

THE NATIONAL COMMERCIAL BANK
(A Saudi Joint Stock Company)

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

31 March 2015

Ernst & Young

KPMG Al Fozan & Al Sadhan



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Report on Review of Interim Condensed Consolidated Financial Statements

To the Shareholders of The National Commercial Bank
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of The National Commercial Bank (the "Bank") and its subsidiaries (collectively referred to as the "Group") as at 31 March 2015 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three months period then ended and the notes from 1 to 22, which form an integral part of these interim condensed consolidated financial statements. We have not reviewed note 20, nor the information related to "Disclosures under Basel III framework" 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 19 of the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note 19 to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

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15 Rajab 1436H
4 May 2015
Jeddah

The National Commercial Bank
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 March 2015 (Unaudited) SR '000	31 December 2014 (Audited) SR '000	31 March 2014 (Unaudited) SR '000
ASSETS				
Cash and balances with SAMA		27,244,343	28,818,569	48,097,225
Due from banks and other financial institutions		23,358,377	19,863,020	15,237,959
Investments, net	3	159,518,918	152,903,040	148,252,861
Financing and advances, net	4	225,852,971	220,722,363	197,391,419
Investments in associates, net	5	407,835	407,835	609,336
Other real estate, net		835,038	858,520	221,659
Property and equipment, net		3,622,588	3,427,399	2,785,038
Goodwill and other intangible assets, net		595,123	693,298	835,275
Other assets		8,397,796	7,184,040	6,938,373
Total assets		449,832,989	434,878,084	420,369,145
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks and other financial institutions		39,088,269	35,449,488	26,469,284
Customers' deposits	6	342,127,397	333,095,491	333,070,253
Debt securities issued	7	9,976,047	9,550,496	6,685,780
Other liabilities		9,611,780	9,861,718	10,234,607
Total liabilities		400,803,493	387,957,193	376,459,924
EQUITY				
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK				
Share capital		20,000,000	20,000,000	15,000,000
Proposed bonus shares	15	-	-	5,000,000
Treasury shares		(190,510)	(190,510)	(177,093)
Statutory reserve		17,172,081	17,172,081	15,102,989
Other reserves (cumulative changes in fair values)		1,706,685	1,617,888	1,731,269
Retained earnings		9,960,880	7,371,935	7,234,478
Proposed dividend	18	1,296,512	1,296,512	-
Foreign currency translation reserve		(2,460,204)	(2,054,269)	(1,658,675)
Total equity attributable to equity holders of the Bank		47,485,444	45,213,637	42,232,968
NON-CONTROLLING INTERESTS		1,544,052	1,707,254	1,676,253
Total equity		49,029,496	46,920,891	43,909,221
Total liabilities and equity		449,832,989	434,878,084	420,369,145

The accompanying notes 1 to 22 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 INCOME (Unaudited)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH

	<u>Notes</u>	2015 <u>SR '000</u>	2014 <u>SR '000</u>
Special commission income		3,687,949	3,195,421
Special commission expense		(664,141)	(487,146)
Net special commission income		3,023,808	2,708,275
Fee income from banking services, net		836,910	821,616
Exchange income, net		241,330	178,599
Income from FVIS investments, net		83,420	28,936
Trading income, net		105,960	46,928
Dividend income		67,335	15,316
Gains on non-trading investments, net		198,747	140,046
Other operating expenses, net		(110,722)	(75,425)
Total operating income		4,446,788	3,864,291
Salaries and employee-related expenses		996,446	785,297
Rent and premises-related expenses		168,441	153,904
Depreciation of property and equipment		142,534	115,263
Amortisation of intangible assets		47,334	47,334
Other general and administrative expenses		234,965	343,746
Impairment charge for financing and advances losses, net		218,327	205,651
Impairment charge on investments, net		686	-
Total operating expenses		1,808,733	1,651,195
Income from operations, net		2,638,055	2,213,096
Other (expenses) income			
Other non-operating (expenses) income, net	5	(15,155)	365,846
Other (expenses) income, net		(15,155)	365,846
Net income for the period		2,622,900	2,578,942
Net income for the period attributable to:			
Equity holders of the Bank		2,605,570	2,535,306
Non-controlling interests		17,330	43,636
Net income for the period		2,622,900	2,578,942
Basic and diluted earnings per share (expressed in SR per share)	13	1.31	1.27

The accompanying notes 1 to 22 form an integral part of these interim condensed consolidated financial statements.

