

**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 March 31, 2012, the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended and the notes from (1) to (12) for the three month period then ended. The Bank's management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with applicable Accounting Standards for Financial Institutions and certain capital adequacy disclosure requirements issued by the Saudi Arabian Monetary Agency ("SAMA") and with International Accounting Standard No. 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

**Scope of Review**

We conducted our review in accordance with generally accepted standards in the Kingdom of Saudi Arabia applicable to review engagements and with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with applicable Accounting Standards for Financial Institutions issued by SAMA and with International Accounting Standard No. 34.

**Other Regulatory Matters**

As required by SAMA, certain capital adequacy information has been disclosed in note (12) of the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note (12) to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

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19 Jumada Awal 1433H  
(11 April 2012)

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

As at	Note	March 31, 2012 (Unaudited) SAR'000	December 31, 2011 (Audited) SAR'000	March 31, 2011 (Unaudited) SAR'000
<b>ASSETS</b>				
Cash and balances with SAMA		11,073,243	13,352,854	17,032,769
Due from banks and other financial institutions		2,785,859	1,572,239	1,539,331
Investments, net	4	32,403,705	26,082,198	30,757,397
Loans and advances, net	5	75,570,162	72,843,770	67,319,980
Investment in associates		406,243	349,417	330,761
Other real estate		319,209	168,009	96,463
Property and equipment, net		1,333,935	1,283,565	1,238,908
Other assets		1,523,798	1,922,253	2,171,468
<b>Total assets</b>		<b>125,416,154</b>	<b>117,574,305</b>	<b>120,487,077</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
Due to banks and other financial institutions		13,123,597	8,824,461	11,932,095
Customers' deposits	6	90,692,626	87,858,815	88,482,949
Other liabilities		3,185,026	2,474,004	3,145,617
Debt securities in issue		1,687,500	1,687,500	1,687,500
<b>Total liabilities</b>		<b>108,688,749</b>	<b>100,844,780</b>	<b>105,248,161</b>
<b>Equity attributed to equity holders of the Bank</b>				
Share capital	11	8,500,000	8,500,000	8,500,000
Statutory reserve		6,030,000	6,030,000	5,480,000
Other reserves		369,675	177,620	(140,492)
Retained earnings		1,721,952	1,066,440	1,293,039
Proposed dividend		-	850,000	-
<b>Total equity attributed to equity holders of the Bank</b>		<b>16,621,627</b>	<b>16,624,060</b>	<b>15,132,547</b>
Non-controlling interest		105,778	105,465	106,369
<b>Total equity</b>		<b>16,727,405</b>	<b>16,729,525</b>	<b>15,238,916</b>
<b>Total liabilities and equity</b>		<b>125,416,154</b>	<b>117,574,305</b>	<b>120,487,077</b>

The accompanying notes 1 to 12 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, 2012 SAR'000	March 31, 2011 SAR'000
Special commission income		886,516	872,417
Special commission expense		113,780	78,337
<b>Net special commission income</b>		<b>772,736</b>	794,080
Fees and commission income, net		237,098	181,776
Exchange income, net		51,997	79,586
Loss from FVIS financial instruments, net		(1,980)	(514)
Trading income, net		42,424	25,799
Dividend income		12,971	11,984
Gain (loss) and impairment of non-trading investments, net		48,912	(8,641)
Other operating income		31,528	29,980
<b>Total operating income</b>		<b>1,195,686</b>	1,114,050
Salaries and employee related expenses		259,464	287,053
Rent and premises related expenses		31,042	29,475
Depreciation and amortization		45,481	48,257
Other general and administrative expenses		118,279	96,891
Provision for credit losses, net		89,921	68,027
<b>Total operating expenses</b>		<b>544,187</b>	529,703
<b>Net operating income</b>		<b>651,499</b>	584,347
Share in earnings of an associate		4,326	3,511
<b>Net income for the period</b>		<b>655,825</b>	587,858
Income attributed to non-controlling interest		(313)	(456)
<b>Net income attributed to equity holders of the Bank</b>		<b>655,512</b>	587,402
<b>Basic and fully diluted earnings (in SAR per share)</b>	11	<b>0.77</b>	0.69

The accompanying notes 1 to 12 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)**

	<u>March 31, 2012</u> SAR' 000	<u>March 31, 2011</u> SAR' 000
<b>Net income for the period</b>	<u>655,825</u>	<u>587,858</u>
<b>Other comprehensive income:</b>		
<b>Available for sale financial assets</b>		
- Net change in fair value	237,474	(107,526)
- Transfers to interim consolidated income statement	(46,362)	8,642
<b>Cash flows hedges</b>		
- Net change in fair value	10,625	20,077
- Transfers to interim consolidated income statement	<u>(9,682)</u>	<u>(16,819)</u>
	<u>192,055</u>	<u>(95,626)</u>
<b>Total comprehensive income for the period</b>	<u>847,880</u>	<u>492,232</u>
<b>Attributable to:</b>		
Equity holders of the Bank	847,567	491,776
Non-controlling interest	<u>313</u>	<u>456</u>
<b>Total comprehensive income for the period</b>	<u>847,880</u>	<u>492,232</u>

