



KPMG Al Fozan & Al Sadhan

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 September 30, 2015, the related interim consolidated statements of income and comprehensive income for the three and nine month periods then ended, the related interim consolidated statements of changes in equity and cash flows for the nine month period then ended and the notes from (1) to (16) which form an integral part of these interim condensed consolidated financial statements. We have neither reviewed note (17), 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, 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 (15) of the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note (15) to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

Ernst & Young
P O Box 2732
Riyadh 11461
Kingdom of Saudi Arabia

Abdulaziz A. Al-Sowailim
Certified Public Accountant
Registration No. 277



KPMG Al Fozan & Al Sadhan
P O Box 92876
Riyadh 11663
Kingdom of Saudi Arabia

Abdullah Hamad Al Fozan
Certified Public Accountant
Registration No. 348



9 Muhurram 1437H
(22 October 2015)

ARAB NATIONAL BANK – Saudi Joint Stock Company
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(SAR'000)

As at	Notes	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)	September 30, 2014 (Unaudited)
ASSETS				
Cash and balances with SAMA		14,264,295	21,252,327	13,219,226
Due from banks and other financial institutions		2,201,673	1,935,625	1,353,338
Investments, net	4	30,716,573	33,876,206	35,278,039
Loans and advances, net	5	112,746,929	103,724,016	96,044,914
Investments in associates		525,101	494,117	489,540
Other real estate		159,893	136,634	136,634
Property and equipment, net		1,919,103	1,745,936	1,690,675
Other assets		2,329,631	1,503,494	1,725,940
Total assets		<u>164,863,198</u>	<u>164,668,355</u>	<u>149,938,306</u>
LIABILITIES AND EQUITY				
Liabilities				
Due to banks and other financial institutions		5,012,610	9,015,640	9,576,803
Customers' deposits	6	132,521,561	129,631,178	114,692,900
Other liabilities		3,732,461	3,694,278	3,128,364
Debt securities in issue	7	1,687,500	1,687,500	1,687,500
Total liabilities		<u>142,954,132</u>	<u>144,028,596</u>	<u>129,085,567</u>
Equity attributable to equity holders of the Bank				
Share capital	12	10,000,000	10,000,000	10,000,000
Statutory reserve		7,990,000	7,990,000	7,270,000
Other reserves		177,402	278,832	626,626
Retained earnings		3,702,548	1,782,481	2,918,353
Proposed dividends		-	550,000	-
Total equity attributable to equity holders of the Bank		<u>21,869,950</u>	<u>20,601,313</u>	<u>20,814,979</u>
Non-controlling interest		39,116	38,446	37,760
Total equity		<u>21,909,066</u>	<u>20,639,759</u>	<u>20,852,739</u>
Total liabilities and equity		<u>164,863,198</u>	<u>164,668,355</u>	<u>149,938,306</u>

The accompanying notes 1 to 17 form an integral part of these interim condensed consolidated financial statements.

ARAB NATIONAL BANK – Saudi Joint Stock Company
INTERIM CONSOLIDATED STATEMENT of INCOME
(Unaudited)
(SAR'000)

	<u>For the three months period ended</u>		<u>For the nine months period ended</u>		
	<u>Note</u>	<u>September 30, 2015</u>	<u>September 30, 2014</u>	<u>September 30, 2015</u>	<u>September 30, 2014</u>
Special commission income		1,122,351	1,020,631	3,308,055	3,032,735
Special commission expense		127,814	101,474	363,998	352,295
Net special commission income		994,537	919,157	2,944,057	2,680,440
Fees and commission income, net		304,284	290,966	1,033,862	938,984
Exchange income, net		134,074	113,753	394,521	314,293
Unrealized loss on FVIS financial instruments, net		(4,642)	(1,049)	(4,337)	(921)
Trading income/(loss), net		1,016	5,634	(6,946)	11,349
Dividend income		16,411	17,609	43,166	39,846
Gain from non-trading investments, net		-	-	54	333
Other operating income, net		24,603	19,423	71,046	75,449
Total operating income		1,470,283	1,365,493	4,475,423	4,059,773
Salaries and employee related expenses		326,729	293,339	1,029,942	893,377
Rent and premises related expenses		41,886	37,699	118,300	109,203
Depreciation and amortization		49,989	49,704	145,974	146,049
Other general and administrative expenses		122,681	115,720	394,550	351,575
Impairment charges for credit losses, net		130,608	121,909	403,450	334,516
Impairment charges for investments, net		43,868	413	43,455	413
Total operating expenses		715,761	618,784	2,135,671	1,835,133
Net operating income		754,522	746,709	2,339,752	2,224,640
Share in earnings of associates, net		9,726	1,777	30,985	23,008
Net income for the period		764,248	748,486	2,370,737	2,247,648
Attributable to:					
Equity holders of the Bank		764,202	747,930	2,370,067	2,246,229
Non-controlling interest		46	556	670	1,419
Net income for the period		764,248	748,486	2,370,737	2,247,648
Basic and diluted earnings (in SAR per share)	12	0.76	0.75	2.37	2.25