The National Commercial Bank
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**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH**

	2015	2014
	<u>SR '000</u>	<u>SR '000</u>
Net income for the period	2,622,900	2,578,942
Other comprehensive (loss) income that are or may be reclassified to the interim condensed consolidated statement of income in subsequent periods:		
Foreign currency translation reserve - (losses)/gains	(579,343)	51,653
Available for sale financial assets:		
- Net change in fair values	226,416	421,852
- Transfers to interim condensed consolidated statement of income	(100,990)	(63,217)
- Impairment charge on available for sale investments	686	-
Cash flow hedges:		
- Effective portion of change in fair values	(42,691)	40,831
- Transfers to interim condensed consolidated statement of income	(2,661)	(9,579)
Total comprehensive income for the period	2,124,317	3,020,482
Attributable to:		
Equity holders of the Bank	2,288,432	2,944,722
Non-controlling interests	(164,115)	75,760
Total comprehensive income for the period	2,124,317	3,020,482

The accompanying notes 1 to 22 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 EQUITY (Unaudited)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH

	Attributable to equity holders of the Bank											Total equity SR' 000
	Share capital SR' 000	Proposed bonus issue SR' 000	Treasury shares SR' 000	Statutory reserve SR' 000	Other reserves		Retained earnings SR' 000	Proposed dividend SR' 000	Foreign currency translation reserve SR' 000	Total SR' 000	Non- controlling interests SR' 000	
					Available for sale financial assets SR' 000	Cash flow hedge SR' 000						
Balance as at 1 January 2015	20,000,000	-	(190,510)	17,172,081	1,580,874	37,014	7,371,935	1,296,512	(2,054,269)	45,213,637	1,707,254	46,920,891
Total comprehensive income/(loss) for the period	-	-	-	-	126,370	(37,573)	2,605,570	-	(405,935)	2,288,432	(164,115)	2,124,317
Adjustments in non-controlling interests and subsidiaries	-	-	-	-	-	-	(1,053)	-	-	(1,053)	1,807	754
Premium on acquisition of non-controlling interests (see note 1.2(b))	-	-	-	-	-	-	(15,572)	-	-	(15,572)	(894)	(16,466)
Proposed bonus issue (see note 15)	-	-	-	-	-	-	-	-	-	-	-	-
Final dividend payable	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 March 2015	20,000,000	-	(190,510)	17,172,081	1,707,244	(559)	9,960,880	1,296,512	(2,460,204)	47,485,444	1,544,052	49,029,496
Balance as at 1 January 2014	15,000,000	-	(177,093)	15,102,989	1,323,153	30,795	9,699,260	1,645,573	(1,690,770)	40,933,907	1,602,273	42,536,180
Total comprehensive income for the period	-	-	-	-	346,069	31,252	2,535,306	-	32,095	2,944,722	75,760	3,020,482
Adjustments in non-controlling interests and subsidiaries	-	-	-	-	-	-	(88)	-	-	(88)	(1,780)	(1,868)
Premium on acquisition of non-controlling interests (see note 1.2(b))	-	-	-	-	-	-	-	-	-	-	-	-
Proposed bonus issue (see note 15)	-	5,000,000	-	-	-	-	(5,000,000)	-	-	-	-	-
Final dividend payable	-	-	-	-	-	-	-	(1,645,573)	-	(1,645,573)	-	(1,645,573)
Balance as at 31 March 2014	15,000,000	5,000,000	(177,093)	15,102,989	1,669,222	62,047	7,234,478	-	(1,658,675)	42,232,968	1,676,253	43,909,221

The accompanying notes 1 to 22 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)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH

	<u>Notes</u>	<u>2015</u> <u>SR '000</u>	<u>2014</u> <u>SR '000</u>
OPERATING ACTIVITIES			
Net income for the period		2,622,900	2,578,942
Adjustments to reconcile net income to net cash from operating activities:			
Amortization of premium on non-trading investments, net		90,606	56,837
(Gains) on non-trading investments, net		(198,747)	(140,046)
(Gains) on disposal of property and equipment, net		(7,223)	(4,564)
(Gains) on disposal of other real estate, net	5	(606)	(146,681)
Loss on disposal of other repossessed assets		4,266	3,036
Depreciation of property and equipment		142,534	115,263
Amortization of intangible assets		47,334	47,334
Impairment charge for financing and advances, net		218,327	205,651
(Reversal) provision for impairment in associates	5	-	(251,944)
Impairment charge on investments, net		686	-
		2,920,077	2,463,828
Net (increase)/decrease in operating assets:			
Statutory deposits with SAMA		(705,205)	(1,800,453)
Due from banks and other financial institutions with original maturity of more than three months		(3,533,721)	(564,147)
Held as fair value through income statement (FVIS) investments		(86,199)	(42,396)
Financing and advances, net		(9,728,960)	(9,788,811)
Other real estate		19,521	130
Other assets		(1,219,051)	(1,060,844)
Net increase/(decrease) in operating liabilities:			
Due to banks and other financial institutions		4,796,642	1,827,420
Customers' deposits		12,419,684	32,783,756
Other liabilities		(34,638)	701,934
Net cash from operating activities		4,848,150	24,520,417
INVESTING ACTIVITIES			
Proceeds from sale and maturities of non-trading / non-FVIS investments		19,740,063	17,973,367
Purchase of non-trading / non-FVIS investments		(26,464,939)	(40,413,404)
Purchase of property and equipment		(396,075)	(182,222)
Proceeds from disposal of property and equipment		8,421	44,251
Net cash used in investing activities		(7,112,530)	(22,578,008)
FINANCING ACTIVITIES			
Debt securities issued	7	957,406	5,196,508
Net movement in non-controlling interests		(15,713)	(1,871)
Net cash from financing activities		941,693	5,194,637
Net (decrease) increase in cash and cash equivalents		(1,322,687)	7,137,046
Foreign currency translation reserve - net movement on cash and cash equivalents		(525,772)	(94,204)
Cash and cash equivalents at the beginning of the period		17,980,403	30,594,562
Cash and cash equivalents at the end of the period	10	16,131,944	37,637,404
Special commission received during the period		3,739,922	2,663,796
Special commission paid during the period		620,815	366,365
Supplemental non-cash information			
Movement in other reserves and transfers to interim condensed consolidated statement of income		80,760	389,887

