

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

As at	Note	March 31, 2011 (Unaudited) SAR'000	December 31, 2010 (Audited) SAR'000	March 31, 2010 (Unaudited) SAR'000
ASSETS				
Cash and balances with SAMA		17,032,769	11,997,395	8,824,937
Due from banks and other financial institutions		1,539,331	1,380,666	3,369,564
Investments, net	4	30,757,397	32,841,033	28,103,476
Loans and advances, net		67,319,980	66,202,951	65,444,120
Investment in an associate		330,761	327,249	316,390
Other real estate		96,463	100,263	100,992
Property and equipment, net		1,238,908	1,260,752	1,223,016
Other assets		2,171,468	1,924,456	2,674,807
Total assets		120,487,077	116,034,765	110,057,302
LIABILITIES AND EQUITY				
Liabilities				
Due to banks and other financial institutions		11,932,095	12,096,804	12,027,491
Customers' deposits		88,482,949	84,198,613	77,651,412
Other liabilities		3,145,617	2,655,164	4,098,028
Debt securities in issue		1,687,500	1,687,500	1,687,500
Total liabilities		105,248,161	100,638,081	95,464,431
Equity attributed to equity holders of the Bank				
Share capital	9	8,500,000	6,500,000	6,500,000
Statutory reserve		5,480,000	5,480,000	5,000,000
Other reserves		(140,492)	(44,866)	84,741
Retained earnings		1,293,039	2,705,637	2,899,322
Proposed Dividend		-	650,000	-
Total equity attributed to equity holders of the Bank		15,132,547	15,290,771	14,484,063
Non-controlling interest		106,369	105,913	108,808
Total equity		15,238,916	15,396,684	14,592,871
Total liabilities and equity		120,487,077	116,034,765	110,057,302

The accompanying notes 1 to 10 form an integral part of these interim condensed consolidated financial statements.

ARAB NATIONAL BANK – Saudi Joint Stock Company
INTERIM CONSOLIDATED INCOME STATEMENT
For the three months ended
(Unaudited)

	Note	March 31, 2011 SAR'000	March 31, 2010 SAR'000
Special commission income		872,417	888,860
Special commission expense		<u>78,337</u>	<u>85,817</u>
Net special commission income		794,080	803,043
Fees and commission income, net		181,776	136,188
Exchange income, net		79,586	72,923
(Loss) gain from FVIS financial instruments, net		(514)	3,234
Trading income, net		25,799	6,839
Dividend income		11,984	13,052
(Loss) gain of non-trading investments, net		(8,641)	55,247
Other operating income		<u>29,980</u>	<u>34,173</u>
Total operating income		<u>1,114,050</u>	<u>1,124,699</u>
Salaries and employee related expenses		287,053	221,580
Rent and premises related expenses		29,475	30,335
Depreciation and amortization		48,257	51,410
Other general and administrative expenses		96,891	93,267
Provision for credit losses, net		<u>68,027</u>	<u>96,856</u>
Total operating expenses		<u>529,703</u>	<u>493,448</u>
Net operating income		<u>584,347</u>	<u>631,251</u>
Share in earnings of an associate		<u>3,511</u>	<u>1,741</u>
Net income for the period		587,858	632,992
(Income) loss attributed to non-controlling interest		<u>(456)</u>	<u>692</u>
Net income attributed to equity holders of the Bank		<u><u>587,402</u></u>	<u><u>633,684</u></u>
Basic and fully diluted earnings (in SAR per share)	9	<u>0.69</u>	<u>0.75</u>

The accompanying notes 1 to 10 form an integral part of these interim condensed consolidated financial statements.

ARAB NATIONAL BANK – Saudi Joint Stock Company
INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the three months ended
(Unaudited)

	March 31, 2011 <u>SAR' 000</u>	March 31, 2010 <u>SAR' 000</u>
Net income for the period	<u>587,402</u>	<u>633,684</u>
Other comprehensive income:		
Available for sale financial assets		
- Net change in fair value	(107,526)	190,107
- Transfer to interim consolidated income statement	8,642	(100,765)
Cash flows hedges		
- Net change in fair value	20,077	46,462
- Transfer to interim consolidated income statement	<u>(16,819)</u>	<u>(4,192)</u>
	<u>(95,626)</u>	<u>131,612</u>
Total comprehensive income for the period	<u><u>491,776</u></u>	<u><u>765,296</u></u>
Attributable to:		
Equity holders of the Bank	491,320	765,988
Non-controlling interest	<u>456</u>	<u>(692)</u>
Total comprehensive income for the period	<u><u>491,776</u></u>	<u><u>765,296</u></u>

