

**Report on Review of Interim Condensed Consolidated Financial Statements**

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

**Introduction**

We have reviewed the accompanying interim consolidated statement of financial position of Arab National Bank (the "Bank") and its subsidiaries (collectively referred to as "the Group") as at June 30, 2014, the related interim consolidated statements of income and comprehensive income for the three month and six month periods ended 30 June 2014, the related interim consolidated statements of changes in equity and cash flows for the six month period then ended and the notes from (1) to (13) which form an integral part of these interim condensed consolidated financial statements. We have not reviewed note (14), nor the information related to "Basel III Capital Structure Disclosures" cross referenced therein, which is not required to be within the scope of our review. The Bank's management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with applicable Accounting Standards for Financial Institutions, certain capital adequacy disclosure requirements issued by the Saudi Arabian Monetary Agency ("SAMA") and 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 (13) of the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note (13) to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

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18 Ramadan 1435H  
(15 July 2014)

**ARAB NATIONAL BANK – Saudi Joint Stock Company**  
**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at	Note	June 30, 2014 (Unaudited) SAR'000	December 31, 2013 (Audited) SAR'000	June 30, 2013 (Unaudited) SAR'000
<b>ASSETS</b>				
Cash and balances with SAMA		11,998,137	14,971,749	15,885,957
Due from banks and other financial institutions		1,781,211	2,767,181	2,006,540
Investments, net	4	33,094,659	28,248,369	28,721,429
Loans and advances, net	5	91,736,973	88,456,106	85,536,115
Investment in associates		487,764	466,533	447,150
Other real estate		136,634	136,634	136,634
Property and equipment, net		1,698,285	1,647,318	1,584,284
Other assets		1,735,550	1,241,534	1,805,352
<b>Total assets</b>		<b>142,669,213</b>	<b>137,935,424</b>	<b>136,123,461</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
Due to banks and other financial institutions		7,621,828	7,641,058	10,670,192
Customers' deposits	6	109,188,275	106,372,732	103,017,960
Other liabilities		3,860,755	3,045,720	2,412,077
Debt securities in issue		1,687,500	1,687,500	1,687,500
<b>Total liabilities</b>		<b>122,358,358</b>	<b>118,747,010</b>	<b>117,787,729</b>
<b>Equity attributable to equity holders of the Bank</b>				
Share capital	11	10,000,000	8,500,000	8,500,000
Statutory reserve		7,270,000	7,270,000	6,630,000
Other reserves		383,228	263,330	121,927
Retained earnings		2,620,423	2,622,124	2,976,326
Proposed dividends		-	425,000	-
<b>Total equity attributable to equity holders of the Bank</b>		<b>20,273,651</b>	<b>19,080,454</b>	<b>18,228,253</b>
Non-controlling interest		37,204	107,960	107,479
<b>Total equity</b>		<b>20,310,855</b>	<b>19,188,414</b>	<b>18,335,732</b>
<b>Total liabilities and equity</b>		<b>142,669,213</b>	<b>137,935,424</b>	<b>136,123,461</b>

The accompanying notes 1 to 14 form an integral part of these interim condensed consolidated financial statements.