The accompanying notes 1 to 22 form an integral part of these interim condensed consolidated financial statements.

The National Commercial Bank

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 31 March 2015 and 2014 (UNAUDITED)

1. GENERAL

(1.1) Introduction

The National Commercial Bank (the Bank) is a Saudi Joint Stock Company formed pursuant to Royal Decree No. M/19 on 23 Dhul Qida 1417H (31 March 1997), approving the Bank's conversion from a General Partnership to a Saudi Joint Stock Company.

The Bank commenced business as a partnership under registration certificate authenticated by a Royal Decree on 28 Rajab 1369H (15 May 1950) and registered under commercial registration No. 4030001588 issued on 27 Dhul Hijjah 1376H (24 July 1957). The Bank initiated business in the name of "The National Commercial Bank" under Royal Decree No. 3737 on 20 Rabi Thani 1373H (26 December 1953). The date of 1 July 1997 was determined to be the effective date of the Bank's conversion from a General Partnership to a Saudi Joint Stock Company.

The Bank's Head Office is located at the following

The National Commercial Bank
Head Office
King Abdul Aziz Street
P.O. Box 3555
Jeddah 21481, Saudi Arabia
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.

The interim condensed consolidated financial statements comprise the financial statements of The National Commercial Bank and its subsidiaries (the Group) (see note 1.2).

In an extraordinary general assembly meeting held on 31 March 2014 (corresponding to 30 Jumadi-AlAwwal 1435H), the shareholders approved to offer 25% of the Bank's share capital (after capital increase) to the general public under an Initial Public Offering (IPO) and to a minority shareholder of the Bank. The IPO was made for 15% of the Bank's share capital and an additional 10% was allocated to the Public Pension Agency. The shares offered were part of the shareholding of a majority shareholder of the Bank. The IPO was approved by the regulatory authorities and the subscription for the IPO took place between 19 October 2014 to 2 November 2014 and the Bank's shares have been trading on Saudi Stock Exchange (Tadawul) since 12 November 2014.

(1.2) Group's subsidiaries

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

(a) NCB Capital Company (NCBC)

In April 2007, the Bank formed a capital market company, namely, NCBC, 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 to manage the Bank's investment services and asset management activities. The Bank has a 90.71% (31 March 2014: 90.71%) direct ownership interest in NCBC and an indirect ownership of 3.93% (31 March 2014: 2.98%) (the indirect ownership is held via an intermediary trust for future grant to NCBC employees).

The National Commercial Bank

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 31 March 2015 and 2014 (UNAUDITED)

1. GENERAL (continued)

(1.2) Group's subsidiaries (continued)

(b) Eastgate Capital Holdings Inc. (Eastgate)

The Group has a 85.18% (31 March 2014: 65.59%) effective ownership interest in Eastgate Capital Holdings Inc. (Eastgate), a Middle East-based private equity firm acquired through its subsidiary, NCBC. NCBC initially acquired a 77% direct ownership interest and the remaining 23% is owned by the management of Eastgate. On 5 September 2013, NCBC disposed of 7% of its ownership interest in Eastgate Capital Holdings Inc., without losing control. In March 2015, the Company acquired additional 20% ownership interest in Eastgate Capital Holdings Inc. (Eastgate) through purchase of shares from shareholders.

