

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

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

**Introduction**

We have reviewed the accompanying interim consolidated statement of financial position of Arab National Bank (the "Bank") and its subsidiaries (collectively referred to as "the Group") as at June 30, 2012, the related interim consolidated statements of income and comprehensive income for the three month and six month periods then ended, the related interim consolidated statements of changes in equity and cash flows for the six month period then ended and the notes from (1) to (12) for the six month period then ended. We have not reviewed note (13), nor the information related to "Basel II Pillar 3 Disclosures" cross referenced therein, which is not required to be within the scope of our review. The Bank's management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with applicable Accounting Standards for Financial Institutions, certain capital adequacy disclosure requirements issued by the Saudi Arabian Monetary Agency ("SAMA") and International Accounting Standard No. 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

**Scope of Review**

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

**Conclusion**

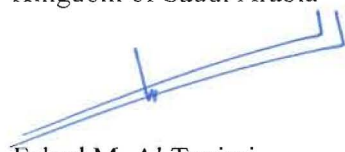
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with applicable Accounting Standards for Financial Institutions issued by SAMA and with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

**Other Regulatory Matters**

As required by SAMA, certain capital adequacy information has been disclosed in note (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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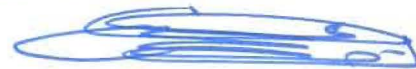


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**ARAB NATIONAL BANK – Saudi Joint Stock Company**  
**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at	Note	June 30, 2012 (Unaudited) SAR'000	December 31, 2011 (Audited) SAR'000	June 30, 2011 (Unaudited) SAR'000
<b>ASSETS</b>				
Cash and balances with SAMA		9,815,282	13,352,854	12,130,353
Due from banks and other financial institutions		2,214,480	1,572,239	1,101,796
Investments, net	4	23,975,560	26,082,198	22,732,142
Loans and advances, net	5	80,739,470	72,843,770	69,086,536
Investment in associates		413,321	349,417	335,643
Other real estate		319,209	168,009	96,463
Property and equipment, net		1,321,519	1,283,565	1,189,179
Other assets		1,593,184	1,922,253	2,372,297
<b>Total assets</b>		<b>120,392,025</b>	<b>117,574,305</b>	<b>109,044,409</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
Due to banks and other financial institutions		4,312,644	8,824,461	4,168,789
Customers' deposits	6	94,815,820	87,858,815	84,519,949
Other liabilities		2,286,822	2,474,004	2,418,156
Debt securities in issue		1,687,500	1,687,500	1,687,500
<b>Total liabilities</b>		<b>103,102,786</b>	<b>100,844,780</b>	<b>92,794,394</b>
<b>Equity attributable 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		213,573	177,620	173,685
Retained earnings		2,439,935	1,066,440	1,989,717
Proposed dividend		-	850,000	-
<b>Total equity attributable to equity holders of the Bank</b>		<b>17,183,508</b>	<b>16,624,060</b>	<b>16,143,402</b>
Non-controlling interest		105,731	105,465	106,613
<b>Total equity</b>		<b>17,289,239</b>	<b>16,729,525</b>	<b>16,250,015</b>
<b>Total liabilities and equity</b>		<b>120,392,025</b>	<b>117,574,305</b>	<b>109,044,409</b>

The accompanying notes 1 to 13 form an integral part of these interim condensed consolidated financial statements.

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

	Note	<u>For the three months ended</u>		<u>For the six months ended</u>	
		June 30, 2012 SAR'000	June 30, 2011 SAR'000	June 30, 2012 SAR'000	June 30, 2011 SAR'000
Special commission income		931,229	877,034	1,817,745	1,749,451
Special commission expense		88,438	71,693	202,218	150,030
<b>Net special commission income</b>		<b>842,791</b>	<b>805,341</b>	<b>1,615,527</b>	<b>1,599,421</b>
Fees and commission income, net		237,980	181,376	475,078	363,152
Exchange income, net		53,177	78,087	105,174	157,673
Income (loss) from FVIS financial instruments, net		496	4,089	(1,484)	3,575
Trading income, net		7,539	20,454	49,963	46,253
Gains and impairment of non trading investments, net		6,229	25,509	55,141	16,868
Dividend income		7,654	4,893	20,625	16,877
Other operating income		99,192	38,460	130,720	68,440
<b>Total operating income</b>		<b>1,255,058</b>	<b>1,158,209</b>	<b>2,450,744</b>	<b>2,272,259</b>
Salaries and employee related expenses		267,649	241,646	527,113	528,699
Rent and premises related expenses		31,653	30,930	62,695	60,405
Depreciation and amortization		43,101	47,285	88,582	95,542
Other general and administrative expenses		117,955	91,306	236,234	188,197
Impairment charges for credit losses, net		83,842	55,003	173,763	123,030
<b>Total operating expenses</b>		<b>544,200</b>	<b>466,170</b>	<b>1,088,387</b>	<b>995,873</b>
<b>Net operating income</b>		<b>710,858</b>	<b>692,039</b>	<b>1,362,357</b>	<b>1,276,386</b>
Share in earnings of an associate		7,078	4,883	11,404	8,394
<b>Net income for the period</b>		<b>717,936</b>	<b>696,922</b>	<b>1,373,761</b>	<b>1,284,780</b>
Loss (income) attributable to non-controlling interest		47	(244)	(266)	(700)
<b>Net income for the period attributable to equity holders of the Bank</b>		<b>717,983</b>	<b>696,678</b>	<b>1,373,495</b>	<b>1,284,080</b>
<b>Basic and fully diluted earnings (in SAR per share)</b>	11	<b>0.85</b>	<b>0.82</b>	<b>1.62</b>	<b>1.51</b>

The accompanying notes 1 to 13 form an integral part of these interim condensed consolidated financial statements.

