

THE NATIONAL COMMERCIAL BANK
(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED**

30 SEPTEMBER 2014

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 Arabian 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 30 September 2014 and the related interim condensed consolidated statements of income and comprehensive income for the three-month and nine-month periods then ended, and the interim condensed consolidated statements of changes in equity and cash flows for the nine-month period then ended and the notes from 1 to 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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5 Muharram 1436H
29 October 2014
Jeddah

The National Commercial Bank
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2014 (Unaudited) SR '000	31 December 2013 (Audited) SR '000	30 September 2013 (Unaudited) SR '000
	<u>Notes</u>			
ASSETS				
Cash and balances with SAMA		36,245,271	39,089,688	33,070,059
Due from banks and other financial institutions		17,886,358	14,831,332	12,284,632
Investments, net	3	156,782,125	125,294,012	127,182,521
Financing and advances, net	4	213,528,824	187,687,037	184,400,904
Investments in associates, net	5	407,836	828,915	829,738
Other real estate, net	6	853,289	216,001	212,909
Property and equipment, net		3,363,040	2,761,528	2,553,355
Goodwill and other intangible assets, net		732,690	873,636	944,076
Other assets		8,111,885	5,698,185	5,610,219
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Total assets		437,911,318	377,280,334	367,088,413
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks and other financial institutions		29,308,490	24,725,314	21,800,079
Customers' deposits	7	343,943,664	300,601,675	294,775,091
Debt securities issued	8	9,512,834	1,511,250	1,511,250
Other liabilities		8,877,321	7,905,915	7,083,964
		<hr/>	<hr/>	<hr/>
Total liabilities		391,642,309	334,744,154	325,170,384
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
EQUITY				
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK				
Share capital	16	20,000,000	15,000,000	15,000,000
Treasury shares		(190,510)	(177,093)	(177,093)
Statutory reserve		15,102,989	15,102,989	13,623,678
Other reserves (cumulative changes in fair values)		1,729,602	1,353,948	1,497,369
Retained earnings		9,845,529	9,699,260	11,864,787
Proposed dividend	9	-	1,645,573	-
Foreign currency translation reserve		(1,880,440)	(1,690,770)	(1,552,105)
		<hr/>	<hr/>	<hr/>
Total equity attributable to equity holders of the Bank		44,607,170	40,933,907	40,256,636
		<hr/>	<hr/>	<hr/>
NON-CONTROLLING INTERESTS		1,661,839	1,602,273	1,661,393
		<hr/>	<hr/>	<hr/>
Total equity		46,269,009	42,536,180	41,918,029
		<hr/>	<hr/>	<hr/>
Total liabilities and equity		437,911,318	377,280,334	367,088,413
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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)

	<u>Notes</u>	For the three months ended		For the nine months ended	
		30 September	30 September	30 September	30 September
		2014	2013	2014	2013
		SR '000	SR '000	SR '000	SR '000
Special commission income		3,442,640	2,823,254	10,009,908	8,767,083
Special commission expense		(670,825)	(449,662)	(1,737,937)	(1,314,357)
Net special commission income		2,771,815	2,373,592	8,271,971	7,452,726
Fee income from banking services, net		815,987	675,974	2,531,321	2,327,643
Exchange income, net		232,087	186,105	593,074	510,717
Income (expense) from FVIS investments, net		56,145	(362)	116,645	62,118
Trading income, net		29,977	34,327	80,793	87,456
Dividend income		31,201	27,727	118,983	89,838
Gains on non-trading investments, net		187,432	124,598	528,827	651,536
Other operating (expenses) income, net		(10,509)	1,378	(48,106)	6,955
Total operating income		4,114,135	3,423,339	12,193,508	11,188,989
Salaries and employees'-related expenses		825,424	733,969	2,409,698	2,261,659
Rent and premises-related expenses		224,586	155,140	539,637	460,235
Depreciation of property and equipment		123,161	116,774	367,968	348,981
Amortisation of intangible assets		47,335	47,335	142,003	142,003
Other general and administrative expenses		472,866	350,919	1,208,871	1,052,778
Impairment charge for financing losses, net		400,864	199,611	514,747	615,520
Impairment charge on investments, net		49,900	-	147,727	22,157
Total operating expenses		2,144,136	1,603,748	5,330,651	4,903,333
Income from operations, net		1,969,999	1,819,591	6,862,857	6,285,656
Other (expenses) income					
Other non-operating (expenses) income, net	5	(56,631)	(62,591)	84,868	(123,696)
Other (expenses) income, net		(56,631)	(62,591)	84,868	(123,696)
Net income for the period		1,913,368	1,757,000	6,947,725	6,161,960
Net income for the period attributable to:					
Equity holders of the Bank		1,869,105	1,733,209	6,829,819	6,057,272
Non-controlling interests		44,263	23,791	117,906	104,688
Net income for the period		1,913,368	1,757,000	6,947,725	6,161,960
Basic and diluted earnings per share (expressed in SR per share)	15	0.94	0.87	3.42	3.04