The accompanying notes 1 to 12 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, 2012 and 2011**  
**(Unaudited)**

**Attributable to equity holders of the Bank**

<b>2012</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 dividend SAR' 000</b>	<b>Total SAR' 000</b>	<b>Non-controlling interest SAR' 000</b>	<b>Total equity SAR' 000</b>
Balance at the beginning of the period		8,500,000	6,030,000	177,620	1,066,440	850,000	16,624,060	105,465	16,729,525
Net changes in fair value of cash flow hedges				10,625	-	-	10,625	-	10,625
Net changes in fair values of available for sale investments				237,474	-	-	237,474	-	237,474
Transfers to interim consolidated income statement				(56,044)	-	-	(56,044)	-	(56,044)
Net comprehensive income for the period				192,055	-	-	192,055	-	192,055
Net income for the period				-	655,512	-	655,512	313	655,825
Total comprehensive income for the period				192,055	655,512	-	847,567	313	847,880
2011 final Dividend				-	-	(850,000)	(850,000)	-	(850,000)
<b>Balance at the end of the period</b>		<b>8,500,000</b>	<b>6,030,000</b>	<b>369,675</b>	<b>1,721,952</b>	<b>-</b>	<b>16,621,627</b>	<b>105,778</b>	<b>16,727,405</b>

**Attributable to equity holders of the Bank**

<b>2011</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 dividend SAR' 000</b>	<b>Total SAR' 000</b>	<b>Non-controlling interest SAR' 000</b>	<b>Total equity SAR' 000</b>
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 comprehensive expense for the period				(95,626)	-	-	(95,626)	-	(95,626)
Net income for the period				-	587,402	-	587,402	456	587,858
Total comprehensive (expense) income for the period				(95,626)	587,402	-	491,776	456	492,232
Bonus share issue	11	2,000,000	-	-	(2,000,000)	-	-	-	-
2010 final dividend		-	-	-	-	(650,000)	(650,000)	-	(650,000)
<b>Balance at the end of the period</b>		<b>8,500,000</b>	<b>5,480,000</b>	<b>(140,492)</b>	<b>1,293,039</b>	<b>-</b>	<b>15,132,547</b>	<b>106,369</b>	<b>15,238,916</b>

The accompanying notes 1 to 12 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)**

	<u>March 31, 2012</u> SAR'000	<u>March 31, 2011</u> SAR'000
<b><u>OPERATING ACTIVITIES</u></b>	<b><u>Note</u></b>	
<b>Net income for the period</b>	<b>655,825</b>	587,858
<b>Adjustments to reconcile net income to net cash from operating activities</b>		
Accretion of discounts on non-trading investments, net	(9,759)	(7,549)
(Gain) loss and impairment on non-trading investments, net	(48,912)	8,641
Depreciation and amortization	45,481	48,257
Gains on disposal of property and equipment, net	(44)	(5,873)
Share in earnings of an associate	(4,326)	(3,511)
Provision for credit losses, net	89,921	68,027
	<u>728,186</u>	<u>695,850</u>
<b>Net (increase) decrease in operating assets:</b>		
Statutory deposit with SAMA	(407,769)	(264,643)
Due from banks and other financial institutions maturing after three months of the acquisition date	-	75,457
Investments held at FVIS	5,153	1,123,396
Loans and advances	(2,817,028)	(1,184,706)
Other assets	366,041	(295,023)
Other real estate	(151,200)	3,800
<b>Net increase (decrease) in operating liabilities:</b>		
Due to banks and other financial institutions	4,299,137	(164,709)
Customers' deposits	2,833,811	4,284,336
Other liabilities	(91,997)	(91,225)
<b>Net cash from operating activities</b>	<u>4,764,334</u>	<u>4,182,533</u>
<b><u>INVESTING ACTIVITIES</u></b>		
Proceeds from sale of and matured non-trading investments	31,271,022	14,166,312
Purchase of non-trading investments	(37,360,544)	(13,323,269)
Investment in associates	(52,500)	-
Purchase of property and equipment	(95,869)	(31,372)
Proceeds from sale of property and equipment	62	10,832
<b>Net cash (used in) from investing activities</b>	<u>(6,237,829)</u>	<u>822,503</u>
<b><u>FINANCING ACTIVITIES</u></b>		
Dividends paid	(264)	(184)
<b>Net cash used in financing activities</b>	<u>(264)</u>	<u>(184)</u>
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(1,473,759)</b>	5,004,852
Cash and cash equivalents at the beginning of the period	<u>10,241,180</u>	<u>9,162,764</u>
<b>Cash and cash equivalents at the end of the period</b>	<u>9</u> <u>8,767,421</u>	<u>14,167,616</u>
Special commission received during the period	934,807	942,476
Special commission paid during the period	(86,579)	(56,599)
<b><u>Supplemental non-cash information</u></b>		
Net change in fair value	<u>248,099</u>	<u>(87,449)</u>

The accompanying notes 1 to 12 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, 2012 and 2011**  
**(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 142 branches (2011: 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 the 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 provisions of 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, 2011.