(c) NCBC Investment Management Umbrella Company Plc

The Group has a 71.26% (31 March 2014: 93.70%) effective aggregate ownership in NCB Capital Saudi Arabian Equity Fund and NCB Capital GCC Equity Fund both of which are registered in Dublin, Ireland under NCBC Investment Management Umbrella Company Plc. The Funds have been established for investments in GCC and KSA based equities via two special purpose entities (SPVs) incorporated in the Kingdom of Bahrain, namely, NCB Capital KSA Equity Company W.L.L. and NCB Capital GCC Equity Company W.L.L.

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

The Bank has a 67.03% (31 March 2014: 66.27%) 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. On 29 August 2014 TFK's shareholders resolved to increase the Turkish Bank's capital from Turkish Lira (TL) 1,775 to TL 2,600 million (SR 4,443 million to SR 5,803 million) through capitalization of retained earnings of TL 600 million (SR 984 million) and cash contribution of TL 225 million (SR 375 million). The Bank's share of such cash contribution was TL 169 million (SR 281 million). The increase was approved by the Turkish Banking Regulatory and Supervision Agency (BRSA).

At 31 March 2015, TFK fully owns the issued share capital of TF Varlık Kiralama AŞ, (TFVK) and TFKB Varlık Kiralama A.Ş., which are special purpose entities (SPVs) established in connection with issuance of sukuks by TFK.

(e) Real Estate Development Company (Redco)

The Bank formed Real Estate Development Company (Redco) 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 a 100% ownership (2013: 100%) in Redco. The objectives of Redco primarily include keeping and managing title deeds and collateralised real estate properties on behalf of the Bank.

(f) Alahli Insurance Service Marketing Company

The Group has 100% (31 March 2014: 100%) effective ownership in Alahli Insurance Service Marketing Company, a Limited Liability Company registered in the Kingdom of Saudi Arabia under Commercial Registration number 4030195150 dated Dhul Hijjah 21, 1430H, corresponding to December 8, 2009. The Company is engaged as an insurance agent for distribution and marketing of Islamic insurance products in Saudi Arabia.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2015 and 2014 (UNAUDITED)

2. BASIS OF PREPARATION

(2.1) Statement of compliance

These interim condensed consolidated financial statements are prepared in accordance with the 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 do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2014.

The preparation of interim 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 2014.

(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, financial assets or liabilities that are carried at cost but are hedged in a fair value hedging relationship are 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, except as otherwise indicated.

(2.4) Basis of consolidation

These interim condensed consolidated financial statements comprise the financial statements of "The National Commercial Bank" and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year 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 of the following criteria must be met:

- 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 period, 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2015 and 2014 (UNAUDITED)

2. BASIS OF PREPARATION (continued)

(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 the investment in the statement of financial position remains at the lower of the equity-accounted (before provision for impairment) or the recoverable amount. On derecognition the difference between the carrying amount of investment in associate and the fair value of the consideration received is recognized in the interim condensed consolidated statement of income.

(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.

(2.5) 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 31 December 2014 except for the adoption of the following new standards and other amendments to existing standards mentioned below which had no significant financial impact on the interim condensed consolidated financial statements of the Group on the current period or prior period and is expected to have no significant effect in future periods:

Amendments to existing standards

- Amendments to IAS 19 applicable for annual periods beginning on or after 1 July 2014 is applicable to defined benefit plans involving contribution from employees and / or third parties. This provides relief, based on meeting certain criteria's, from the requirements proposed in the amendments of 2011 for attributing employee / third party contributions to periods of service under the plan benefit formula or on a straight line basis. The current amendment gives an option, if conditions satisfy, to reduce service cost in period in which the related service is rendered.
- Annual improvements to IFRS 2010-2012 and 2011-2013 cycle applicable for annual periods beginning on or after 1 July 2014. A summary of the amendments is contained as under:
 - IFRS 1 – “first time adoption of IFRS” : the amendment clarifies that a first time adopter is permitted but not required to apply a new or revised IFRS that is not yet mandatory but is available for early adoption.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2015 and 2014 (UNAUDITED)

2. BASIS OF PREPARATION (continued)

(2.5) Accounting policies (continued)

- IFRS 2 amended to clarify the definition of ‘vesting condition’ by separately defining ‘performance condition’ and ‘service condition’.
- IFRS 3 – “business combinations” amended to clarify the classification and measurement of contingent consideration in a business combination. It has been further amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in IFRS 11.
- IFRS 8 – “operating segments” has been amended to explicitly require disclosure of judgments made by management in applying aggregation criteria.
- IFRS 13 has been amended to clarify measurement of interest free short term receivables and payables at their invoiced amount without discounting, if the effect of discounting is immaterial. It has been further amended to clarify that the portfolio exception potentially applies to contracts in the scope of IAS 39 and IFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under IAS 32.
- IAS 16 – “Property plant and equipment” and IAS 38 – “intangible assets”: – the amendments clarify the requirements of revaluation model recognizing that the restatement of accumulated depreciation (amortisation) is not always proportionate to the change in the gross carrying amount of the asset.
- IAS 24 – “related party disclosures”– the definition of a related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or indirectly.
- IAS 40 – “investment property” clarifies that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition constitutes a business combination.