The accompanying notes 1 to 10 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 three months ended March 31, 2011 and 2010
(Unaudited)

Attributable to equity holders of the Bank

	Share capital SAR' 000	Statutory reserve SAR' 000	Other reserves SAR' 000	Retained earnings SAR' 000	Proposed Dividend SAR' 000	Total SAR' 000	Non- controlling interest SAR' 000	Total Equity SAR' 000
<u>2011</u>								
Balance at the beginning of the period	6,500,000	5,480,000	(44,866)	2,705,637	650,000	15,290,771	105,913	15,396,684
Net changes in fair value of cash flow hedges			20,077	-	-	20,077	-	20,077
Net changes in fair values of available for sale investments			(107,526)	-	-	(107,526)	-	(107,526)
Transfers to interim consolidated income statement			(8,177)	-	-	(8,177)	-	(8,177)
Net expense recognized directly in equity			(95,626)	-	-	(95,626)	-	(95,626)
Net income for the period			-	587,402	-	587,402	456	587,858
Total recognized (expense) income for the period			(95,626)	587,402	-	491,776	456	492,232
Bonus share issue	2,000,000	-	-	(2,000,000)	-	-	-	-
2010 final Dividend	-	-	-	-	(650,000)	(650,000)	-	(650,000)
Balance at the end of the period	<u>8,500,000</u>	<u>5,480,000</u>	<u>(140,492)</u>	<u>1,293,039</u>	<u>-</u>	<u>15,132,547</u>	<u>106,369</u>	<u>15,238,916</u>
<u>2010</u>								
Balance at the beginning of the period	6,500,000	5,000,000	(46,871)	2,265,638	650,000	14,368,767	109,500	14,478,267
Net changes in fair value of cash flow hedges			46,462	-	-	46,462	-	46,462
Net changes in fair values of available for sale investments			190,107	-	-	190,107	-	190,107
Transfers to interim consolidated income statement			(104,957)	-	-	(104,957)	-	(104,957)
Net income recognized directly in equity			131,612	-	-	131,612	-	131,612
Net income for the period			-	633,684	-	633,684	(692)	632,992
Total recognized income (expense) for the period			131,612	633,684	-	765,296	(692)	764,604
2009 final dividend	-	-	-	-	(650,000)	(650,000)	-	(650,000)
Balance at the end of the period	<u>6,500,000</u>	<u>5,000,000</u>	<u>84,741</u>	<u>2,899,322</u>	<u>-</u>	<u>14,484,063</u>	<u>108,808</u>	<u>14,592,871</u>

The accompanying notes 1 to 10 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 three months ended
(Unaudited)

	March 31, 2011 <u>SAR'000</u>	March 31, 2010 <u>SAR'000</u>
<u>OPERATING ACTIVITIES</u>	<u>Note</u>	
Net income for the period	587,858	632,992
Adjustments to reconcile net income to net cash from operating activities		
(Amortization of premium) accretion of discounts on non-trading investments, net	(7,549)	19,281
Losses (gains) on non-trading investments, net	8,641	(55,247)
Depreciation and amortization	48,257	51,410
Gains on disposal of property and equipment, net	(5,873)	(10)
Share in gains of an associate	(3,511)	(1,741)
Provision for credit losses, net	68,027	96,856
	<u>695,850</u>	<u>743,541</u>
Net (increase) decrease in operating assets:		
Statutory deposit with SAMA	(264,643)	12,154
Due from banks and other financial institutions maturing after three months of the acquisition date	75,457	1,492,187
Loans and advances	(1,184,706)	1,266,369
Other assets	(295,023)	(64,630)
Other real estate	3,800	-
Net increase (decrease) in operating liabilities:		
Due to banks and other financial institutions	(164,709)	3,313,263
Customers' deposits	4,284,336	(5,028,828)
Other liabilities	(91,225)	99,466
Net cash from operating activities	<u>3,059,137</u>	<u>1,833,522</u>
<u>INVESTING ACTIVITIES</u>		
Proceeds from sale of and matured non-trading investments	31,893,523	12,205,242
Purchase of non-trading investments	(29,927,084)	(16,844,873)
Purchase of property and equipment	(31,372)	(34,762)
Proceeds from sale of property and equipment	10,832	27
Net cash from (used in) investing activities	<u>1,945,899</u>	<u>(4,674,366)</u>
<u>FINANCING ACTIVITIES</u>		
Dividends paid	(184)	(192)
Net cash used in financing activities	<u>(184)</u>	<u>(192)</u>
Increase (decrease) in cash and cash equivalents	5,004,852	(2,841,036)
Cash and cash equivalents at the beginning of the period	<u>9,162,764</u>	<u>10,819,049</u>
Cash and cash equivalents at the end of the period	7 <u>14,167,616</u>	<u>7,978,013</u>
Special commission received during the period	942,476	976,643
Special commission paid during the period	<u>(56,599)</u>	<u>(59,558)</u>
<u>Supplemental non-cash information</u>		
Net changes in fair value and transfers to interim consolidated income statement	<u>(87,449)</u>	<u>232,377</u>

