statements of Eastgate 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.

(a) Subsidiaries

Subsidiaries are entities which are controlled by the Group. To meet the definition of control, all three criteria must be met, including:

i) the Group has power over an entity;
ii) the Group has exposure, or rights, to variable returns from its involvement with the entity; and
iii) the Group has the ability to use its power over the entity to affect the amount of the entity's returns.

Subsidiaries are consolidated from the date on which control is transferred to the Bank and cease to be consolidated from the date on which the control is transferred from the Bank. The results of subsidiaries acquired or disposed of during the year, if any, are included in the interim condensed consolidated statement of income from the date of the acquisition or up to the date of disposal, as appropriate.

(b) Non-controlling interests

Non-controlling interests represent the portion of net income and net assets of subsidiaries not owned, directly or indirectly, by the Bank in its subsidiaries and are presented separately in the interim condensed consolidated statement of income and within equity in the interim condensed consolidated statement of financial position, separately from the Bank's equity. Any losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(c) Associates

Associates are enterprises over which the Bank exercises significant influence. Investments in associates are initially recognized at cost and subsequently accounted for under the equity method of accounting and are carried in the interim condensed consolidated statement of financial position at the lower of the equity-accounted or the recoverable amount.

Equity-accounted value represents the cost plus post-acquisition changes in the Bank's share of net assets of the associate (share of the results, reserves and accumulated gains/losses based on latest available financial statements) less impairment, if any.

The previously recognized impairment loss in respect of investment in associate can be reversed through the interim condensed consolidated statement of income, such that the carrying amount of investment in the balance sheet remains at the lower of the equity-accounted (before provision for impairment) or the recoverable amount.

(d) Transactions eliminated on consolidation

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. BASIS OF PREPARATION (continued)

(2.5) **Accounting policies**

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements for the year ended December 31, 2012 except for the adoption of the following new standards and other amendments to existing standards mentioned below which had a limited financial impact on the condensed consolidated interim financial statements of the Group.

a) New standards

- IFRS 10 Consolidated Financial Statements: IFRS 10 replaces the requirements previously contained in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities. The Standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e. whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in 'special purpose entities').

- IFRS 12 Disclosure of Interests in Other Entities: Requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

- IFRS 13 Fair Value Measurement – IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements, except for the requirements in case of share based payments, leasing transactions and measurements that have some similarities to fair value but are not fair value. IFRS 13 does not change the requirement that when the entity is required to use fair value, rather it provides guidance on how to measure the fair values.

  IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are also specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed consolidated financial statements period. The Group provides these disclosures in notes 14 and 15.

b) Amendments to existing standards

- Amendments to IAS 1 Presentation of Financial Statements: amends IAS 1 to revise the way other comprehensive income is presented.

- Amendments to IFRS 7 Financial Instruments: Disclosure: Amends the disclosure requirements in IFRS 7 to require information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32 and also requires disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and agreements even if they are not set off under IAS 32.

- IAS 28 Investments in Associates and Joint Ventures (2011): The majority of these revisions result from the incorporation of joint ventures into IAS 28 (2011) and the fundamental approach to accounting for equity accounted investments has not changed.

- The IASB has published Annual Improvements to IFRSs: 2009-2011 cycle of improvements that contain amendments to the following standards with consequential amendments to other standards:
  - IAS 1 - Presentation of Financial Statements: Comparative information beyond minimum requirements and presentation of the opening statement of financial position and related notes;
  - IAS 34 - Interim Financial Reporting: Segment Assets and Liabilities.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013 and 2012 (UNAUDITED)

3. INVESTMENTS, NET

Investments, net are classified as follows:

	30 June 2013 (Unaudited) SR '000	31 December 2012 (Audited) SR '000	30 June 2012 (Unaudited) SR '000
Held as FVIS (Fair Value through Income Statement)	**2,610,323**	2,698,089	3,863,376
Available for sale, net	**27,384,035**	27,056,646	24,455,652
Held to maturity, net	**1,033,117**	1,407,704	1,412,318
Other investments held at amortized cost, net	**98,330,349**	85,265,354	97,482,706
Total	**129,357,824**	116,427,793	127,214,052

FVIS investments above include investments held for trading amounting to SR 579 million (31 December 2012: SR 616 million and 30 June 2012: SR 816 million).