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3. INVESTMENTS, NET

	31 March 2015 (Unaudited) SR '000	31 December 2014 (Audited) SR '000	31 March 2014 (Unaudited) SR '000
Held as FVIS (Fair Value through Income Statement) (see note (a))	3,200,811	3,114,612	2,787,486
Available for sale, net	31,458,720	27,920,653	27,709,025
Held to maturity, net	1,798,991	1,447,583	1,641,174
Other investments held at amortized cost, net (see note (b))	123,060,396	120,420,192	116,115,176
Total	159,518,918	152,903,040	148,252,861

a) FVIS investments include investments held for trading amounting to SR 993 million (31 December 2014: SR 977 million and 31 March 2014: SR 711 million).

b) Other investments held at amortized cost include investments having an amortized cost of SR 7,808 million (31 December 2014: SR 7,883 and 31 March 2014: SR 4,547 million) which are held under a fair value hedge relationship. As at 31 March 2015, the fair value of these investments amounts to SR 8,054 million (31 December 2014: SR 8,038 million and 31 March 2014: SR 4,537 million).

Investments, net, include Saudi Treasury bills, and Saudi Government Development bonds, that are issued by the Ministry of Finance of Saudi Arabia amounting to SR 27,006 million, (31 December 2014: SR 36,636 million and 31 March 2014: SR 34,934 million) and it also include sukuk amounting to SR 33,512 million, (31 December 2014: SR 30,809 million and 31 March 2014: SR 27,415 million).

4. FINANCING AND ADVANCES, NET

	31 March 2015 (Unaudited) SR '000	31 December 2014 (Audited) SR '000	31 March 2014 (Unaudited) SR '000
Credit cards	2,856,047	2,857,685	2,490,420
Consumer	73,141,657	72,358,008	63,802,463
Corporate	147,679,248	143,384,617	129,284,454
Others	4,236,952	4,403,062	3,751,276
Performing financing and advances	227,913,904	223,003,372	199,328,613
Non-performing financing and advances	3,128,652	2,851,256	2,828,139
Total financing and advances	231,042,556	225,854,628	202,156,752
Allowance for financing losses	(5,189,585)	(5,132,265)	(4,765,333)
Financing and advances, net	225,852,971	220,722,363	197,391,419

Financing and advances, net, include financing products in compliance with Shariah rules mainly Murabaha, Tayseer and Ijara amounting to SR 180,152 million, (31 December 2014: SR 172,955 million and 31 March 2014: SR 147,960 million).

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5. INVESTMENT IN ASSOCIATES, NET

In 2014, an associate of the Bank (Al Behar Real Estate Investment Company (“the associate”)) distributed its capital among the shareholders as a part of its liquidation process and as a consideration transferred the title of certain real estate properties to the Bank. Accordingly, the Bank received properties having a value of SR 473.4 million, as a result of this, the Bank reversed previously recognized impairment losses in respect of the associate amounting to SR 253.7 million. Subsequent to the transfer of legal title, the Bank leased these properties (“leased properties”) under an Ijara arrangement for a period of 5 years and recognized a gain on derecognition of the leased properties amounting to SR 146.6 million which was recognised in the interim condensed consolidated statement of income for the three months period ended 31 March 2014 as a part of ‘other non-operating income (expenses), net’.

6. CUSTOMERS' DEPOSITS

	31 March 2015 (Unaudited) <u>SR '000</u>	31 December 2014 (Audited) <u>SR '000</u>	31 March 2014 (Unaudited) <u>SR '000</u>
Current accounts	262,966,000	251,905,754	257,699,905
Savings	156,767	152,178	151,895
Time	62,588,228	67,034,136	49,470,792
Others	16,416,402	14,003,423	25,747,661
Total	<u>342,127,397</u>	<u>333,095,491</u>	<u>333,070,253</u>