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 COMPREHENSIVE INCOME
(UNAUDITED)

	For the three months ended		For the nine months ended	
	30 September 2014 SR '000	30 September 2013 SR '000	30 September 2014 SR '000	30 September 2013 SR '000
Net income for the period	1,913,368	1,757,000	6,947,725	6,161,960
Other comprehensive income (losses) that are or may be reclassified to the interim condensed consolidated statement of income in subsequent periods:				
Foreign currency translation reserve - (losses)	(419,873)	(222,834)	(266,649)	(577,254)
Available for sale financial assets:				
- Net change in fair values	164,065	125,095	748,219	187,719
- Transfers to interim condensed consolidated statement of income	(212,024)	(105,286)	(471,541)	(556,574)
- Impairment charge on available for sale investments	49,900	-	98,048	22,157
Cash flow hedges:				
- Effective portion of change in fair values	15,013	(13,828)	51,234	(19,681)
- Transfers to interim condensed consolidated statement of income	425	7,515	(12,291)	(12,167)
Total comprehensive income for the period	1,510,874	1,547,662	7,094,745	5,206,160
Attributable to:				
Equity holders of the Bank	1,595,177	1,594,975	7,015,803	5,292,765
Non-controlling interests	(84,303)	(47,313)	78,942	(86,605)
Total comprehensive income for the period	1,510,874	1,547,662	7,094,745	5,206,160

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 CHANGES IN EQUITY
(UNAUDITED)

	Attributable to equity holders of the Bank										Total equity SR' 000
	Share capital SR' 000	Treasury shares SR' 000	Statutory reserve SR' 000	Other reserves		Retained earnings SR' 000	Proposed dividend SR' 000	Foreign currency reserve SR' 000	Total SR' 000	Non- controlling interests SR' 000	
				Available for sale financial assets SR' 000	Cash flow hedge SR' 000						
For the nine month period ended 30 September 2014											
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 (loss) for the period	-	-	-	336,711	38,943	6,829,819	-	(189,670)	7,015,803	78,942	7,094,745
Adjustments in non-controlling interests and subsidiaries	-	-	-	-	-	(639)	-	-	(639)	(19,376)	(20,015)
Bonus issue (see note 16)	5,000,000	(13,417)	-	-	-	(4,986,583)	-	-	-	-	-
Interim dividend	-	-	-	-	-	(1,595,707)	-	-	(1,595,707)	-	(1,595,707)
Zakat	-	-	-	-	-	(100,621)	-	-	(100,621)	-	(100,621)
Final dividend paid for 2013	-	-	-	-	-	-	(1,645,573)	-	(1,645,573)	-	(1,645,573)
Balance as at 30 September 2014	20,000,000	(190,510)	15,102,989	1,659,864	69,738	9,845,529	-	(1,880,440)	44,607,170	1,661,839	46,269,009
	-	-	-	-	-	-	-	-	-	-	-
For the nine month period ended 30 September 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	-	-	-	(328,125)	(31,848)	6,057,273	-	(404,535)	5,292,765	(86,605)	5,206,160
Adjustments in non-controlling interests and subsidiaries	-	-	-	-	-	6,351	-	-	6,351	(18,055)	(11,704)
Capital injection	-	-	-	-	-	-	-	-	-	65,539	65,539
Interim dividend	-	-	-	-	-	(1,196,780)	-	-	(1,196,780)	-	(1,196,780)
Zakat	-	-	-	-	-	(53,356)	-	-	(53,356)	-	(53,356)
Final dividend paid for 2012	-	-	-	-	-	-	(1,495,975)	-	(1,495,975)	-	(1,495,975)
Balance as at 30 September 2013	15,000,000	(177,093)	13,623,678	1,437,858	59,511	11,864,787	-	(1,552,105)	40,256,636	1,661,393	41,918,029
	-	-	-	-	-	-	-	-	-	-	-