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

**ARAB NATIONAL BANK – Saudi Joint Stock Company**  
**Notes To The Interim Condensed Consolidated Financial Statements (Continued)**  
**For the three months ended March 31, 2012 and 2011**  
**(SAR'000)**

**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 period as that of the Bank, using consistent accounting policies.

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 period, 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, 2011 except for the adoption of amendments to "IFRS 7 - Financial instruments: Transfers of financial assets" which had no significant financial impact on the interim condensed financial statements of the Group.

The Bank has chosen not to early adopt the following standards, which are effective for the Banks 2013 financial reporting year.

- |                                   |              |   |
|-----------------------------------|--------------|---|
| • IAS 1                           | Amendments   | - Presentation of items of other comprehensive income     |
| • IFRS 10                         |              | - Consolidated financial statements                       |
| • IFRS 12                         |              | - Disclosure of interests in other entities               |
| • IFRS 13                         |              | - Fair value measurement                                  |
| • IAS 19                          | Revised 2011 | - Employee benefits                                       |
| • IAS 28                          | Revised 2011 | - Investments in associates and joint ventures            |
| • IAS 27                          |              | - Separate financial statements                           |
| • Amendments to IAS 32 and IFRS 7 |              | - Financial instruments on asset and liability offsetting |

In addition to the above, the Group has currently chosen not to adopt IFRS 9 (2010) – Financial instruments, which has been published, but will not be effective until January 1, 2015.

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 three months ended March 31, 2012 and 2011**  
**(SAR'000)**

**4. Investments, net**

Investments are classified as follows:

	<b>March 31, 2012</b> <b>(Unaudited)</b>	December 31, 2011 <b>(Audited)</b>	March 31, 2011 <b>(Unaudited)</b>
Held at fair value through income statement (FVIS)	<b>79,169</b>	84,322	163,334
Available for sale	<b>14,857,880</b>	10,972,464	20,243,131
Other investments held at amortized cost, net	<b>17,466,656</b>	15,025,412	10,350,932
<b>Total</b>	<b>32,403,705</b>	26,082,198	30,757,397

**5. Loans and advances, net**

Loans and advances comprise the following:

	<b>March 31, 2012</b> <b>(Unaudited)</b>	December 31, 2011 <b>(Audited)</b>	March 31, 2011 <b>(Unaudited)</b>
Commercial loans and overdrafts	<b>55,364,604</b>	53,195,837	48,670,922
Consumer loans	<b>20,731,795</b>	19,974,729	18,185,024
Credit cards	<b>458,558</b>	493,625	608,911
Performing loans and advances	<b>76,554,957</b>	73,664,191	67,464,857
Non-performing loans and advances, net	<b>1,670,424</b>	1,784,476	2,059,248
Gross loans and advances	<b>78,225,381</b>	75,448,667	69,524,105
Provision for credit losses, net	<b>(2,655,219)</b>	(2,604,897)	(2,204,125)
<b>Loans and advances, net</b>	<b>75,570,162</b>	72,843,770	67,319,980

**6. Customers' deposits**

	<b>March 31, 2012</b> <b>(Unaudited)</b>	December 31, 2011 <b>(Audited)</b>	March 31, 2011 <b>(Unaudited)</b>
Demand	<b>49,681,069</b>	46,524,569	50,419,796
Time	<b>38,450,832</b>	38,032,054	35,252,808
Saving	<b>106,916</b>	105,533	107,913
Others	<b>2,453,809</b>	3,196,659	2,702,432
<b>Total</b>	<b>90,692,626</b>	87,858,815	88,482,949

**ARAB NATIONAL BANK – Saudi Joint Stock Company**  
**Notes To The Interim Condensed Consolidated Financial Statements (Continued)**  
**For the three months ended March 31, 2012 and 2011**  
**(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.