**ARAB NATIONAL BANK – Saudi Joint Stock Company**  
**INTERIM CONSOLIDATED STATEMENT OF INCOME**  
**(Unaudited)**

	<u>For the three months ended</u>		<u>For the six months ended</u>		
	<b>Note</b>	<b>June 30, 2014 SAR'000</b>	June 30, 2013 SAR'000	<b>June 30, 2014 SAR'000</b>	June 30, 2013 SAR'000
Special commission income		<b>1,014,835</b>	972,241	<b>2,012,104</b>	1,936,818
Special commission expense		<b>110,730</b>	135,343	<b>250,821</b>	324,712
<b>Net special commission income</b>		<b>904,105</b>	836,898	<b>1,761,283</b>	1,612,106
Fees and commission income, net		<b>332,413</b>	275,811	<b>648,018</b>	563,601
Exchange income, net		<b>104,761</b>	86,904	<b>200,540</b>	167,963
(Loss) income from FVIS financial instruments, net		<b>(163)</b>	2	<b>128</b>	4,971
Trading income, net		<b>3,083</b>	589	<b>5,715</b>	33,629
Dividend income		<b>6,660</b>	9,107	<b>22,237</b>	35,378
Gains and impairment of non-trading investments, net		<b>333</b>	1,033	<b>333</b>	23,931
Other operating income		<b>34,317</b>	53,045	<b>56,026</b>	90,098
<b>Total operating income</b>		<b>1,385,509</b>	1,263,389	<b>2,694,280</b>	2,531,677
Salaries and employee related expenses		<b>297,865</b>	301,001	<b>600,038</b>	598,250
Rent and premises related expenses		<b>36,275</b>	35,529	<b>71,504</b>	68,670
Depreciation and amortization		<b>48,118</b>	46,346	<b>96,345</b>	94,146
Other general and administrative expenses		<b>121,496</b>	104,027	<b>235,855</b>	217,076
Impairment charges for credit losses, net		<b>106,554</b>	65,537	<b>212,607</b>	171,803
<b>Total operating expenses</b>		<b>610,308</b>	552,440	<b>1,216,349</b>	1,149,945
<b>Net operating income</b>		<b>775,201</b>	710,949	<b>1,477,931</b>	1,381,732
Share in earnings of an associate		<b>10,140</b>	8,666	<b>21,231</b>	17,104
<b>Net income for the period</b>		<b>785,341</b>	719,615	<b>1,499,162</b>	1,398,836
Loss (income) attributed to non-controlling interest		<b>99</b>	(1,641)	<b>(863)</b>	(2,167)
<b>Net income for the period attributed to equity holders of the Bank</b>		<b>785,440</b>	717,974	<b>1,498,299</b>	1,396,669
<b>Basic and fully diluted earnings (in SAR per share)</b>	11	<b>0.78</b>	0.72	<b>1.50</b>	1.40

The accompanying notes 1 to 14 form an integral part of these interim condensed consolidated financial statements.

**ARAB NATIONAL BANK – Saudi Joint Stock Company**  
**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**(Unaudited)**

	<u>For the three months ended</u>		<u>For the six months ended</u>	
	<b>June 30, 2014</b>	June 30, 2013	<b>June 30, 2014</b>	June 30, 2013
	<b>SAR' 000</b>	SAR' 000	<b>SAR' 000</b>	SAR' 000
<b>Net income for the period</b>	<b>785,341</b>	719,615	<b>1,499,162</b>	1,398,836
<b>Other comprehensive income:</b>				
<b>Available for sale investments:</b>				
- Net changes in fair value	<b>(61,752)</b>	(96,921)	<b>102,140</b>	(56,841)
- Transfers to interim consolidated statement of income	<b>(333)</b>	(919)	<b>(333)</b>	(23,817)
<b>Cash flows hedges:</b>				
- Net changes in fair value	<b>15,060</b>	(41,271)	<b>19,846</b>	(36,660)
- Transfers to interim consolidated statement of income	<b>636</b>	(2,985)	<b>(1,755)</b>	(5,373)
	<b>(46,389)</b>	(142,096)	<b>119,898</b>	(122,691)
<b>Total comprehensive income for the period</b>	<b>738,952</b>	577,519	<b>1,619,060</b>	1,276,145
<b>Attributable to:</b>				
Equity holders of the bank	<b>739,051</b>	575,878	<b>1,618,197</b>	1,273,978
Non-controlling interest	<b>(99)</b>	1,641	<b>863</b>	2,167
<b>Total comprehensive income for the period</b>	<b>738,952</b>	577,519	<b>1,619,060</b>	1,276,145

The accompanying notes 1 to 14 form an integral part of these interim condensed consolidated financial statements.

**ARAB NATIONAL BANK – Saudi Joint Stock Company**  
**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the six months ended June 30, 2014 and 2013**  
**(Unaudited)**