The accompanying notes 1 to 10 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 three months ended March 31, 2011 and 2010
(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 (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 140 branches (2010: 140 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-interest 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 26 Shawal 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)

A 62.5% 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.

2. Basis of preparation

These interim condensed consolidated financial statements are prepared in accordance with Accounting Standards for Financial Institutions promulgated by the Saudi Arabian Monetary Agency (SAMA) and IAS 34 – Interim Financial Reporting. The Bank also 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 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, 2010.

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

2. Basis of preparation (continued)

Basis of consolidation

The interim condensed consolidated financial statements comprise the interim condensed financial statements of "Arab National Bank" and its subsidiaries, ANB Invest and AHEL (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 to align them with the Bank's financial statements.

Subsidiaries are all entities over which the Bank has the power to govern the financial and operating policies, so as to obtain benefits from their activities, generally accompanying an ownership interest of more than one half of the voting rights.

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

Non controlling interests represent the portion of net income and net assets not owned, directly or indirectly, by the Bank in its subsidiary and are presented separately in the interim consolidated income statement and within equity in the interim consolidated statement of financial position, separately from parent shareholders' equity.

Balances and any unrealised gains and losses arising from transactions between the Bank and its subsidiaries are eliminated in preparing the interim condensed consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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, 2010 except for the adoption of following amendments and revisions to existing standards mentioned below which has had no financial impact on the interim condensed consolidated financial statements of the Group:

- *IAS 24 Related Party Disclosures (revised 2009)*

The revised IAS 24 Related Party Disclosures amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities

- *Improvements to IFRSs 2010 – IAS 1 Presentation of Financial Statements*

IAS 1 is amended to clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income also is required to be presented either in the statement of changes in equity or in the notes.

ARAB NATIONAL BANK – Saudi Joint Stock Company
Notes To The Interim Condensed Consolidated Financial Statements (Continued)
For the three months ended March 31, 2011 and 2010

4. Investments, net

Investments are classified as follows:

	March 31, 2011 (Unaudited)	December 31, 2010 (Audited)	March 31, 2010 (Unaudited)
Held at fair value through income statement	163,334	1,286,730	191,042
Available for sale	20,243,131	18,050,950	16,739,714
Held to maturity	-	-	421,148
Other investments held at amortized cost, net	10,350,932	13,503,353	10,751,572
Total	30,757,397	32,841,033	28,103,476

5. 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.

	March 31, 2011 (Unaudited)			December 31, 2010 (Audited)			March 31, 2010 (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
Derivatives held for trading:									
Commission rate swaps	170,952	157,048	10,457,999	206,348	189,648	12,705,460	208,278	188,524	14,225,821
Commission rate futures and options				-	-	-	1,033	1,047	907,266
Forward foreign exchange contracts	129,770	99,870	10,018,837	150,375	107,094	14,189,189	694,193	664,080	12,847,084
Currency options	8,824	8,938	4,894,174	3,938	8,611	1,023,335	2,304	2,087	128,279
Derivatives held as fair value hedges:									
Commission rate swaps	-	150,947	4,459,305	-	162,491	4,597,558	-	134,950	2,918,706
Derivatives held as cash flow hedges:									
Commission rate swaps	6,615	2,958	3,401,250	-	399	56,250	4,393	-	425,000
Total	316,161	419,761	33,231,565	360,661	468,243	32,571,792	910,201	990,688	31,452,156