4. LOANS AND ADVANCES, NET

Loans and advances are comprised of the following:

	30 June 2013 (Unaudited) SR '000	31 December 2012 (Audited) SR '000	30 June 2012 (Unaudited) SR '000
Credit cards	**2,257,789**	2,024,305	1,948,934
Consumer	**57,822,819**	49,539,012	44,577,157
Corporate	**116,510,087**	108,718,702	100,727,122
Others	**3,804,062**	5,302,844	4,878,787
Performing loans and advances	**180,394,757**	165,584,863	152,132,000
Non-performing loans and advances	**3,606,929**	4,949,358	4,778,008
Total loans and advances	**184,001,686**	170,534,221	156,910,008
Provision for credit losses	**(5,775,863)**	(7,055,129)	(6,643,747)
Loans and advances, net	**178,225,823**	163,479,092	150,266,261

5. CUSTOMERS' DEPOSITS

Customers' deposits are comprised of the following:

	30 June 2013 (Unaudited) SR '000	31 December 2012 (Audited) SR '000	30 June 2012 (Unaudited) SR '000
Current accounts	**220,575,296**	190,156,460	171,123,862
Savings	**146,641**	145,998	150,797
Time	**53,771,919**	70,533,589	68,161,930
Others	**13,551,228**	12,694,043	10,829,609
Total	**288,045,084**	273,530,090	250,266,198

6. 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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7. INTERIM DIVIDEND

The Board of Directors approved an interim dividends on 11 July 2013 of SR 1,196.8 million (SR 0.80 per share), (June 2012: SR 1,196.8 million, SR 0.80 per share). In accordance with the requirement of International Financial Reporting Standards, interim dividends declared by the Board of Directors after the balance sheet date will be accounted for in the third quarter of 2013.

8. DERIVATIVES

The table below show 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.

	30 June 2013 (Unaudited) SR'000			31 December 2012 (Audited) SR'000			30 June 2012(Unaudited) SR'000		
	Positive fair value	**Negative fair value**	**Notional amount**	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value	Notional amount
Held for trading:									
Special commission rate swaps	**161,955**	**(149,977)**	**12,956,717**	137,164	(132,817)	7,073,932	179,790	(176,524)	6,735,025
Special commission rate options and futures	-	-	-	-	-	-	765	(904)	1,256,443
Forward foreign exchange contracts	**105,451**	**(91,444)**	**63,617,143**	68,578	(55,817)	53,984,869	90,819	(90,759)	59,124,567
Options	**20,746**	**(20,729)**	**3,202,803**	32,552	(32,551)	2,781,723	13,904	(13,812)	3,031,868
Structured derivatives	**94,098**	**(94,738)**	**31,635,980**	50,016	(50,014)	22,156,663	66,235	(66,275)	26,333,712
Held as fair value hedges:									
Special commission rate swaps	-	**(150,477)**	**843,750**	-	(212,618)	843,750	-	(188,862)	843,750
Special commission rate futures	-	-	-	-	-	-	-	(18,809)	793,500
Held as cash flow hedges:									
Special commission rate swaps	**79,768**	**(18,592)**	**10,194,754**	101,324	(9,965)	8,024,543	111,375	(8,049)	6,251,373
Total	**462,018**	**(525,957)**	**122,451,147**	389,634	(493,782)	94,865,480	462,888	(563,994)	104,370,238

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9. CREDIT RELATED COMMITMENTS AND CONTINGENCIES

Credit related commitments and contingencies are as follows:

	30 June 2013 (Unaudited) SR '000	31 December 2012 (Audited) SR '000	30 June 2012 (Unaudited) SR '000
Letters of credit	**16,797,283**	21,357,108	23,926,995
Guarantees	**48,282,225**	50,637,430	50,107,362
Acceptances	**3,939,373**	3,490,347	4,256,592
Irrevocable commitments to extend credit	**9,648,185**	10,047,928	10,462,371
Total	**78,667,066**	85,532,813	88,753,320

10. CASH AND CASH EQUIVALENTS

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

	30 June 2013 (Unaudited) SR '000	31 December 2012 (Audited) SR '000	30 June 2012 (Unaudited) SR '000
Cash and balances with SAMA excluding statutory deposits	**14,559,502**	25,747,923	4,562,425
Due from banks and other financial institutions with original maturity of three months or less	**4,966,863**	12,340,282	9,425,689
Total	**19,526,365**	38,088,205	13,988,114