**Attributable to equity holders of the Bank**

<b>2014</b>	<b>Note</b>	<b>Share capital SAR' 000</b>	<b>Statutory reserve SAR' 000</b>	<b>Other reserves SAR' 000</b>	<b>Retained earnings SAR' 000</b>	<b>Proposed dividends SAR'000</b>	<b>Total SAR'000</b>	<b>Non-controlling interest SAR'000</b>	<b>Total equity SAR'000</b>
Balance at beginning of the period		<b>8,500,000</b>	<b>7,270,000</b>	<b>263,330</b>	<b>2,622,124</b>	<b>425,000</b>	<b>19,080,454</b>	<b>107,960</b>	<b>19,188,414</b>
Net changes in fair value of cash flow hedges				<b>19,846</b>	-	-	<b>19,846</b>	-	<b>19,846</b>
Net changes in fair value of available for sale investments				<b>102,140</b>	-	-	<b>102,140</b>	-	<b>102,140</b>
Transfers to interim consolidated statement of income				<b>(2,088)</b>	-	-	<b>(2,088)</b>	-	<b>(2,088)</b>
Net comprehensive income for the period				<b>119,898</b>	-	-	<b>119,898</b>	-	<b>119,898</b>
Net income for the period				-	<b>1,498,299</b>	-	<b>1,498,299</b>	<b>863</b>	<b>1,499,162</b>
Total comprehensive income for the period				<b>119,898</b>	<b>1,498,299</b>	-	<b>1,618,197</b>	<b>863</b>	<b>1,619,060</b>
Bonus share issue	11	<b>1,500,000</b>	-	-	<b>(1,500,000)</b>	-	-	-	-
Acquisition of non-controlling interest		-	-	-	-	-	-	<b>(71,619)</b>	<b>(71,619)</b>
2013 dividends		-	-	-	-	<b>(425,000)</b>	<b>(425,000)</b>	-	<b>(425,000)</b>
<b>Balance at end of the period</b>		<b>10,000,000</b>	<b>7,270,000</b>	<b>383,228</b>	<b>2,620,423</b>	-	<b>20,273,651</b>	<b>37,204</b>	<b>20,310,855</b>

**Attributable to equity holders of the Bank**

<b>2013</b>	<b>Share capital SAR' 000</b>	<b>Statutory reserve SAR' 000</b>	<b>Other reserves SAR' 000</b>	<b>Retained earnings SAR' 000</b>	<b>Proposed dividends SAR'000</b>	<b>Total SAR'000</b>	<b>Non-controlling interest SAR'000</b>	<b>Total equity SAR'000</b>
Balance at beginning of the period	<b>8,500,000</b>	<b>6,630,000</b>	<b>244,618</b>	<b>1,579,657</b>	<b>850,000</b>	<b>17,804,275</b>	<b>105,312</b>	<b>17,909,587</b>
Net changes in fair value of cash flow hedges			<b>(36,660)</b>	-	-	<b>(36,660)</b>	-	<b>(36,660)</b>
Net changes in fair value of available for sale investments			<b>(56,841)</b>	-	-	<b>(56,841)</b>	-	<b>(56,841)</b>
Transfers to interim consolidated statement of income			<b>(29,190)</b>	-	-	<b>(29,190)</b>	-	<b>(29,190)</b>
Net comprehensive income for the period			<b>(122,691)</b>	-	-	<b>(122,691)</b>	-	<b>(122,691)</b>
Net income for the period			-	<b>1,396,669</b>	-	<b>1,396,669</b>	<b>2,167</b>	<b>1,398,836</b>
Total comprehensive income for the period			<b>(122,691)</b>	<b>1,396,669</b>	-	<b>1,273,978</b>	<b>2,167</b>	<b>1,276,145</b>
2012 dividends			-	-	<b>(850,000)</b>	<b>(850,000)</b>	-	<b>(850,000)</b>
Balance at end of the period	<b>8,500,000</b>	<b>6,630,000</b>	<b>121,927</b>	<b>2,976,326</b>	-	<b>18,228,253</b>	<b>107,479</b>	<b>18,335,732</b>

The accompanying notes 1 to 14 form an integral part of these interim condensed consolidated financial statements.

**ARAB NATIONAL BANK – Saudi Joint Stock Company**  
**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the six months ended**  
**(Unaudited)**