The accompanying notes 1 to 17 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)
(SAR'000)

	<u>For the three months period ended</u>		<u>For the nine months period ended</u>	
	<u>September 30, 2015</u>	<u>September 30, 2014</u>	<u>September 30, 2015</u>	<u>September 30, 2014</u>
Net income for the period	764,248	748,486	2,370,737	2,247,648
Other comprehensive income:				
Items that are or may be reclassified to consolidated statement of income in subsequent periods				
Available for sale financial assets:				
- Net changes in fair value	(318,366)	243,398	(146,263)	345,537
- Net amounts transferred to interim consolidated statement of income	43,868	-	43,814	(333)
Cash flows hedges:				
- Net changes in fair value	-	(2,464)	-	17,382
- Net amounts transferred to interim consolidated statement of income	-	2,464	1,019	710
	(274,498)	243,398	(101,430)	363,296
Total comprehensive income for the period	489,750	991,884	2,269,307	2,610,944
Attributable to:				
Equity holders of the Bank	489,704	991,328	2,268,637	2,609,525
Non-controlling interest	46	556	670	1,419
Total comprehensive income for the period	489,750	991,884	2,269,307	2,610,944

The accompanying notes 1 to 17 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 nine months period ended September 30, 2015 and 2014
(Unaudited)
(SAR'000)

		<u>Attributable to equity holders of the Bank</u>								
<u>2015</u>	<u>Note</u>	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Available for sale financial assets</u>	<u>Cash flow hedges</u>	<u>Retained earnings</u>	<u>Proposed dividends</u>	<u>Total</u>	<u>Non-controlling interest</u>	<u>Total equity</u>
Balance at the beginning of the period		10,000,000	7,990,000	279,851	(1,019)	1,782,481	550,000	20,601,313	38,446	20,639,759
Changes in equity for the period:										
Net changes in fair value of cash flow hedges				-	-	-	-	-	-	-
Net changes in fair values of available for sale investments				(146,263)	-	-	-	(146,263)	-	(146,263)
Transfers to interim consolidated statement of income, net				43,814	1,019	-	-	44,833	-	44,833
Net income for the period				-	-	2,370,067	-	2,370,067	670	2,370,737
Total comprehensive income for the period		-	(102,449)	1,019	2,370,067	-	-	2,268,637	670	2,269,307
2014 final dividends paid		-	-	-	-	(550,000)	-	(550,000)	-	(550,000)
2015 interim dividends paid	14	-	-	-	-	(450,000)	-	(450,000)	-	(450,000)
Balance at the end of the period		10,000,000	7,990,000	177,402	-	3,702,548	-	21,869,950	39,116	21,909,066

		<u>Attributable to equity holders of the Bank</u>								
<u>2014</u>	<u>Notes</u>	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Available for sale financial assets</u>	<u>Cash flow hedges</u>	<u>Retained earnings</u>	<u>Proposed dividends</u>	<u>Total</u>	<u>Non-controlling interest</u>	<u>Total equity</u>
Balance at the beginning of the period		8,500,000	7,270,000	(19,110)	282,440	2,622,124	425,000	19,080,454	107,960	19,188,414
Changes in equity for the period:										
Net changes in fair value of cash flow hedges				-	17,382	-	-	17,382	-	17,382
Net changes in fair values of available for sale investments				345,537	-	-	-	345,537	-	345,537
Transfers to interim consolidated statement of income, net				(333)	710	-	-	377	-	377
Net income for the period				-	-	2,246,229	-	2,246,229	1,419	2,247,648
Total comprehensive income for the period				345,204	18,092	2,246,229	-	2,609,525	1,419	2,610,944
Bonus share issue	12	1,500,000	-	-	-	(1,500,000)	-	-	-	-
Acquisition of non-controlling interest		-	-	-	-	-	-	-	(71,619)	(71,619)
2013 final dividends paid		-	-	-	-	-	(425,000)	(425,000)	-	(425,000)
2014 interim dividends paid	14	-	-	-	-	(450,000)	-	(450,000)	-	(450,000)
Balance at the end of the period		10,000,000	7,270,000	326,094	300,532	2,918,353	-	20,814,979	37,760	20,852,739