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7. DEBT SECURITIES ISSUED

<u>Issuer</u>	<u>Period of issue</u>	<u>Tenure</u>	<u>Particulars</u>	31 March 2015 (Unaudited) SR '000	31 December 2014 (Audited) SR '000	31 March 2014 (Unaudited) SR '000
The National Commercial Bank	Feb 2014	10 years	Non-convertible unlisted sukuk, callable on the 5th anniversary of the issue date, carrying profit payable semi-annually.	5,000,000	5,000,000	5,000,000
Türkiye Finans Katılım Bankası A.Ş.	May 2013	5 years	Non-convertible sukuk listed on the Irish Stock Exchange, carrying profit at a fixed rate payable semi-annually.	1,510,634	1,503,544	1,511,250
	January 2014	6 months	Non-convertible sukuk listed on the Borsa Istanbul, carrying profit payable quarterly.	-	-	174,530
	April 2014	5 years	Non-convertible sukuk listed on the Irish Stock Exchange, carrying profit at a fixed rate payable semi-annually.	1,874,385	1,867,294	-
	June 2014	5 years	Non-convertible unlisted sukuk, carrying profit at a fixed rate payable semi-annually.	808,443	853,578	-
	August 2014	6 months	Non-convertible sukuk listed on the Borsa Istanbul, carrying profit payable semi-annually.	-	229,450	-
	December 2014	6 months	Non-convertible sukuk listed on the Borsa Istanbul, carrying profit payable quarterly.	86,172	96,630	-
	Jan 2015	6 months	Non-convertible sukuk listed on the Borsa Istanbul, carrying profit payable in a lump at maturity.	70,884	-	-
	February 2015	5 years	Non-convertible unlisted sukuk, carrying profit payable semi-annually.	151,583	-	-
	February 2015	4 months	Non-convertible sukuk unlisted, carrying profit payable in a lump at maturity.	359,050	-	-
	February 2015	6 months	Non-convertible sukuk listed on the Borsa Istanbul, carrying profit payable quarterly.	114,896	-	-
Total				9,976,047	9,550,496	6,685,780

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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 market risk.

	<u>31 March 2015 (Unaudited)</u>			<u>31 December 2014 (Audited)</u>			<u>31 March 2014 (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	558,282	(507,976)	40,440,974	392,995	(434,800)	38,342,362	203,645	(185,275)	29,869,590
Special commission rate options and futures	43,332	(43,437)	1,436,139	56,411	(56,411)	1,472,487	-	-	-
Forward foreign exchange contracts	147,852	(136,699)	136,792,820	90,525	(56,886)	96,510,925	97,447	(42,682)	71,733,442
Options	2,789	(2,789)	203,147	2,868	(2,868)	224,869	6,007	(6,007)	790,060
Structured derivatives	569,214	(569,285)	101,460,382	393,031	(393,189)	91,133,259	164,985	(165,420)	54,696,006
Held as fair value hedges:									
Special commission rate swaps	19,422	(427,249)	9,378,106	16,580	(320,097)	9,268,872	18,517	(158,113)	5,564,445
Held as cash flow hedges:									
Special commission rate swaps	122,780	(305,107)	12,503,598	86,638	(96,456)	12,333,122	54,040	(37,082)	8,047,451
Total	1,463,671	(1,992,542)	302,215,166	1,039,048	(1,360,707)	249,285,896	544,641	(594,579)	170,700,994

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9. CREDIT RELATED COMMITMENTS AND CONTINGENCIES

	31 March 2015 (Unaudited) <u>SR '000</u>	31 December 2014 (Audited) <u>SR '000</u>	31 March 2014 (Unaudited) <u>SR '000</u>
Letters of credit	17,809,251	18,008,782	22,743,744
Guarantees	53,025,647	53,620,533	48,960,401
Acceptances	4,005,810	4,064,647	3,476,578
Irrevocable commitments to extend credit	10,184,073	9,757,956	7,675,129
Total	<u>85,024,781</u>	<u>85,451,918</u>	<u>82,855,852</u>

10. CASH AND CASH EQUIVALENTS

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

	31 March 2015 (Unaudited) <u>SR '000</u>	31 December 2014 (Audited) <u>SR '000</u>	31 March 2014 (Unaudited) <u>SR '000</u>
Cash and balances with SAMA excluding statutory deposits	7,237,028	9,516,459	29,492,309
Due from banks and other financial institutions with original maturity of three months or less	8,894,916	8,463,944	8,145,095
Total	<u>16,131,944</u>	<u>17,980,403</u>	<u>37,637,404</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's 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.

- | | | |
|-----------------------|---|--|
| Retail | - | 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 and private banking customers. |
| Corporate | - | Provides banking services including all conventional credit-related products and financing products in compliance with Shariah rules to small sized businesses 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, asset management, investment banking and shares brokerage services (local, regional and international). |
| International | - | Comprises banking services provided outside Saudi Arabia including TFK and the Bank's Beirut branch. |

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:

31 March 2015	SR '000					
	<u>Consumer</u>	<u>Corporate</u>	<u>Treasury</u>	<u>Capital Market</u>	<u>International</u>	<u>Total</u>
Total assets	91,319,406	127,838,599	177,108,516	1,586,942	51,979,526	449,832,989
Total liabilities	156,646,017	157,673,711	41,255,064	258,592	44,970,109	400,803,493
Fee income from banking services, net	224,113	308,450	-	179,283	125,064	836,910
Operating income	1,445,865	1,041,270	1,224,333	168,997	566,323	4,446,788
Operating expenses	1,067,317	58,207	82,961	88,760	511,488	1,808,733
of which:						
- Depreciation of property and equipment	90,114	13,679	9,324	5,883	23,534	142,534
- Impairment charge (reversal) for financing and advances losses, net	192,402	(145,243)	-	-	171,168	218,327
- Impairment charge on investments, net	-	-	-	686	-	686
Net income (Bank and non-controlling interests)	379,409	979,931	1,142,309	80,907	40,344	2,622,900
31 March 2014	SR '000					
	<u>Consumer</u>	<u>Corporate</u>	<u>Treasury</u>	<u>Capital Market</u>	<u>International</u>	<u>Total</u>
Total assets	79,941,304	112,339,733	181,261,571	1,209,991	45,616,546	420,369,145
Total liabilities	154,034,926	161,225,198	22,626,978	263,794	38,309,028	376,459,924
Fee income from banking services, net	272,017	268,628	-	158,479	122,492	821,616
Operating income	1,392,212	903,319	892,444	174,434	501,882	3,864,291
Operating expenses	938,464	183,486	91,269	77,328	360,648	1,651,195
of which:						
- Depreciation of property and equipment	69,832	12,184	7,625	4,521	21,101	115,263
- Impairment charge (reversal) for financing and advances losses, net	182,171	(17,996)	-	-	41,476	205,651
- Impairment charge on investments, net	-	-	-	-	-	-
Net income (Bank and non-controlling interests)	452,854	1,117,968	798,782	97,530	111,808	2,578,942

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12. LEGAL PROCEEDINGS

The Bank was named as 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 followed by, in July 2008, with 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. Thereafter, on 14 July 2011, the Clerk of the Court issued a formal judgment of dismissal. The plaintiffs appealed. Oral arguments followed in December 2012 with the Court of Appeals affirming on 16 April 2013 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.

On 9 September 2013, the plaintiffs sought a discretionary further (and final) review of the Court of Appeals' decision by way of a petition for a writ of certiorari to the United States Supreme Court. The Bank joined with other similarly situated defendants (those dismissed for lack of jurisdiction) in a common Brief in Opposition filed in November 2013. On 16 December 2013, the Supreme Court invited the Solicitor General of the United States to submit the views of the U.S. government. In a brief filed on 27 May 2014, the Solicitor General expressed "the view of the United States [that] the petition for certiorari should be denied." The plaintiffs filed a supplemental brief on 9 June 2014 disagreeing with the views of the United States.

On 30 June 2014, the Supreme Court denied plaintiffs' petition for a writ of certiorari ("order of denial"). The plaintiffs then had until 25 July 2014 to submit a petition for rehearing of the order of denial. The Court's rules provide that the order of denial "will not be suspended pending disposition of a petition for rehearing" absent a further order of the Court, and that a petition for rehearing must be limited strictly to "intervening circumstances of a substantial or controlling effect or to other substantial grounds not previously presented." The Bank's US Legal Counsel took the position that the plaintiffs cannot, in good faith, satisfy the rule governing a petition for rehearing given that the Court's order of denial was entered shortly after plaintiffs' response to the Solicitor General's brief, which addressed all relevant issues. Thereafter, the Bank had been advised by its US Legal Counsel that these legal proceedings were substantively concluded in its favor as of 30 June 2014 being the date of the Court's order of denial. Subsequently, the Bank's Legal Counsel has confirmed that the plaintiffs have not filed any petition for rehearing. Accordingly, the aforesaid proceeding stands finally terminated in favor of the Bank.

13. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share for the periods ended 31 March 2015 and 31 March 2014 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 period.

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

14. ZAKAT

Zakat assessments have been finalized with the Department of Zakat and Income Tax (DZIT) for all years up to 2011. The Bank has submitted zakat returns for the years 2012 and 2013 and obtained a final Zakat certificate. The Zakat returns for the years 2012 and 2013 are currently under review by DZIT and Zakat assessment for these years is awaited.

Zakat return for the year ended 31 December 2014 is in the process of being filed with DZIT.

15. SHARE CAPITAL

The authorized, issued and fully paid share capital of the Bank consists of 2,000,000,000 shares of SR 10 each (31 December 2014: 2,000,000,000 shares of SR 10 each) wholly owned by Saudi shareholders. The capital of the Bank excluding treasury shares consists of 1,994,633,531 shares of SR 10 each (31 December 2014: 1,994,633,531 shares of SR 10 each).

The Board of Directors in its meeting held on 29 January 2014 (corresponding to 28 Rabi Al-Awal 1435H) proposed to increase the authorised and issued share capital of the Bank from SR 15 billion to SR 20 billion through capitalization of retained earnings and issuance of 33.33% bonus shares (one share for each three shares). The proposed increase in share capital was approved by the shareholders in the extraordinary general assembly meeting held on 31 March 2014.