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)

	<u>Notes</u>	30 September 2014 <u>SR' 000</u>	30 September 2013 <u>SR' 000</u>
OPERATING ACTIVITIES			
Net income for the period		6,947,725	6,161,960
Adjustments to reconcile net income to net cash from operating activities:			
Amortisation of premiums on non-trading investments, net		141,058	175,215
(Gains) on non-trading investments, net		(528,827)	(651,536)
(Gains) on disposal of property and equipment, net		(22,592)	(11,652)
(Gains) on disposal of other real estate, net	5	(146,681)	-
Loss on disposal of other repossessed assets		6,739	1,732
Depreciation of property and equipment		367,968	348,070
Amortisation of intangible assets		142,003	142,003
Impairment charge for financing losses, net		514,747	615,520
Bank's share in associates' losses and (reversal) impairment, net	5	(52,370)	2,893
Impairment charge on investments, net		147,727	22,157
		7,517,497	6,806,362
Net (increase)/decrease in operating assets:			
Statutory deposits with SAMA		(2,685,965)	(2,656,803)
Due from banks and other financial institutions with original maturity of more than three months		(5,964,107)	535,314
Held as fair value through income statement (FVIS) investments		(317,702)	97,364
Financing and advances		(28,910,439)	(25,023,161)
Other real estate		22,844	30,136
Other assets		(2,131,469)	(1,448,834)
Net increase/(decrease) in operating liabilities:			
Due to banks and other financial institutions		5,223,847	(3,071,508)
Customers' deposits		45,249,078	24,070,605
Other liabilities		951,223	351,440
Net cash from (used in) operating activities		18,954,807	(309,085)
INVESTING ACTIVITIES			
Proceeds from sale and maturities of non-trading / non-FVIS investments		73,373,655	56,585,734
Purchase of non-trading / non-FVIS investments		(104,102,822)	(67,516,336)
Purchase of property and equipment		(1,070,705)	(382,319)
Proceeds from disposal of property and equipment		102,839	12,035
Net cash (used in) investing activities		(31,697,032)	(11,300,886)
FINANCING ACTIVITIES			
Debt securities issued	8	8,134,724	1,511,250
Net movement in non-controlling interests		(19,997)	67,558
Dividends paid (final)		(1,645,573)	(1,495,975)
Dividends paid interim		(1,595,707)	(1,196,780)
Net cash from (used in) financing activities		4,873,447	(1,113,947)
Net (decrease) in cash and cash equivalents		(7,868,778)	(12,723,918)
Foreign currency translation reserve - net movement on cash and cash equivalents at the beginning of the period		(236,718)	(749,278)
Cash and cash equivalents at the beginning of the period		30,594,562	38,088,205
Cash and cash equivalents at the end of the period	12	22,489,066	24,615,009
Special commission received during the period		9,677,516	8,985,625
Special commission paid during the period		1,442,166	1,273,289
Supplemental non-cash information			
Movement in other reserves and transfers to consolidated statement of income		413,669	(378,546)

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

The National Commercial Bank

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014 and 2013 (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 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 address:

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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 general public under an Initial Public Offering (IPO) and to a minority shareholder of the Bank. The IPO will be for the 15% of the Bank's share capital (after capital increase) whereas 10% will be allocated to a minority shareholder. The shares offered will be from 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 will take place between 19 October 2014 to 2 November 2014 after which the Bank's shares will be traded publicly on the Saudi Stock Exchange (Tadawul).

(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% (2013: 90.71%) direct ownership interest in NCBC and an indirect ownership of 4.80% (2013: 1.76%) (the indirect ownership is held via an intermediary trust for future grant to NCBC employees).

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

The Bank has a 66.27% (2013: 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 shareholders resolved to increase the Turkish Bank's capital from Turkish Lira (TL) 1,775 to TL 2,600 million (SR 2,912 million to SR 4,266 million) through capitalization of retained earnings of TL 600 million (SR 984 million) and cash contribution of TL 225 million (SR 370 million). The Bank's share of such cash contribution is TL 169 million (SR 277 million), the increase is subject to final approval by the Turkish Banking Regulatory and Supervision Agency (BRSA).