The accompanying notes 1 to 17 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 nine months period ended
(Unaudited)
(SAR'000)

	Note	September 30, 2015	September 30, 2014
<u>OPERATING ACTIVITIES</u>			
Net income for the period		2,370,737	2,247,648
Adjustments to reconcile net income for the period to net cash (used in)/from operating activities:			
Accretion of discounts on non-trading investments, net		(66,315)	(79,895)
Gains on non-trading investments, net		(54)	(333)
Dividend income		(43,166)	(39,846)
Depreciation and amortization		145,974	146,049
Loss/(gains) on disposal/sale of property and equipment, net		1,730	(6,882)
Share in earnings of associates, net		(30,985)	(23,008)
Impairment charges for investments, net		43,455	413
Impairment charges for credit losses, net		403,450	334,516
		2,824,826	2,578,662
Net (increase)/decrease in operating assets:			
Statutory deposit with SAMA		(661,947)	(278,206)
Investments held at FVIS		5,923	2,326
Loans and advances		(9,432,982)	(7,942,696)
Other assets		(703,967)	(430,200)
Net increase /(decrease) in operating liabilities:			
Due to banks and other financial institutions		(4,003,030)	1,935,745
Customers' deposits		2,890,383	8,320,168
Other liabilities		(186,816)	49,524
Net cash (used in)/from operating activities		(9,267,610)	4,235,323
<u>INVESTING ACTIVITIES</u>			
Proceeds from sale of and matured non-trading investments		16,745,086	12,393,154
Purchase of non-trading investments		(13,590,000)	(18,989,569)
Purchase of property and equipment		(589,190)	(206,896)
Proceeds from sale of property and equipment		268,320	24,372
Dividend received		43,166	39,846
Net cash from/(used in) investing activities		2,877,382	(6,739,093)
<u>FINANCING ACTIVITIES</u>			
Dividends paid, net of zakat		(993,702)	(869,184)
Acquisition of non-controlling interest		-	(71,619)
Net cash used in financing activities		(993,702)	(940,803)
Decrease in cash and cash equivalents		(7,383,930)	(3,444,573)
Cash and cash equivalents at the beginning of the period		16,748,786	11,807,064
Cash and cash equivalents at the end of the period	10	9,364,856	8,362,491
Special commission received during the period		3,205,229	2,924,417
Special commission paid during the period		(341,814)	(282,628)
<u>Supplemental non-cash information</u>			
Net changes in fair value of available-for-sale investments		(146,263)	345,537
Net changes in fair value of cash flow hedges		-	17,382

The accompanying notes 1 to 17 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 nine months period ended September 30, 2015 and 2014
(SAR'000)

1. General

Arab National Bank (a Saudi Joint Stock Company, the Bank) was formed pursuant to Royal Decree No. M/38 dated Rajab 18,1399H (corresponding to 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 (corresponding to January 19, 1980) through 152 branches (September 30, 2014: 154 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 closed joint stock company, registered in the Kingdom of Saudi Arabia under commercial registration No. 1010239908 issued on Shawwal 26, 1428 (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. On Muharram 19, 1436 (corresponding to November 12, 2014), the subsidiary changed its legal structure from a limited liability company to a closed joint stock company.

Arabian Heavy Equipment Leasing Company (AHEL)

A 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 I, 1430H (corresponding to May 10, 2009). The company is engaged in leasing of heavy equipment and operates in compliance with Shariah principles. The Bank started consolidating the subsidiary's financial statements effective May 10, 2009, the date the subsidiary started its operations. On May 6, 2014 the Bank increased its ownership percentage in this subsidiary from 62.5% to the current 87.5%.