6. Credit related commitments and contingencies

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

	March 31, 2011 (Unaudited)	December 31, 2010 (Audited)	March 31, 2010 (Unaudited)
Letters of credit	4,920,100	5,034,121	5,278,687
Letters of guarantee	18,186,449	16,996,550	15,413,045
Acceptances	2,390,539	1,413,799	1,515,147
Irrevocable commitments to extend credit	2,182,075	3,026,981	2,183,584
Other	277,796	275,085	275,082
Total	<u>27,956,959</u>	<u>26,746,536</u>	<u>24,665,545</u>

7. Cash and cash equivalents

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

	March 31, 2011 (Unaudited)	December 31, 2010 (Audited)	March 31, 2010 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	12,628,286	7,857,555	4,845,637
Due from banks and other financial institutions maturing within 3 months of the acquisition date	1,539,330	1,305,209	3,132,376
Total	<u>14,167,616</u>	<u>9,162,764</u>	<u>7,978,013</u>

8. Operating segments

The Group's primary business is conducted in the Kingdom of Saudi Arabia with one international branch located in London, UK (the "branch"). However, the total assets, liabilities, commitments and results of operations of the branch are not material to the Group's overall interim condensed consolidated financial statements. All operating segments used by the Group meet the definition of reportable segments under IFRS 8.

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

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, 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.

ARAB NATIONAL BANK – Saudi Joint Stock Company
Notes To The Interim Condensed Consolidated Financial Statements (Continued)
For the three months ended March 31, 2011 and 2010

8. Operating segments (continued)

The Group's total interim consolidated assets and liabilities as at March 31, 2011 and 2010, its total interim consolidated operating income, expenses and net income and other related information for the three month periods then ended, by business segments, as reported to senior management, are as follows:

March 31, 2011 (Unaudited)	Retail banking	Corporate banking	Treasury banking	Investment and brokerage services	Other	Total
Total assets	25,597,920	45,404,082	46,746,362	36,765	2,701,948	120,487,077
Total liabilities	51,484,233	39,571,030	13,941,331	39,529	212,038	105,248,161
Total operating income	542,936	353,613	87,723	31,532	98,246	1,114,050
Total operating expenses	370,333	102,270	21,377	22,706	13,017	529,703
Share in earnings of an associate	-	-	-	-	3,511	3,511
Income attributed to Non-controlling interest	-	-	-	-	456	456
Net income for the period	172,603	251,343	66,346	8,826	88,284	587,402
Provision for credit losses, net	41,697	26,330	-	-	-	68,027
Depreciation and amortization	26,637	584	643	1,513	18,880	48,257
March 31, 2010 (Unaudited)	Retail banking	Corporate banking	Treasury banking	Investment and brokerage services	Other	Total
Total assets	23,812,540	45,096,035	38,925,623	86,222	2,136,882	110,057,302
Total liabilities	41,439,084	38,961,058	14,370,508	24,641	669,140	95,464,431
Total operating income	526,504	305,456	125,199	20,222	147,318	1,124,699
Total operating expenses	280,445	172,446	17,129	18,777	4,651	493,448
Share in earnings of an associate	-	-	-	-	1,741	1,741
Loss attributed to Non-Controlling interest	-	-	-	-	692	692
Net income for the period	246,059	133,010	108,070	1,445	145,100	633,684
Provision for credit losses, net	(19,009)	115,865	-	-	-	96,856
Depreciation and amortization	27,970	585	325	1,874	20,656	51,410

9. Share capital and earnings per share

During the period ended March 31, 2011; 200 million shares of SAR 10 each were issued after approval by the shareholders at their extraordinary general assembly meeting held on March 27, 2011. Consequently at March 31, 2011, the Bank has 850 million shares issued and outstanding.

Basic and diluted earnings per share for the periods ended March 31, 2011 and 2010 are calculated by dividing the net income for the periods by 850 million shares to give a retroactive effect of the change in the number of shares as a result of the 2011 bonus share issue.

10. Capital Adequacy

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.

Capital Adequacy Ratios				
Particulars	Total capital ratio	Tier 1 capital ratio	Total capital ratio	Tier 1 capital ratio
	%	%	%	%
	March 31, 2011 (Unaudited)		March 31, 2010 (Unaudited)	
Top consolidated level	17.06	14.65	17.09	14.48