	<u>Note</u>	<u>June 30, 2014</u> <u>SAR'000</u>	<u>June 30, 2013</u> <u>SAR'000</u>
<b><u>OPERATING ACTIVITIES</u></b>			
<b>Net income for the period</b>		<b>1,499,162</b>	1,398,836
<b>Adjustments to reconcile net income for the period to net cash from operating activities:</b>			
Accretion of discounts on non-trading investments, net		<b>(52,442)</b>	(20,047)
Gains and impairment of non-trading investments, net		<b>(333)</b>	(23,931)
Depreciation and amortization		<b>96,345</b>	94,146
(Gain)/loss on disposal/sale of property and equipment, net		<b>(7,701)</b>	951
Share in earnings of an associate		<b>(21,231)</b>	(17,104)
Impairment charges for credit losses, net		<b>212,607</b>	171,803
		<b>1,726,407</b>	1,604,654
<b>Net decrease (increase) in operating assets:</b>			
Statutory deposit with SAMA		<b>(270,060)</b>	(177,133)
Due from banks and other financial institutions maturing after ninety days of the acquisition date		-	-
Investments held at FVIS		<b>448</b>	51,687
Loans and advances		<b>(3,490,115)</b>	604,074
Other real estate		-	182,372
Other assets		<b>(475,431)</b>	(389,055)
<b>Net increase (decrease) in operating liabilities:</b>			
Due to banks and other financial institutions		<b>(19,230)</b>	4,120,268
Customers' deposits		<b>2,815,543</b>	(4,542,483)
Other liabilities		<b>752,469</b>	(968,656)
		<b>1,040,031</b>	485,728
<b>Net cash from operating activities</b>		<b>1,040,031</b>	485,728
<b><u>INVESTING ACTIVITIES</u></b>			
Proceeds from sales of and matured non-trading investments		<b>11,060,945</b>	24,402,787
Purchase of non-trading investments		<b>(15,697,578)</b>	(28,733,646)
Purchase of property and equipment		<b>(164,498)</b>	(173,070)
Proceeds from sale of property and equipment		<b>24,887</b>	-
		<b>(4,776,244)</b>	(4,503,929)
<b>Net cash used in investing activities</b>		<b>(4,776,244)</b>	(4,503,929)
<b><u>FINANCING ACTIVITIES</u></b>			
Dividends paid		<b>(421,809)</b>	(841,788)
Acquisition of non-controlling interest		<b>(71,619)</b>	-
		<b>(493,428)</b>	(841,788)
<b>Net cash used in financing activities</b>		<b>(493,428)</b>	(841,788)
<b>Decrease in cash and cash equivalents</b>		<b>(4,229,641)</b>	(4,859,989)
Cash and cash equivalents at the beginning of the period		<b>11,807,064</b>	17,304,744
<b>Cash and cash equivalents at the end of the period</b>	9	<b>7,577,423</b>	12,444,755
Special commission received during the period		<b>1,970,604</b>	1,902,800
Special commission paid during the period		<b>(206,724)</b>	(293,701)
<b>Supplemental non-cash information</b>			
Net changes in fair value		<b>121,986</b>	(93,501)

The accompanying notes 1 to 14 form an integral part of these interim condensed consolidated financial statements.

**ARAB NATIONAL BANK – Saudi Joint Stock Company**  
**Notes To The Interim Condensed Consolidated Financial Statements**  
**For the six months ended June 30, 2014 and 2013**  
**(SAR'000)**

**1. General**

Arab National Bank (the "Bank") (a Saudi Joint Stock Company, the Bank) was formed pursuant to Royal Decree No. M/38 dated Rajab 18,1399H (June 13, 1979). The Bank commenced business on February 2, 1980 by taking over the operations of Arab Bank Limited in the Kingdom of Saudi Arabia. The Bank operates under Commercial Registration No. 1010027912 dated Rabi Awal 1, 1400H (January 19, 1980) through 153 branches (2013: 147 branches) in the Kingdom of Saudi Arabia and one branch in the United Kingdom. The address of the Bank's head office is as follows:

Arab National Bank  
P.O. Box 56921  
Riyadh 11564  
Kingdom of Saudi Arabia

The objective of the Bank is to provide a full range of banking services. The Bank also provides its customers non-commission based banking products which are approved and supervised by an independent Shariah Board established by the Bank.

The interim condensed consolidated financial statements comprise the financial statements of the Bank and the following subsidiaries:

**Arab National Bank Investment Company (ANB Invest)**

In accordance with the Capital Market Authority directives, the Bank has established a wholly owned subsidiary (directly and indirectly) "ANB Invest", a Saudi limited liability company, registered in the Kingdom of Saudi Arabia under commercial registration No. 1010239908 issued on Shawal 26, 1428H (corresponding to November 7, 2007), to takeover and manage the Bank's investment services and asset management activities related to dealing, managing, arranging, advising and custody of securities regulated by the Capital Market Authority. The subsidiary commenced its operations effective on Muharram 3, 1429H (corresponding to January 12, 2008). Accordingly, the Bank started consolidating the financial statements of the above mentioned subsidiary effective January 12, 2008.

**Arabian Heavy Equipment Leasing Company (AHEL)**

An 87.5% owned subsidiary incorporated in the Kingdom of Saudi Arabia, as a Saudi closed joint stock company, under commercial registration no 1010267489 issued in Riyadh dated 15 Jumada 1, 1430H (corresponding to May 10, 2009). The company is engaged in leasing of heavy equipments and, operating in compliance with Shariah principals. The Bank started consolidating the subsidiary financial statements effective May 10, 2009, the date the subsidiary started its operation. At May 6, 2014 the Bank increased its ownership percentage in this subsidiary from 62.5% to reach 87.5%.