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16. 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 value measurement is based on the presumption that the transaction takes place either:

- In the accessible principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous accessible market for the asset or liability.

The fair values of statement of financial position 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 condensed 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 at which they are included in the interim condensed 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 statement of financial position financial instruments are based on the quoted market prices when available or by using appropriate valuation techniques.

	31 March 2015 (Unaudited)		31 March 2014 (Unaudited)	
	SR '000		SR '000	
	Carrying amount	Fair value	Carrying amount	Fair value
Held to maturity, net	1,798,991	1,875,473	1,641,174	1,713,281
Other investments held at amortized cost, net	123,060,396	124,828,833	116,115,176	116,943,600
Total	124,859,387	126,704,306	117,756,350	118,656,881

17. 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 or identical instrument that an entity can access at the measurement date;
- 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:

31 March 2015 (Unaudited)	(SR '000)			
	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments	-	1,463,671	-	1,463,671
Financial assets designated at FVIS	-	1,614,731	593,134	2,207,865
Financial assets available for sale	26,157,525	4,309,373	991,822	31,458,720
Held for trading	992,946	-	-	992,946
Other investments held at amortized cost, net				
- fair value hedged (see note 3(b))	-	8,054,230	-	8,054,230
Total	27,150,471	15,442,005	1,584,956	44,177,432
Financial liabilities				
Derivative financial instruments	-	1,992,542	-	1,992,542
Total	-	1,992,542	-	1,992,542

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17. DETERMINATION OF FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

	<u>(SR '000)</u>			
31 March 2014 (Unaudited)	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets</u>				
Derivative financial instruments	-	544,641	-	544,641
Financial assets designated at FVIS	7,116	1,600,622	468,854	2,076,592
Financial assets available for sale	13,488,298	13,148,224	1,072,503	27,709,025
Held for trading	710,894	-	-	710,894
Other investments held at amortized cost, net - fair value hedged (see note 3(b))	-	4,537,016	-	4,537,016
Total	<u>14,206,308</u>	<u>19,830,503</u>	<u>1,541,357</u>	<u>35,578,168</u>
<u>Financial liabilities</u>				
Derivative financial instruments	-	594,579	-	594,579
Total	<u>-</u>	<u>594,579</u>	<u>-</u>	<u>594,579</u>

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.

	31 March 2015 (Unaudited) <u>SR '000</u>	31 March 2014 (Unaudited) <u>SR '000</u>
Balance as at 1 January	1,543,370	1,546,060
Total gains in the interim condensed consolidated statement of income and interim condensed consolidated statement of comprehensive income	27,313	8,634
Purchases	111,958	495
Sales	(97,685)	(13,832)
Balance as at 31 March	<u>1,584,956</u>	<u>1,541,357</u>

18. PROPOSED DIVIDEND

The shareholders in their general assembly meeting held on April 8, 2015, (corresponding to 19 Jamad Thani 1436H) approved the distribution of final dividend of SR 1,297 million (SR 0.65 per share).

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19. 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 financial 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 Banks 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 risks 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.

	Risk weighted assets		
	31 March 2015 (Unaudited) SR 000	31 December 2014 (Audited) SR 000	31 March 2014 (Unaudited) SR 000
Credit risk	291,320,054	277,142,137	243,741,655
Operational risk	27,420,068	26,973,029	24,943,868
Market risk	8,465,088	8,666,722	6,725,977
Total Pillar-1 - risk weighted assets	327,205,210	312,781,888	275,411,500
Core capital (Tier 1)	48,206,706	46,061,990	42,862,405
Supplementary capital (Tier 2)	7,634,126	7,755,498	7,296,452
Core and supplementary capital (Tier 1 and Tier 2)	55,840,832	53,817,488	50,158,857
Capital Adequacy Ratio (Pillar 1):-			
Core capital (Tier 1)	14.7%	14.7%	15.6%
Core and supplementary capital (Tier 1 and Tier 2)	17.1%	17.2%	18.2%

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 of debt securities issued and prescribed amounts of eligible portfolio (collective) provisions less prescribed deductions.

The amounts and ratios disclosed above have been calculated based on Basel III.

20. DISCLOSURES UNDER BASEL III FRAMEWORK

Certain additional disclosures are required under the Basel III framework. These disclosures will be made available on the Bank's website (www.alahli.com) within the prescribed time as required by SAMA. Such disclosures are not subject to review/audit by the external auditors of the Bank.

21. COMPARATIVE FIGURES

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

22. BOARD OF DIRECTORS' APPROVAL

The interim condensed consolidated financial statements were approved by the Board of Directors on 29 April 2015 (corresponding to 10 Rajab 1436H).