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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 *Shariah* rules which are supervised by the independent *Shariah* 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 Shariah rules to medium and large establishments and companies.
Treasury	-	Provides a full range of treasury products and services, including money market and foreign exchange, to the Bank's clients, in addition to carrying out investment and trading activities (local and international) and managing liquidity risk, market risk and credit risk (related to investments).
Capital Market	-	Provides wealth management, asset 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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11. 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:

	SR '000					
30 June 2013	**Consumer**	**Corporate**	**Treasury**	**Capital Market**	**International**	**Total**
Total assets	**71,322,169**	**97,934,623**	**147,083,295**	**1,204,511**	**45,251,655**	**362,796,253**
Total liabilities	**142,328,323**	**122,527,242**	**18,589,739**	**219,326**	**37,509,301**	**321,173,931**
Fee income from banking services, net	**570,702**	**415,098**	**-**	**310,898**	**353,756**	**1,650,454**
Operating income	**2,729,633**	**1,574,416**	**1,927,178**	**328,590**	**1,213,446**	**7,773,263**
Operating expenses	**1,690,258**	**398,245**	**185,178**	**203,657**	**825,452**	**3,302,790**
of which:						
- Depreciation of property and equipment	**150,538**	**20,492**	**15,550**	**7,957**	**37,066**	**231,603**
- Impairment charge for credit losses, net	**169,417**	**90,306**	**-**	**-**	**156,186**	**415,909**
- Impairment charge on investments, net	**-**	**-**	**22,157**	**-**	**-**	**22,157**
Net income (Bank and non-controlling interests)	**1,072,462**	**1,167,901**	**1,747,325**	**129,254**	**288,019**	**4,404,961**

	SR '000					
30 June 2012	Consumer	Corporate	Treasury	Capital Market	International	Total
Total assets	58,136,121	83,887,599	141,405,104	1,312,036	35,677,050	320,417,910
Total liabilities	123,351,549	108,112,827	23,682,731	230,449	28,218,779	283,596,335
Fee income from banking services, net	503,976	320,704	-	433,831	334,477	1,592,988
Operating income	2,695,614	1,075,911	1,766,356	445,915	1,100,770	7,084,566
Operating expenses	1,354,153	787,951	154,111	199,637	740,456	3,236,308
of which:						
- Depreciation of property and equipment	120,109	23,142	16,580	8,299	32,118	200,248
- Impairment charge for credit losses, net	86,970	488,521	-	-	171,116	746,607
- Impairment charge on investments, net	-	-	-	-	-	-
Net income (Bank and non-controlling interests)	1,304,500	246,627	1,550,357	249,766	304,560	3,655,810

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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 commencing in 2002. 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 claims against 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. Following oral argument of the appeals in December 2012, the Court of Appeals on 16 April 2013 affirmed the trial court’s judgment dismissing the claims against the Bank for lack of jurisdiction. On 10 May 2013, the plaintiffs filed a petition for rehearing of the appeal which the Court of Appeals denied on 10 June 2013.

Although the judgment dismissing plaintiffs’ claims against the Bank becomes final upon denial of the petition for rehearing, plaintiffs may seek a discretionary further (and final) review of the Court of Appeals’ decision by way of a petition to the United States Supreme Court for a writ of certiorari. The Bank’s U.S. legal counsel expects that, if plaintiffs petition for certiorari, then the Supreme Court will deny plaintiffs’ petition because the judgment dismissing the claims against the Bank has a strong basis in both law and fact as recognized by the Court of Appeals in its 16 April 2013 decision. The Supreme Court denied plaintiff's earlier petition for certiorari involving the dismissal of claims against several Saudi government defendants.

13. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share for the periods ended 30 June 2013 and 30 June 2012 is calculated by dividing the net income attributable to equity holders of the Bank for the periods by the weighted average number of shares outstanding during the periods.

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

14. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair values of on-balance sheet financial instruments, except for other investments held at amortised cost and held-to-maturity investments which are carried at amortised cost, are not significantly different from the carrying values included in the interim consolidated financial statements. The fair values of loans and advances, commission bearing customers’ deposits, due from/to banks and other financial institutions and debt securities issued which are carried at amortised cost, are not significantly different from the carrying values included in the interim consolidated financial statements, since the current market commission rates for similar financial instruments are not significantly different from the contracted rates, and for the short duration of due from/to banks and other financial institutions. The estimated fair values of held-to-maturity investments and other investments held at amortised cost are based on quoted market prices when available or pricing models when used in the case of certain fixed rate bonds respectively. The fair values of these investments are disclosed below.