Arab Insurance Agency

A Saudi limited liability company, established during 2013 as a wholly owned subsidiary, registered in the Kingdom of Saudi Arabia under commercial registration no. 1010396423 issued in Riyadh dated Muharram 28, 1435 (corresponding to December 1, 2013). The subsidiary obtained its license from the Saudi Arabian Monetary Agency (SAMA) to start its activities on 5 Jumada I, 1435 (corresponding to March 6, 2014).

Al-Manzil Al-Mubarak Real Estate Financing Ltd.

A wholly owned Saudi limited liability company, registered in the Kingdom of Saudi Arabia under the commercial registration no. 1010199647 issued in Riyadh dated 18 Jumada I, 1425. The subsidiary is engaged in the purchase, sale and lease of land and real estate for investment purposes.

ARAB NATIONAL BANK – Saudi Joint Stock Company
Notes To The Interim Condensed Consolidated Financial Statements (continued)
For the nine months period ended September 30, 2015 and 2014
(SAR'000)

2. Basis of preparation

These interim condensed consolidated financial statements are prepared in accordance with the Accounting Standards for Financial Institutions promulgated by SAMA and International Accounting Standard No. 34 – “Interim Financial Reporting”. 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 bylaws.

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, 2014.

The preparation of interim condensed consolidated financial statements requires management to make judgements, 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 judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended December 31, 2014.

These interim condensed consolidated financial statements are expressed in Saudi Arabian Riyals (SAR) and are rounded off to the nearest thousand, except if indicated otherwise.

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 year as that of the Bank, using consistent accounting policies. Adjustments have been made to the financial statements of the subsidiaries where necessary to align them with the Bank’s financial statements.

Subsidiaries are investees controlled by the Group. The Group 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 Group controls an investee if and only if the Group 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 Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- Contractual arrangements with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group’s voting rights and potential voting rights granted by equity instruments such as shares.

The Group 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 Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the interim consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

ARAB NATIONAL BANK – Saudi Joint Stock Company
Notes To The Interim Condensed Consolidated Financial Statements (continued)
For the nine months period ended September 30, 2015 and 2014
(SAR'000)

2. Basis of preparation (continued)

Basis of consolidation (continued)

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in Other Comprehensive Income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

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 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. 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.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Non-controlling interests are subsequently adjusted for their share of changes in equity of the consolidated subsidiary after the date of acquisition.

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

3. Significant Accounting policies

The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2014 except for the adoption of the following new standards mentioned below which have had no significant financial impact on the interim condensed consolidated financial statements of the Group:

- Amendments to IAS 19 applicable for annual periods beginning on or after July 1, 2014 is applicable to defined benefit plans involving contribution from employees and / or third parties. This provides relief, based on meeting certain criteria's, from the requirements proposed in the amendments of 2011 for attributing employee / third party contributions to periods of service under the plan benefit formula or on a straight line basis. The current amendment gives an option, if conditions satisfy, to reduce service cost in periods in which the related service is rendered.
- Annual improvements to IFRS 2010-2012 and 2011-2013 cycle applicable for annual periods beginning on or after July 1, 2014. A summary of the amendments is contained as under:
 - IFRS 8 – "Operating Segments" – has been amended to explicitly require disclosure of judgments made by management in applying aggregation criteria.
 - IFRS 13 – "Fair Value Measurement" – has been amended to clarify measurement of interest free short term receivables and payables at their invoiced amount without discounting, if the effect of discounting is immaterial. It has been further amended to clarify that the portfolio exception potentially applies to contracts in the scope of IAS 39 and IFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under IAS 32.
 - IAS 24 – "Related Party Disclosures" – the definition of a related party is extended to include a management entity, that provides key management personnel services to the reporting entity, either directly or indirectly.

ARAB NATIONAL BANK – Saudi Joint Stock Company
Notes To The Interim Condensed Consolidated Financial Statements (continued)
For the nine months period ended September 30, 2015 and 2014
(SAR'000)

3. Significant Accounting policies (continued)

IFRS 1 "First Time Adoption of IFRS"
 IFRS 2 "Share-based Payment"
 IFRS 3 "Business Combinations"
 IAS 16 "Property, Plant and Equipment and IAS 38 Intangible Assets"
 IAS 40 "Investment Property"

4. Investments, net

Investments are classified as follows:

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)	September 30, 2014 (Unaudited)
Held at fair value through income statement (FVIS)	8,612	14,535	15,117
Available for sale	11,284,413	10,893,705	11,185,953
Held at amortized cost, net	19,423,548	22,967,966	24,076,969
Total	30,716,573	33,876,206	35,278,039