The National Commercial Bank

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014 and 2013 (UNAUDITED)

1. GENERAL (continued)

(1.2) Group's subsidiaries (continued)

(c) Eastgate Capital Holdings Inc. (Eastgate)

The Group has a 66.86% (2013: 71.20%) effective ownership interest in Eastgate Capital Holdings Inc., a Middle East-based private equity firm acquired through its subsidiary, NCBC. NCBC 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. for a consideration of SR 656 thousands, without losing control.

(d) NCBC Investment Management Umbrella Company Plc

The Group has a 71.38% (2013: 93.5%) effective ownership in NCBC Investment Management Umbrella Company Plc, which was formed by NCBC in Ireland. NCBC Investment Management Umbrella Company Plc is the Undertaking Company for Collective Investment in Transferable Securities (UCITS) under the provisions of the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulation 2011.

(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 collateralized real estate properties on behalf of the Bank.

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 2013.

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 2013.

(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, investments 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.

The National Commercial Bank

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014 and 2013 (UNAUDITED)

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 (TFK) and Real Estate Development Company (see note 1.2). NCB Capital also consolidates the financial statements of Eastgate and NCBC Investment Management Umbrella Company Plc in its interim condensed 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 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.

(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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 September 2014 and 2013 (UNAUDITED)

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 31 December 2013 except for the adoption of the following new standards and other amendments to existing standards mentioned below which had no financial impact on the interim condensed consolidated financial statements of the Group for the current or prior periods and are expected to have an insignificant effect in future periods:

Amendments to existing standards

- Amendments to IFRS 10, IFRS 12 and IAS 27 that provides consolidation relief for investment funds applicable from 1 January 2014. This mandatory consolidation relief provides that a qualifying investment entity is required to account for investments in controlled entities as well as investments in associates and joint ventures at fair value through profit or loss provided it fulfils certain conditions with an exception being subsidiaries that are considered an extension of the investment entity's investing activities.
- IAS 32 amendment applicable from 1 January 2014 clarifies that a) an entity currently has a legally enforceable right to off-set if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and b) gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk and processes receivables and payables in a single settlement process or cycle.
- IAS 36 amendment applicable retrospectively from 1 January 2014 addresses the disclosure of information about the recoverable amount of impaired assets under the amendment. The recoverable amount of every cash generating unit to which goodwill or indefinite-lived intangible assets have been allocated is required to be disclosed only when an impairment loss has been recognized or reversed.
- IAS 39 amendment applicable from 1 January 2014 added a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation, that was not contemplated in the original hedging documentation, meets specified criteria.

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3. INVESTMENTS, NET

	30 September 2014 (Unaudited) SR '000	31 December 2013 (Audited) SR '000	30 September 2013 (Unaudited) SR '000
Held as FVIS (Fair Value through Income Statement) (see note (a))	3,062,792	2,745,092	2,600,725
Available for sale, net	29,286,457	27,661,828	28,173,114
Held to maturity, net	1,135,937	1,030,246	1,030,166
Other investments held at amortized cost, net (see note (b))	123,296,939	93,856,846	95,378,516
Total	156,782,125	125,294,012	127,182,521

a) FVIS investments above include investments held for trading amounting to SR 947 million (31 December 2013: SR 673 million and 30 September 2013: SR 606 million).

b) Other investments held at amortized cost include investments having an amortized cost of SR 7,623.0 million (31 December 2013: nil and 30 September 2013: nil) which are held under a fair value hedge relationship. As at 30 September 2014, the fair value of these investments amounts to SR 7,659.8 million (31 December 2013: nil and 30 September 2013: nil).

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 43,520 million, (31 December 2013: SR 27,863 million and 30 September 2013: SR 35,122 million) and it also include sukuk amounting to SR 27,968 million, (31 December 2013: SR 23,831 million and 30 September 2013: SR 19,334 million).