**Arab National Bank Insurance Agency**

A Saudi limited liability company, established during 2013 as a wholly owned subsidiary, registered in the Kingdom of Saudi Arabia under the commercial registration no. 1010396423 issued in Riyadh dated 28 Muharram, 1435 (corresponding to December 1, 2013). The agency is licensed by the Saudi Arabian Monetary Agency under the license no. 341000077525 to perform insurance agent activities. The subsidiary obtained its license to started its activities at 5 Jumada I, 1435 (corresponding to March 6, 2014).

**2. Basis of preparation**

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 IAS 34 – Interim Financial Reporting as issued by the international standards accounting board. The Bank also prepares its interim condensed consolidated financial statements to comply with the Banking Control Law, provisions of the Regulations for Companies in the Kingdom of Saudi Arabia and the Bank's by laws.

**ARAB NATIONAL BANK – Saudi Joint Stock Company**  
**Notes to the Interim Condensed Consolidated Financial Statements (continued)**  
**For the six months ended June 30, 2014 and 2013**  
**(SAR'000)**

**2. Basis of preparation (continued)**

The interim condensed consolidated financial statements do not include all information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2013.

These interim condensed consolidated financial statements are expressed in Saudi Arabian Riyals (SAR) and are rounded off to the nearest thousands.

**Basis of consolidation**

The interim condensed consolidated financial statements comprise the interim condensed financial statements of the Bank and its subsidiaries (collectively referred to as the Group). The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies. Adjustments have been made to the financial statements of the subsidiaries to align them with the Bank's financial statements.

Subsidiaries are investees controlled by the Bank. The Bank controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the interim condensed consolidated financial statements from the date that control commences until the date that control ceases.

Specifically, the Bank controls an investee if and only if the Bank has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Bank has less than a majority of the voting or similar rights of an investee, the Bank considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Bank's voting rights and potential voting rights

The Bank re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Bank gains control until the date the Bank ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Bank and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to align them with the Bank's financial statements.

Non-controlling interests represent the portion of net income or loss and net assets not owned, directly or indirectly, by the Bank and are presented separately in the interim consolidated income statement and within equity in the interim consolidated statement of financial position, separately from the equity holders of the bank. Any losses applicable to the non controlling interest in excess of the non controlling interest share are allocated against the interests of the Bank. Acquisitions of non-controlling interests are accounted for using the purchase method of accounting, whereby, the difference between the cost of acquisition and the fair value of the share of the net assets acquired is recognized as goodwill.



**ARAB NATIONAL BANK – Saudi Joint Stock Company**  
**Notes to the Interim Condensed Consolidated Financial Statements (continued)**  
**For the six months ended June 30, 2014 and 2013**  
**(SAR'000)**

**2. Basis of preparation (continued)**

**Basis of consolidation (continued)**

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

**3. Accounting policies**

The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those used for the year ended December 31, 2013 except for the adoption of the following standards which had no significant financial impact on the interim condensed consolidated financial statements of the Group:

- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
- Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32
- Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
- Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36

In addition to the above, the Group has currently chosen not to adopt IFRS 9 (2010) – Financial instruments. The standard does not have a mandatory effective date, but it is available for application now.

The Group is currently assessing the implication of the above standards and amendments on the Group and the timing of adoption.

**ARAB NATIONAL BANK – Saudi Joint Stock Company**  
**Notes To The Interim Condensed Consolidated Financial Statements (Continued)**  
**For the six months ended June 30, 2014 and 2013**  
**(SAR'000)**

**4. Investments, net**

Investments are classified as follows:

	<b>June 30, 2014 (Unaudited)</b>	December 31, 2013 (Audited)	June 30, 2013 (Unaudited)
Held at fair value through income statement (FVIS)	<b>16,995</b>	17,443	26,491
Available for sale	<b>10,757,486</b>	10,907,749	12,324,555
Held at amortized cost, net	<b>22,320,178</b>	17,323,177	16,370,383
<b>Total</b>	<b>33,094,659</b>	28,248,369	28,721,429

**5. Loans and advances, net**

Loans and advances (all held at amortized cost) comprise the following:

	<b>June 30, 2014 (Unaudited)</b>	December 31, 2013 (Audited)	June 30, 2013 (Unaudited)
Commercial loans and overdrafts	<b>68,451,871</b>	66,630,893	63,604,646
Consumer loans	<b>24,063,074</b>	22,519,724	22,928,496
Credit cards	<b>334,985</b>	355,959	382,001
Performing loans and advances	<b>92,849,930</b>	89,506,576	86,915,143
Non-performing loans and advances, net	<b>1,026,406</b>	1,003,570	1,381,533
Gross loans and advances	<b>93,876,336</b>	90,510,146	88,296,676
Impairment charges for credit losses, net	<b>(2,139,363)</b>	(2,054,040)	(2,760,561)
<b>Loans and advances, net</b>	<b>91,736,973</b>	88,456,106	85,536,115

**6. Customers' deposits**

	<b>June 30, 2014 (Unaudited)</b>	December 31, 2013 (Audited)	June 30, 2013 (Unaudited)
Demand	<b>64,307,953</b>	57,388,751	56,322,520
Time	<b>41,904,730</b>	42,843,203	43,161,368
Saving	<b>102,035</b>	104,608	106,016
Others	<b>2,873,557</b>	6,036,170	3,428,056
<b>Total</b>	<b>109,188,275</b>	106,372,732	103,017,960

**ARAB NATIONAL BANK – Saudi Joint Stock Company**  
**Notes To The Interim Condensed Consolidated Financial Statements (Continued)**  
**For the six months ended June 30, 2014 and 2013**  
**(SAR'000)**

**7. Derivatives**

The table below sets out the positive and negative fair values of derivative financial instruments, together with their notional amounts. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the end of the period, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Bank's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor to market risk.

	June 30, 2014 (Unaudited)			December 31, 2013 (Audited)			June 30, 2013 (Unaudited)		
	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value	Notional Amount
<b>Derivatives held for trading:</b>									
Commission rate swaps	123,052	121,246	8,776,564	119,174	114,332	7,786,184	138,206	134,947	6,675,177
Commission rate futures and options	-	-	6,312,823	-	-	24,815	-	-	5,055,476
Forward foreign exchange contracts	48,231	18,759	7,664,184	50,043	21,015	6,310,929	61,683	32,064	7,020,604
Currency options	3,905	2,960	14,342,577	2,825	2,820	13,306,210	263,114	261,865	13,646,364
<b>Derivatives held as fair value hedges:</b>									
Commission rate swaps	2,206	146,165	10,220,054	4,859	81,171	2,642,222	3,779	107,471	3,524,376
<b>Derivatives held as cash flow hedges:</b>									
Commission rate swaps	-	-	-	-	18,092	1,237,500	-	41,531	2,193,750
<b>Total</b>	<b>177,394</b>	<b>289,130</b>	<b>47,316,202</b>	<b>176,901</b>	<b>237,430</b>	<b>31,307,860</b>	<b>466,782</b>	<b>577,878</b>	<b>38,115,747</b>

**8. Credit related commitments and contingencies**

The Group's consolidated credit related commitments and contingencies are as follows:

	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)	June 30, 2013 (Unaudited)
Letters of credit	6,910,164	5,662,967	6,519,040
Letters of guarantee	24,455,246	24,916,838	26,085,855
Acceptances	1,524,479	1,536,884	3,412,607
Irrevocable commitments to extend credit	1,384,710	2,206,468	1,421,789
Other	139,744	148,462	156,925
<b>Total</b>	<b>34,414,343</b>	<b>34,471,619</b>	<b>37,596,216</b>

**9. Cash and cash equivalents**

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

	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)	June 30, 2013 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	5,796,212	9,039,883	10,438,215
Due from banks and other financial institutions maturing within ninety days of the acquisition date	1,781,211	2,767,181	2,006,540
<b>Total</b>	<b>7,577,423</b>	<b>11,807,064</b>	<b>12,444,755</b>

**ARAB NATIONAL BANK – Saudi Joint Stock Company**  
**Notes To The Interim Condensed Consolidated Financial Statements (continued)**  
**For the six months ended June 30, 2014 and 2013**  
**(SAR'000)**

**10. Operating segments**

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Bank that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess its performance.

For management purposes the Group is organized into the following major operating segments:

**Retail banking**

Deposit, credit and investment products for individuals.

**Corporate banking**

Loans and advances, deposits and other credit products for corporate and institutional customers, small to medium sized businesses, and the Bank's London Branch.

**Treasury banking**

Manages the Bank's trading and investment portfolios and the Bank's funding, liquidity, currency and commission risks.