5. Loans and advances, net

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

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)	September 30, 2014 (Unaudited)
Commercial loans and overdrafts	87,526,580	79,955,241	72,332,530
Consumer loans	26,231,112	24,734,820	24,498,526
Credit cards	420,658	324,725	323,208
Performing loans and advances	114,178,350	105,014,786	97,154,264
Non-performing loans and advances, net	1,209,482	1,095,184	1,100,648
Gross loans and advances	115,387,832	106,109,970	98,254,912
Impairment charges for credit losses, net	(2,640,903)	(2,385,954)	(2,209,998)
Loans and advances, net	112,746,929	103,724,016	96,044,914

6. Customers' deposits

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)	September 30, 2014 (Unaudited)
Demand	70,183,030	69,263,668	65,785,796
Time	58,276,136	54,616,700	45,893,506
Saving	109,673	98,923	101,015
Others	3,952,722	5,651,887	2,912,583
Total	132,521,561	129,631,178	114,692,900

ARAB NATIONAL BANK – Saudi Joint Stock Company
Notes To The Interim Condensed Consolidated Financial Statements (continued)
For the nine months period ended September 30, 2015 and 2014
(SAR'000)

7. Debt securities in issue

During the year ended December 31, 2006, the Bank issued USD 500 million, 10 year subordinated floating rate notes (the notes) under its USD 850 million Euro Medium Term Note program. The notes initially carried a special commission rate of Libor plus 83bps. The notes are non-convertible, unsecured and listed on the London stock exchange. These notes are callable after 5 years from their date of issuance. Effective October 31, 2011 and based on the step-up condition, the commission rate has been adjusted to Libor plus 133 bps. During the year ended December 31, 2009, USD 50 million was purchased from the secondary market and retired.

During the current quarter, the Bank decided to exercise its call option to early redeem 100% of principal amount of outstanding notes on 31 October 2015, together with the accrued interest there on till the option redemption date.

8. Derivatives

The table below sets out the positive and negative fair values of derivative financial instruments, together with their notional amounts, analysed by the term to maturity and monthly average. 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.

	September 30, 2015 (Unaudited)			December 31, 2014 (Audited)			September 30, 2014 (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
Held for trading:									
Commission rate swaps	49,737	39,234	7,193,939	35,763	30,053	7,564,282	94,444	88,292	8,693,125
Commission rate futures and options	11,381	9,943	2,261,370	15,975	14,129	2,273,382	19,466	17,483	2,274,332
Forward foreign exchange contracts	124,515	91,165	12,872,454	57,687	30,108	5,872,809	82,330	53,185	7,045,537
Currency options	91,518	83,608	16,771,700	44,204	43,979	20,970,262	10,046	6,673	22,582,444
Held as fair value hedges:									
Commission rate swaps	666	208,614	10,295,642	3,040	122,045	16,297,254	6,728	105,910	10,332,425
Held as cash flow hedges:									
Commission rate swaps	-	-	-	-	-	-	-	-	-
Total	277,817	432,564	49,395,105	156,669	240,314	52,977,989	213,014	271,543	50,927,863

Derivatives have been disclosed at gross amounts as at the date of the interim consolidated statement of financial position, and have not been netted off by cash margins amounting to SAR 224,096 thousand (December 31, 2014: SAR 77,454 thousand, and September 30, 2014: SAR 45,586 thousand).

9. Credit related commitments and contingencies

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

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)	September 30, 2014 (Unaudited)
Letters of credit	5,561,999	6,328,230	6,576,616
Letters of guarantee	26,287,595	25,743,488	25,025,040
Acceptances	2,294,810	2,097,684	1,876,819
Irrevocable commitments to extend credit	2,091,753	923,915	1,279,377
Other	117,035	631,681	136,556
Total	36,353,192	35,724,998	34,894,408

The unutilized portion of non-firm commitments as at September 30, 2015 which can be revoked unilaterally at any time by the Bank, amounts SAR 20,807 million (December 31, 2014: SAR 23,422 million and September 30, 2014: SAR 19,445 million).