The fair values of derivatives and other off-balance sheet financial instruments are based on the quoted market prices when available or by using the appropriate valuation techniques.

30 June 2013	**Carrying amount SR '000**	**Fair value SR '000**
Held to maturity, net	**1,033,117**	**1,129,112**
Other investments held at amortized cost, net	**98,330,348**	**98,961,171**
Total	**99,363,465**	**100,090,283**

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15. DETERMINATION OF FAIR VALUE AND FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for the same instrument.

Level 2: quoted prices in active markets for similar assets and liabilities or valuation techniques for which all significant inputs are based on observable market data, and

Level 3: valuation techniques for which any significant input is not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	(SR '000)			
30 June 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Derivative financial instruments	-	462,018	-	462,018
Financial assets designated as FVIS	-	1,691,749	424,385	2,116,134
Financial assets available for sale	15,207,655	10,949,076	1,227,305	27,384,036
Held for trading	494,189	-	-	494,189
Total	15,701,844	13,102,843	1,651,690	30,456,377
Financial liabilites				
Derivative financial instruments	-	525,957	-	525,957
Total	-	525,957	-	525,957

The following table shows a reconciliation from the beginning balances to the ending balances for the fair value measurements in Level 3 of the fair value hierarchy in respect of financial assets designated as FVIS and available for sale.

	30 June 2013 (Unaudited)
Movement of level 3 is as follows:	**SR '000**
Balance as at 1 January 2013	1,606,133
Total gains in consolidated income statement and comprehensive income	31,190
Purchases	15,560
(Sales)	(240,007)
(Settlements)	(3,363)
Transfer from level 2	242,177
Balance as at 30 June 2013	1,651,690

16. 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 statement of position assets, commitments and contingencies and notional amount of derivatives at a weighted amount to reflect their relative credit risk, market risk and operational risk. SAMA requires the Bank 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.

SAMA has issued the framework and guidance regarding implementation of the capital reforms under Basel III - which are effective from 1 January 2013. Accordingly, the Group's consolidated Risk Weighted Assets (RWA), total eligible capital and related ratios on a consolidated group basis are calculated under the Basel III framework. For the purposes of presentation, the RWAs, total eligible capital and related ratios as at 30 June 2013 are calculated using the framework and the methodologies defined under the Basel III framework. The comparative balances and ratios as at 31 December 2012 and 30 June 2012 are calculated under Basel II and have not been restated.

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 2013 (Unaudited) SR 000	31 December 2012 (Audited) SR 000	30 June 2012 (Unaudited) SR 000
Credit risk	**215,686,874**	203,732,065	194,027,101
Operational risk	**23,362,103**	22,208,627	21,255,250
Market risk	**6,771,467**	6,157,369	6,545,966
Total Pillar-1 - risk weighted assets	**245,820,444**	232,098,061	221,828,317
Core capital (Tier 1)	**40,565,426**	38,199,378	35,559,987
Supplementary capital (Tier 2)	**2,574,333**	2,462,301	2,225,924
Core and supplementary capital (Tier 1 and Tier 2)	**43,139,759**	40,661,679	37,785,911
Capital Adequacy Ratio (Pillar 1):-			
Core capital (Tier 1)	**16.5%**	16.5%	16.0%
Core and supplementary capital (Tier 1 and Tier 2)	**17.5%**	17.5%	17.0%

Tier 1 capital of the Group comprises share capital, statutory reserve, other reserves, retained earnings 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 deductions.

The amounts and ratios disclosed above for 30 June 2013 have been calculated based on Basel III, whereas, comparative information has been calculated based on Basel II.

17. COMPARATIVE FIGURES

Certain prior period balances have been reclassified to conform to current period presentation, which are not material in nature.

18. BASEL III PILLAR 3 QUANTITATIVE DISCLOSURES

Basel III Pillar 3 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. The comparative disclosures as at 31 December 2012 and 30 June 2012 are calculated under Basel II framework and have not been restated.

19. BOARD OF DIRECTORS' APPROVAL

The interim condensed consolidated financial statements were approved by the Board of Directors on 11 July 2013 (corresponding to 3 Ramadan 1434H).