4. FINANCING AND ADVANCES, NET

	30 September 2014 (Unaudited) SR '000	31 December 2013 (Audited) SR '000	30 September 2013 (Unaudited) SR '000
Credit cards	2,802,965	2,421,326	2,384,811
Consumer	69,736,893	60,344,450	59,609,075
Corporate	139,489,690	123,901,275	122,961,750
Others	3,843,354	2,942,721	1,409,364
Performing financing and advances	215,872,902	189,609,772	186,365,000
Non-performing financing and advances	2,787,728	2,919,449	3,115,957
Total financing and advances	218,660,630	192,529,221	189,480,957
Provision for financing losses	(5,131,806)	(4,842,184)	(5,080,053)
Financing and advances, net	213,528,824	187,687,037	184,400,904

Financing and advances, net, include financing products in compliance with *Shariah* rules mainly Murabaha, Tayseer and Ijara amounting to SR 164,158 million, (31 December 2013: SR 155,639 and 30 September 2013: SR 137,509 million).

5. INVESTMENT IN ASSOCIATES, NET

During the nine month period ended 30 September 2014, an associate of the Bank (Al Behar Real Estate Investment Company ("the associate")) distributed its capital among its 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 has 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 has 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 is recognised in the interim condensed consolidated statement of income as a part of 'other non-operating (expenses) income, net.

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6. OTHER REAL ESTATE, NET

During the nine month period ended 30 September 2014, the Bank received certain real estate properties, amounting to SR 0.6 billion (30 September 2013: nil), as full and final settlement against a previously written-off loan.

7. CUSTOMERS' DEPOSITS

	30 September 2014 (Unaudited) SR '000	31 December 2013 (Audited) SR '000	30 September 2013 (Unaudited) SR '000
Current accounts	257,423,836	234,988,516	227,934,844
Savings	154,671	148,015	149,726
Time	71,849,586	53,095,364	54,224,502
Others	14,515,571	12,369,780	12,466,019
Total	343,943,664	300,601,675	294,775,091

8. DEBT SECURITIES ISSUED

a) SUKUK ISSUED BY THE BANK

During the nine month period ended 30 September 2014, the Bank issued a 10 year floating rate Sukuk certificate amounting to SR 5 billion through a private placement. The Sukuk is callable by the Bank on the 5th anniversary of the issue date and carries profit at SIBOR plus 100bps payable semi-annually. No Sukuk was issued during the nine months period ended 30 September 2013.

b) SUKUKS ISSUED BY TFK

During May 2013, TFK issued 5 year fixed rate non-convertible sukuk certificates amounting to US \$500 million (SR 1,875 million). The certificates are listed on the Irish Stock Exchange and carry a fixed rate of 3.95% payable semi-annually.

During April 2014, TFK issued 5 year fixed rate non-convertible sukuk certificates amounting to US \$500 million (SR 1,875 million). The certificates are listed on the Irish Stock Exchange and carry a fixed rate of 5.38% payable semi-annually.

During June 2014, TFK issued 5 year fixed rate non-convertible sukuk certificates amounting to Malaysian Ringgit 800 million (SR 899 million) through a private placement. The certificates carry a fixed rate of 6% payable semi-annually.

During August 2014, TFK issued 6 months fixed rate non-convertible sukuk certificates amounting to TRY 139 million (SR 228 million). The certificates are listed on the Borsa Istanbul and carry a fixed rate of 9.75% payable at maturity.

9. NET DIVIDEND AND ZAKAT

On 17 July 2014, the Board of Directors approved an interim dividend for distribution to the shareholders. This interim dividend has been paid to the shareholders during the third quarter of 2014, amounting to SR 1,595.7 million (SR 0.80 per share), (30 September 2013: SR 1,196.8 million, SR 0.80 per share). Zakat will be determined and deducted from the shareholders dividend at year end.

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 these are currently under review by DZIT.

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10. 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>30 September 2014 (Unaudited)</u>			<u>31 December 2013 (Audited)</u>			<u>30 September 2013(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	258,109	(221,552)	35,364,186	197,790	(187,164)	18,630,107	189,273	(136,151)	16,055,938
Special commission rate options and futures	34,725	(34,768)	1,074,537	-	-	-	-	-	-
Forward foreign exchange contracts	63,545	(58,185)	88,614,031	117,001	(90,446)	59,929,689	110,132	(67,973)	67,309,585
Options	2,254	(2,254)	213,464	1,860	(1,860)	660,509	14,133	(14,123)	2,048,284
Structured derivatives	265,060	(265,562)	79,303,634	155,251	(155,664)	42,491,314	132,601	(133,139)	36,575,675
Held as fair value hedges:									
Special commission rate swaps	28,652	(212,395)	8,984,810	-	(155,041)	843,750	-	(161,647)	843,750
Held as cash flow hedges:									
Special commission rate swaps	62,307	(32,527)	10,508,728	31,831	(48,246)	7,349,059	33,289	(23,119)	7,431,715
Total	714,652	(827,243)	224,063,390	503,733	(638,421)	129,904,428	479,428	(536,152)	130,264,947