	March 31, 2012 (Unaudited)			December 31, 2011 (Audited)			March 31, 2011 (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	80,271	73,792	4,493,636	111,409	102,394	7,044,639	170,952	157,048	10,457,999
Commission rate futures and options				-	-	37,500			
Forward foreign exchange contracts	84,200	46,745	8,528,496	90,713	60,122	10,161,226	129,770	99,870	10,018,837
Currency options	11,862	6,422	7,143,273	10,058	5,115	3,618,975	8,824	8,938	4,894,174
<b>Derivatives held as fair value hedges:</b>									
Commission rate swaps	353	140,003	3,520,004	653	147,672	4,183,646	-	150,947	4,459,305
<b>Derivatives held as cash flow hedges:</b>									
Commission rate swaps	25,820	7,478	4,188,750	23,031	5,798	1,957,500	6,615	2,958	3,401,250
<b>Total</b>	<b>202,506</b>	<b>274,440</b>	<b>27,874,159</b>	<b>235,864</b>	<b>321,101</b>	<b>27,003,486</b>	<b>316,161</b>	<b>419,761</b>	<b>33,231,565</b>

**8. Credit related commitments and contingencies**

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

	March 31, 2012 (Unaudited)	December 31, 2011 (Audited)	March 31, 2011 (Unaudited)
Letters of credit	6,484,568	5,509,306	4,920,100
Letters of guarantee	20,737,879	19,609,187	18,186,449
Acceptances	2,537,298	2,962,509	2,390,539
Irrevocable commitments to extend credit	1,477,723	3,538,178	2,182,075
Other	275,084	275,084	277,796
<b>Total</b>	<b>31,512,552</b>	<b>31,894,264</b>	<b>27,956,959</b>

**ARAB NATIONAL BANK – Saudi Joint Stock Company**  
**Notes To The Interim Condensed Consolidated Financial Statements (Continued)**  
**For the three months ended March 31, 2012 and 2011**  
**(SAR'000)**

**9. Cash and cash equivalents**

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

	<b>March 31, 2012</b> <b>(Unaudited)</b>	December 31, 2011 <b>(Audited)</b>	March 31, 2011 <b>(Unaudited)</b>
Cash and balances with SAMA excluding statutory deposit	<b>6,019,062</b>	8,706,441	12,628,286
Due from banks and other financial institutions maturing within 3 months of the acquisition date	<b>2,748,359</b>	1,534,739	1,539,330
<b>Total</b>	<b>8,767,421</b>	10,241,180	14,167,616

**10. 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.

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**10. Operating segments (continued)**

The Group's total interim consolidated assets and liabilities as at March 31, 2012 and 2011, 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, 2012 (Unaudited)	Retail banking	Corporate banking	Treasury banking	Investment and brokerage services	Other	Total
Total assets	28,876,885	51,140,170	42,447,455	45,118	2,906,526	125,416,154
Total liabilities	49,026,184	44,508,054	14,554,026	35,598	564,887	108,688,749
Total operating income	547,538	329,646	237,285	48,436	32,781	1,195,686
Total operating expenses	355,432	142,987	19,246	19,653	6,869	544,187
Share in earnings of an associate	-	-	-	-	4,326	4,326
Income attributed to Non-controlling interest	-	-	-	-	313	313
Net income for the period	192,106	186,659	218,039	28,783	29,925	655,512
Provision for credit losses, net	37,269	52,652	-	-	-	89,921
Depreciation and amortization	40,352	821	1,080	2,194	1,034	45,481

  

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	43,307	949	1,045	2,460	496	48,257

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

During the period ended March 31, 2011: 200 million shares of SAR 10 each were issued after approval of the shareholders at their extraordinary general assembly meeting held at March 27, 2011.

Basic and diluted earnings per share for the periods ended March 31, 2012 and 2011 are calculated by dividing the net income for the periods by 850 million shares to give retroactive effect to the change in the number of shares as a result of the 2011 bonus shares.

At March 31, 2012, the Bank has 850 million shares of SAR 10 each (31 March 2011: 850 million shares) issued and outstanding.

**12. 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.

The following table shows the Bank's pillar I Risk Weighted Assets, Tier I and Tier II Capital adequacy Ratios

	<b>March 31,2012</b> <b>(Unaudited)</b>	December 31, 2011 (Audited)	March 31,2011 (Unaudited)
Credit Risk RWA	<b>98,531,415</b>	93,922,597	88,602,657
Operational Risk RWA	<b>8,480,100</b>	8,375,693	8,328,188
Market Risk RWA	<b>1,810,150</b>	2,058,533	1,704,377
<b>Total Pillar-I RWA</b>	<b>108,821,665</b>	104,356,823	98,635,222
Tier I Capital	<b>15,836,823</b>	15,672,867	14,454,183
Tier II Capital	<b>2,241,577</b>	1,564,071	2,376,500
<b>Total Tier I &amp; II Capital</b>	<b>18,078,400</b>	17,236,938	16,830,683
<b>Capital Adequacy Ratio %</b>			
Tier I ratio	<b>14.55%</b>	15.02%	14.65%
Tier I + Tier II ratio	<b>16.61%</b>	16.52%	17.06%

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.