ARAB NATIONAL BANK – Saudi Joint Stock Company
Notes To The Interim Condensed Consolidated Financial Statements (continued)
For the nine months period ended September 30, 2015 and 2014
(SAR'000)

10. Cash and cash equivalents

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

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)	September 30, 2014 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	7,163,183	14,813,161	7,009,153
Due from banks and other financial institutions maturing within ninety days of the acquisition date	2,201,673	1,935,625	1,353,338
Total	9,364,856	16,748,786	8,362,491

11. Operating segments

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

Transactions between the operating segments are reported as recorded in the Group's transfer pricing system. Segment assets and liabilities are mainly comprised of 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. The total assets, liabilities, commitments and results of operations of this branch are, however, not material to the Group's overall interim condensed consolidated financial statements.

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December 2014.

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 its funding, liquidity, currency and commission rate 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.

ARAB NATIONAL BANK – Saudi Joint Stock Company
Notes To The Interim Condensed Consolidated Financial Statements (continued)
For the nine months period ended September 30, 2015 and 2014
(SAR'000)

11. Operating segments (continued)

The Group's total interim consolidated assets and liabilities as at September 30, 2015 and 2014, its total interim consolidated operating income, expenses and net income for the nine months then ended, by operating segments, are as follows:

September 30, 2015 (Unaudited)	Retail banking	Corporate banking	Treasury banking	Investment and brokerage services	Other	Total
Total assets	38,901,010	80,466,611	42,058,635	294,863	3,142,079	164,863,198
Investments in associates	-	-	-	-	525,101	525,101
Total liabilities	70,293,102	64,574,178	7,145,996	45,717	895,139	142,954,132
Fees and commission income, net	396,356	448,081	7,941	98,875	82,609	1,033,862
Total operating income	1,797,703	1,733,807	652,948	100,203	190,762	4,475,423
Total operating expenses	1,313,340	591,447	111,649	57,810	61,425	2,135,671
Share in earnings of associates, net	-	-	-	-	30,985	30,985
Income attributed to non-controlling interest	-	-	-	-	(670)	(670)
Net income attributed to equity holders of the Bank	484,363	1,142,360	541,299	42,393	159,652	2,370,067
Impairment charges for credit losses, net	211,213	192,237	-	-	-	403,450
Depreciation and amortization	89,347	1,542	2,605	2,993	49,487	145,974

September 30, 2014 (Unaudited)	Retail banking	Corporate banking	Treasury banking	Investment and brokerage services	Other	Total
Total assets	36,005,060	65,612,344	45,138,433	58,336	3,124,133	149,938,306
Investments in associates	-	-	-	-	489,540	489,540
Total liabilities	63,465,333	53,189,960	11,392,439	38,316	999,519	129,085,567
Fees and commission income, net	298,314	458,863	19,078	94,401	68,328	938,984
Total operating income	1,620,877	1,520,828	679,546	99,118	139,404	4,059,773
Total operating expenses	1,149,856	523,986	65,911	53,674	41,706	1,835,133
Share in earnings of associates, net	-	-	-	-	23,008	23,008
Income attributed to non-controlling interest	-	-	-	-	(1,419)	(1,419)
Net income attributed to equity holders of the Bank	471,021	996,842	613,635	45,444	119,287	2,246,229
Impairment charges for credit losses, net	170,535	163,981	-	-	-	334,516
Depreciation and amortization	101,301	1,719	2,819	3,436	36,774	146,049

ARAB NATIONAL BANK – Saudi Joint Stock Company
Notes To The Interim Condensed Consolidated Financial Statements (continued)
For the nine months period ended September 30, 2015 and 2014
(SAR'000)

12. Share capital and earnings per share

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

On September 30, 2015, the Bank has 1,000 million shares of SAR 10 each issued and outstanding (December 31, 2014 and September 30, 2014: 1,000 million shares).

Basic and diluted earnings per share for the periods ended September 30, 2015 and 2014 are calculated by dividing net income for the period attributed to equity holders of the Bank by 1,000 million shares. The diluted earnings per share is the same as the basic earnings per share.

13. 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 where significant inputs are not based on observable market data.