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11. CREDIT RELATED COMMITMENTS AND CONTINGENCIES

	30 September 2014 (Unaudited) <u>SR '000</u>	31 December 2013 (Audited) <u>SR '000</u>	30 September 2013 (Unaudited) <u>SR '000</u>
Letters of credit	19,172,209	20,473,480	18,575,023
Guarantees	51,661,419	48,153,836	47,433,477
Acceptances	3,776,267	3,381,020	3,197,875
Irrevocable commitments to extend credit	7,910,869	9,665,846	8,214,238
Total	<u>82,520,764</u>	<u>81,674,182</u>	<u>77,420,613</u>

12. CASH AND CASH EQUIVALENTS

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

	30 September 2014 (Unaudited) <u>SR '000</u>	31 December 2013 (Audited) <u>SR '000</u>	30 September 2013 (Unaudited) <u>SR '000</u>
Cash and balances with SAMA excluding statutory deposits	16,754,841	22,285,224	15,862,751
Due from banks and other financial institutions with original maturity of three months or less	5,734,225	8,309,338	8,752,258
Total	<u>22,489,066</u>	<u>30,594,562</u>	<u>24,615,009</u>

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13. 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 <i>Shariah</i> rules which are supervised by the independent <i>Shariah</i> Board, to individuals and private banking customers.
Corporate	-	Provides banking services including all conventional credit-related products and financing products in compliance with <i>Shariah</i> rules to 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's transfer pricing system.

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

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13. 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:

30 September 2014 (Unaudited)	<u>SR '000</u>					
	<u>Retail</u>	<u>Corporate</u>	<u>Treasury</u>	<u>Capital Market</u>	<u>International</u>	<u>Total</u>
Total assets	86,988,382	120,778,219	177,658,730	1,474,678	51,011,309	437,911,318
Total liabilities	152,620,107	166,819,146	28,376,026	201,392	43,625,638	391,642,309
Fee income from banking services, net	723,104	807,089	-	577,064	424,064	2,531,321
Operating income	4,246,142	2,692,269	3,013,803	616,570	1,624,724	12,193,508
Operating expenses	3,286,651	95,531	435,720	267,744	1,245,005	5,330,651
of which:						
- Depreciation of property and equipment	224,034	37,095	24,607	13,460	68,772	367,968
- Impairment charge for financing losses, net	848,408	(543,876)	-	-	210,215	514,747
- Impairment charge on investments, net	-	-	134,556	13,171	-	147,727
Net income (Bank and non-controlling interests)	897,561	2,906,491	2,496,522	336,269	310,882	6,947,725

30 September 2013 (Unaudited)	<u>SR '000</u>					
	<u>Retail</u>	<u>Corporate</u>	<u>Treasury</u>	<u>Capital Market</u>	<u>International</u>	<u>Total</u>
Total assets	74,438,255	104,481,237	144,567,079	1,260,525	42,341,317	367,088,413
Total liabilities	147,001,422	128,153,012	14,711,600	246,467	35,057,882	325,170,383
Fee income from banking services, net	685,312	767,637	-	447,024	427,670	2,327,643
Operating income	3,914,838	2,514,484	2,653,426	471,727	1,634,514	11,188,989
Operating expenses	2,531,514	607,347	262,230	307,811	1,194,431	4,903,333
of which:						
- Depreciation of property and equipment	220,657	37,339	23,479	12,619	54,887	348,981
- Impairment charge for financing losses, net	303,674	71,771	-	-	240,075	615,520
- Impairment charge on investments, net	-	-	22,157	-	-	22,157
Net income (Bank and non-controlling interests)	1,414,395	1,898,186	2,392,384	169,980	287,015	6,161,960

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14. 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, or 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 09 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 as against it as of the 30 June 2014 date of the Court's order of denial. On 30 July 2014, the Bank Counsel confirmed further that the plaintiffs did not file any petition for rehearing. Thus, in view of all the foregoing, this case is now deemed closed and terminated.

15. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share for the nine month periods ended 30 September 2014 and 30 September 2013 is calculated by dividing the net income attributable to equity holders of the Bank for the period by the weighted average number of shares outstanding during the period. The comparative figure has been recalculated to account for the impact of the bonus issue.

The calculation of diluted earnings per share is not applicable.

16. 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 2013: 1,500,000,000 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 2013: 1,495,975,148 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 held as at 31 December 2013). During the nine month period ended 30 September 2014, the increase was approved by the shareholders of the Bank, SAMA and Ministry of Commerce and Industry.

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17. 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 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 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 off-balance sheet financial instruments are based on the quoted market prices when available or by using appropriate valuation techniques.

	30 September 2014 (Unaudited)		30 September 2013 (Unaudited)	
	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>
Held to maturity, net	1,135,937	1,213,028	1,030,166	1,117,171
Other investments held at amortized cost, net	123,296,939	124,498,060	95,378,516	96,079,547
Total	124,432,876	125,711,088	96,408,682	97,196,718

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18. 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:

	<u>(SR '000)</u>			
30 September 2014 (Unaudited)	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets</u>				
Derivative financial instruments	-	714,652	-	714,652
Financial assets designated at FVIS	5,673	1,619,900	490,670	2,116,243
Financial assets available for sale	13,173,718	15,044,412	1,068,327	29,286,457
Held for trading	946,549	-	-	946,549
Other investments held at amortized cost, net - fair value hedged (see note 3(b))	-	7,659,821	-	7,659,821
Total	<u>14,125,940</u>	<u>25,038,785</u>	<u>1,558,997</u>	<u>40,723,722</u>
<u>Financial liabilities</u>				
Derivative financial instruments	-	827,243	-	827,243

	<u>(SR '000)</u>			
30 September 2013 (Unaudited)	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets</u>				
Derivative financial instruments	-	479,428	-	479,428
Financial assets designated at FVIS	6,256	1,593,026	395,230	1,994,512
Financial assets available for sale	15,350,314	11,596,677	1,226,123	28,173,114
Held for trading	606,213	-	-	606,213
Other investments held at amortized cost, net - fair value hedged (see note 3(b))	-	-	-	-
Total	<u>15,962,783</u>	<u>13,669,131</u>	<u>1,621,353</u>	<u>31,253,267</u>
<u>Financial liabilities</u>				
Derivative financial instruments	-	536,152	-	536,152

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

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 September 2014 (Unaudited) <u>SR '000</u>	30 September 2013 (Unaudited) <u>SR '000</u>
Balance as at 1 January	1,546,060	1,606,133
Total gains in the interim condensed consolidated statements of income and of interim condensed consolidated comprehensive income	131,059	(17,205)
Purchases	11,055	17,871
Sales	(126,117)	(224,547)
Settlements	(3,060)	(3,084)
Transfer from level 2	-	242,185
Balance as at 30 September	<u>1,558,997</u>	<u>1,621,353</u>

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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		
	30 September 2014 (Unaudited) SR 000	31 December 2013 (Audited) SR 000	30 September 2013 (Unaudited) SR 000
Credit risk	269,439,440	226,641,233	220,782,896
Operational risk	26,282,851	24,479,624	23,823,068
Market risk	9,044,430	5,707,726	6,374,159
Total Pillar-1 - risk weighted assets	304,766,721	256,828,583	250,980,123
Core capital (Tier 1)	45,384,182	41,630,086	40,941,495
Supplementary capital (Tier 2)	7,708,943	2,375,797	2,543,865
Core and supplementary capital (Tier 1 and Tier 2)	53,093,125	44,005,883	43,485,360
Capital Adequacy Ratio (Pillar 1):-			
Core capital (Tier 1)	14.9%	16.2%	16.3%
Core and supplementary capital (Tier 1 and Tier 2)	17.4%	17.1%	17.3%

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 eligible 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 published 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.

22. BOARD OF DIRECTORS' APPROVAL

The interim condensed consolidated financial statements were approved by the Board of Directors on 29 October 2014 (corresponding to 5 Muharram 1436H).