**Investment and brokerage services**

Investment management services and asset management activities related to dealing, managing, arranging, advising and custody of securities.

**Other**

Includes income on capital and unallocated costs, assets and liabilities pertaining to the Head Office and other supporting departments.

Transactions between the operating segments are reported as recorded in the Group's transfer pricing system. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balance.

The Group's primary business is conducted in the Kingdom of Saudi Arabia with one international branch in London. However, the total assets, liabilities, commitments and results of operations of this branch are not material to the Group's overall interim condensed consolidated financial statements.

**ARAB NATIONAL BANK – Saudi Joint Stock Company**  
**Notes To The Interim Condensed Consolidated Financial Statements (continued)**  
**For the six months ended June 30, 2014 and 2013**  
**(SAR'000)**

**10. Operating segments (continued)**

The Group's total interim consolidated assets and liabilities as at June 30, 2014 and 2013, its total interim consolidated operating income, expenses and net income and other related information for the six months then ended, by operating segments, as reported to senior management, are as follows:

<b>June 30, 2014 (Unaudited)</b>						
	<b>Retail banking</b>	<b>Corporate banking</b>	<b>Treasury banking</b>	<b>Investment and brokerage services</b>	<b>Other</b>	<b>Total</b>
Total assets	<b>35,210,024</b>	<b>61,767,547</b>	<b>42,733,121</b>	<b>133,585</b>	<b>2,824,936</b>	<b>142,669,213</b>
Total liabilities	<b>63,064,930</b>	<b>49,612,360</b>	<b>9,303,598</b>	<b>35,283</b>	<b>342,187</b>	<b>122,358,358</b>
Total operating income	<b>1,102,574</b>	<b>981,898</b>	<b>470,247</b>	<b>67,072</b>	<b>72,489</b>	<b>2,694,280</b>
Total operating expenses	<b>778,721</b>	<b>343,258</b>	<b>46,828</b>	<b>34,904</b>	<b>12,638</b>	<b>1,216,349</b>
Share in earnings of an associate	-	-	-	-	<b>21,231</b>	<b>21,231</b>
Income attributed to non-controlling interest	-	-	-	-	<b>863</b>	<b>863</b>
Net income for the period	<b>323,853</b>	<b>638,640</b>	<b>423,419</b>	<b>32,168</b>	<b>80,219</b>	<b>1,498,299</b>
Impairment charges for credit losses, net	<b>110,994</b>	<b>101,613</b>	-	-	-	<b>212,607</b>
Depreciation and amortization	<b>67,341</b>	<b>1,172</b>	<b>1,861</b>	<b>2,501</b>	<b>23,470</b>	<b>96,345</b>

<b>June 30, 2013 (Unaudited)</b>						
	<b>Retail banking</b>	<b>Corporate banking</b>	<b>Treasury banking</b>	<b>Investment and brokerage services</b>	<b>Other</b>	<b>Total</b>
Total assets	32,156,298	57,432,024	44,020,993	54,917	2,459,229	136,123,461
Total liabilities	55,605,622	49,229,270	12,801,223	35,481	116,133	117,787,729
Total operating income	1,058,437	878,145	434,482	65,460	95,153	2,531,677
Total operating expenses	757,515	289,579	42,939	38,985	20,927	1,149,945
Share in earnings of an associate	-	-	-	-	17,104	17,104
Income attributed to non-controlling interest	-	-	-	-	2,167	2,167
Net income for the period	300,922	588,566	391,543	26,475	89,163	1,396,669
Impairment charges for credit losses, net	97,850	73,953	-	-	-	171,803
Depreciation and amortization	69,518	1,571	1,846	3,329	17,882	94,146

**ARAB NATIONAL BANK – Saudi Joint Stock Company**  
**Notes To The Interim Condensed Consolidated Financial Statements (continued)**  
**For the six months ended June 30, 2014 and 2013**  
**(SAR'000)**

**11. Share capital and basic diluted earnings per share**

During the period ended June 30, 2014: 150 million bonus shares of SAR 10 each were issued after approval of the shareholders at their extraordinary general assembly meeting held at March 17, 2014.

At June 30, 2014, the Bank has 1,000 million shares of SAR 10 each (30 June 2013: 850 million shares) issued and outstanding.

Basic and diluted earnings per share for the periods ended June 30, 2014 and 2013 are calculated by dividing the net income for the periods by 1,000 million shares to give retroactive effect to the change in the number of shares as a result of 2014 bonus shares.