September 30, 2015 (Unaudited)	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets designated at FVIS	-	8,612	-	8,612
Financial investments available for sale	9,175,857	1,779,248	329,308	11,284,413
Derivative financial instruments	-	277,817	-	277,817
Total	9,175,857	2,065,677	329,308	11,570,842
Financial Liabilities				
Derivative financial instruments	-	432,564	-	432,564
Total	-	432,564	-	432,564
September 30, 2014 (Unaudited)				
Financial assets				
Financial assets designated at FVIS	-	15,117	-	15,117
Financial investments available for sale	9,366,637	1,734,807	84,509	11,185,953
Derivative financial instruments	-	213,014	-	213,014
Total	9,366,637	1,962,938	84,509	11,414,084
Financial Liabilities				
Derivative financial instruments	-	271,543	-	271,543
Total	-	271,543	-	271,543

ARAB NATIONAL BANK – Saudi Joint Stock Company
Notes To The Interim Condensed Consolidated Financial Statements (continued)
For the nine months period ended September 30, 2015 and 2014
(SAR'000)

13. 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 value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

Derivatives classified as Level 2 comprise over the counter special commission rate swaps, currency swaps, special commission rate options, spot and forward foreign exchange contracts, currency options and other derivative financial instruments. These derivatives are fair valued using the Bank's proprietary valuation models that are based on discounted cash flow techniques. The data inputs to these models are based on observable market parameters relevant to the markets in which they are traded and are sourced from widely used market data service providers.

Available for sale investments classified as Level 2 include plain vanilla bonds for which market quotes are not available. These are fair valued using simple discounted cash flow techniques that use observable market data inputs for yield curves and credit spreads.

Available for sale investments classified as Level 3 include Private Equity Funds, the fair value of which is determined based on the fund's latest reported net asset value (NAV) as at the interim consolidated statement of financial position date. 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:

Financial investments designated as available for sale.

	September 30, 2015 (Unaudited)	September 30, 2014 (Unaudited)
Balance at the beginning of the period	89,594	95,601
Total gains/(losses) in other comprehensive income	7,101	(4,850)
Settlements	(9,387)	(8,727)
Purchases	242,000	2,485
Balance at the end of the period	329,308	84,509

The fair values of on-interim consolidated statement of financial position financial instruments, except for other investments held 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 and other financial institutions 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 and other financial institutions. Further, an active market for these instruments is not available and the Bank intends to realize the carrying value of these financial instruments through settlement with the counter party at maturity.

The estimated fair values of other investments held at amortized cost are based on quoted market prices where 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 19.3 billion at September 30, 2015 (September 30, 2014: SAR 24.2 billion).

The fair values of derivatives and other off-interim consolidated statement of financial position financial instruments are based on quoted market prices where available or appropriate valuation techniques. The total amount of the changes in fair value recognized in the interim consolidated statement of income, which was estimated using valuation technique at September 30, 2015, is SAR 155 million (September 30, 2014: SAR 59 million).

ARAB NATIONAL BANK – Saudi Joint Stock Company
Notes To The Interim Condensed Consolidated Financial Statements (continued)
For the nine months period ended September 30, 2015 and 2014
(SAR'000)

14. Interim Dividends

The Board of Directors has approved an interim dividend of SAR 450 million for distribution to the shareholders from the net income for the period ended 30 September 2015 (period ended 30 September 2014: SAR 450 million). This interim dividend resulted in a payment to the shareholders of SAR 0.45 per share, net (2014: 0.45 per share, net).

15. 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 interim condensed consolidated statement of financial position assets, commitments and notional amount of derivatives at a weighted amount to reflect their relative risks.

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

	September 30, 2015 (Unaudited)	September 30, 2014 (Unaudited)
Credit Risk RWA	139,930,605	124,471,287
Operational Risk RWA	11,751,696	10,718,207
Market Risk RWA	567,494	1,101,352
Total Pillar-I RWA	152,249,795	136,290,846
Tier I Capital	21,869,950	20,814,979
Tier II Capital	835,682	1,259,023
Total Tier I & II Capital	22,705,632	22,074,002
Capital Adequacy Ratio %		
Tier I ratio	14.36%	15.27%
Tier I + Tier II ratio	14.91%	16.20%

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 SAMA in supervising the Bank.

16. Post Interim Consolidated Statement of Financial Position Event

On October 7, 2015 the Bank has completed the issuance of SAR 2 billion, 10 year subordinated and unsecured Tier II Capital (Sukuk), callable in 5 years. These Sukuk carry a special commission rate of SIBOR plus 140 bps.

17. Disclosures under BASEL III framework (unaudited / unreviewed)

Certain qualitative and quantitative disclosures are required under the Basel III framework. These disclosures will be made available on the Bank's website www.anb.com.sa within prescribed time as required by SAMA. Such disclosures are not subject to audit or review by the external auditors of the Bank.