**12. Fair values of financial assets and liabilities**

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

Level 1: quoted prices in active markets for the same instrument (i.e., without modification or repacking);

Level 2: quoted prices in active markets for similar assets and liabilities or other 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.

<b>June 30, 2014 (Unaudited)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Financial assets designated at FVIS	-	16,995	-	16,995
Financial investments available for sale	8,879,022	1,791,100	87,364	10,757,486
Derivative financial instruments	48,231	129,163	-	177,394
<b>Total</b>	<b>8,927,253</b>	<b>1,937,258</b>	<b>87,364</b>	<b>10,951,875</b>
<b>Financial Liabilities</b>				
Derivative financial instruments	18,759	270,371	-	289,130
<b>Total</b>	<b>18,759</b>	<b>270,371</b>	<b>-</b>	<b>289,130</b>
June 30, 2013 (Unaudited)	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets designated at FVIS	-	26,491	-	26,491
Financial investments available for sale	10,268,508	1,989,129	66,918	12,324,555
Derivative financial instruments	61,683	405,099	-	466,782
<b>Total</b>	<b>10,330,191</b>	<b>2,420,719</b>	<b>66,918</b>	<b>12,817,828</b>
Financial Liabilities				
Derivative financial instruments	32,064	545,814	-	577,878
<b>Total</b>	<b>32,064</b>	<b>545,814</b>	<b>-</b>	<b>577,878</b>

**ARAB NATIONAL BANK – Saudi Joint Stock Company**  
**Notes To The Interim Condensed Consolidated Financial Statements (continued)**  
**For the six months ended June 30, 2014 and 2013**  
**(SAR'000)**

**12. Fair values of financial assets and liabilities (continued)**

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

The fair values of on-interim consolidated statement of financial position financial instruments, except for other investments held at amortized cost, held-to-maturity investments which are carried at amortized 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, debts securities in issue, due from and due to banks which are carried at amortized cost, are not significantly different from the carrying values 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 and due to banks.

The estimated fair values of investments held at amortized cost are based on quoted market prices when available or pricing models when used in the case of certain fixed rate bonds. The fair value of these investments was estimated to be SAR 22.5 billion at 30 June 2014.

The fair values of derivatives and other off-interim consolidated statement of financial position financial instruments are based on the quoted market prices when available or by using the appropriate valuation technique. The total amount of the changes in fair value recognized in the interim consolidated statement of income, which was estimated using valuation technique at 30 June 2014, is SAR 141 million (30 June 2013: SAR 99 million).

**13. 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 ratios established by SAMA. These ratios measure capital adequacy by comparing the Group's eligible capital with its statement of financial position assets, commitments and notional amount of derivatives at a weighted amount to reflect their relative risk.

SAMA has issued the framework and guidance regarding implementation of the capital reforms under Basel III – which are effective starting January 1, 2013. Accordingly, the Group's pillar I consolidated Risk Weighted Assets (RWA), total capital and related ratios on a consolidated group, are as follows:

	<b>June 30, 2014</b> <b>(Unaudited)</b>	June 30, 2013 (Unaudited)
Credit Risk RWA	<b>119,265,431</b>	115,147,400
Operational Risk RWA	<b>10,410,589</b>	9,265,664
Market Risk RWA	<b>1,328,251</b>	290,324
<b>Total Pillar-I RWA</b>	<b>131,004,271</b>	124,703,388
Tier I Capital	<b>20,273,651</b>	18,228,253
Tier II Capital	<b>1,197,642</b>	1,382,385
<b>Total Tier I &amp; II Capital</b>	<b>21,471,293</b>	19,610,638
<b>Capital Adequacy Ratio %</b>		
Tier I ratio	<b>15.48%</b>	14.62%
Tier I + Tier II ratio	<b>16.39%</b>	15.73%

**ARAB NATIONAL BANK – Saudi Joint Stock Company**  
**Notes To The Interim Condensed Consolidated Financial Statements (continued)**  
**For the six months ended June 30, 2014 and 2013**  
**(SAR'000)**

**13. Capital Adequacy (continued)**

The Group maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by the Saudi Arabian Monetary Agency in supervising the Bank.

**14. BASEL III capital structure disclosures**

Certain quantitative disclosures on the Bank's capital structure are required to be published on Bank's website. These disclosures will be made available on the Bank's website [www.anb.com.sa](http://www.anb.com.sa) as required by the Saudi Arabian Monetary Agency. Such disclosures are not subject to review or audit by the external auditors.