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

	<u>For the three months ended</u>		<u>For the six months ended</u>	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
	<u>SAR' 000</u>	<u>SAR' 000</u>	<u>SAR' 000</u>	<u>SAR' 000</u>
<b>Net income for the period</b>	<u>717,936</u>	<u>696,922</u>	<u>1,373,761</u>	<u>1,284,780</u>
<b>Other comprehensive income:</b>				
<b>Available for sale investments:</b>				
- Net change in fair value	(126,800)	356,460	110,674	248,934
- Transfers to interim consolidated income statement	(6,229)	(30,331)	(52,591)	(21,689)
<b>Cash flows hedges:</b>				
- Net change in fair value	(13,421)	6,183	(2,796)	26,260
- Transfers to interim consolidated income statement	(9,652)	(18,135)	(19,334)	(34,954)
	<u>(156,102)</u>	<u>314,177</u>	<u>35,953</u>	<u>218,551</u>
<b>Total comprehensive income for the period</b>	<u>561,834</u>	<u>1,011,099</u>	<u>1,409,714</u>	<u>1,503,331</u>
<b>Attributable to:</b>				
Equity holders of the bank	561,881	1,010,855	1,409,448	1,502,631
Non-controlling interest	(47)	244	266	700
<b>Total comprehensive income for the period</b>	<u>561,834</u>	<u>1,011,099</u>	<u>1,409,714</u>	<u>1,503,331</u>

The accompanying notes 1 to 13 form an integral part of these interim condensed consolidated financial statements.

ARAB NATIONAL BANK – Saudi Joint Stock Company  
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
For the six months ended June 30, 2012 and 2011  
(Unaudited)

Attributable to equity holders of the Bank

	Note	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
<b>2012</b>									
Balance at 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				(2,796)	-	-	(2,796)	-	(2,796)
Net changes in fair value of available for sale investments				110,674	-	-	110,674	-	110,674
Transfers to interim consolidated income statement				(71,925)	-	-	(71,925)	-	(71,925)
Net comprehensive income for the period				35,953	-	-	35,953	-	35,953
Net income for the period				-	1,373,495	-	1,373,495	266	1,373,761
Total comprehensive income for the period				35,953	1,373,495	-	1,409,448	266	1,409,714
2011 dividend				-	-	(850,000)	(850,000)	-	(850,000)
<b>Balance at end of the period</b>		<b>8,500,000</b>	<b>6,030,000</b>	<b>213,573</b>	<b>2,439,935</b>	<b>-</b>	<b>17,183,508</b>	<b>105,731</b>	<b>17,289,239</b>
		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
<b>2011</b>									
Balance at 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				26,260	-	-	26,260	-	26,260
Net changes in fair value of available for sale investments				248,934	-	-	248,934	-	248,934
Transfers to interim consolidated income statement				(56,643)	-	-	(56,643)	-	(56,643)
Net comprehensive income for the period				218,551	-	-	218,551	-	218,551
Net income for the period				-	1,284,080	-	1,284,080	700	1,284,780
Total comprehensive income for the period				218,551	1,284,080	-	1,502,631	700	1,503,331
Bonus Share issue	11	2,000,000	-	-	(2,000,000)	-	-	-	-
2010 dividend		-	-	-	-	(650,000)	(650,000)	-	(650,000)
<b>Balance at end of the period</b>		<b>8,500,000</b>	<b>5,480,000</b>	<b>173,685</b>	<b>1,989,717</b>	<b>-</b>	<b>16,143,402</b>	<b>106,613</b>	<b>16,250,015</b>

The accompanying notes 1 to 13 form an integral part of these interim condensed consolidated financial statements.

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

	<u>Note</u>	June 30, 2012 SAR'000	June 30, 2011 SAR'000
<b><u>OPERATING ACTIVITIES</u></b>			
Net income for the period		1,373,761	1,284,780
Adjustments to reconcile net income for the period to net cash used in operating activities:			
Accretion of discounts on non-trading investments, net		(19,445)	(476)
Gains and impairment of non-trading investments, net		(55,141)	(16,868)
Depreciation and amortization		88,582	95,542
Gains on disposal of property and equipment, net		(44)	(11,430)
Share in earnings of an associate		(11,404)	(8,394)
Impairment charges for credit losses, net		173,763	123,030
		<u>1,550,072</u>	<u>1,466,184</u>
Net decrease (increase) in operating assets:			
Statutory deposit with SAMA		(343,242)	(489,971)
Due from banks and other financial institutions maturing after ninety days of the acquisition date		37,500	37,957
Investments held at FVIS		4,203	1,124,499
Loans and advances		(8,053,210)	(2,988,590)
Other real estate		(151,200)	3,800
Other assets		249,433	(470,511)
Net increase (decrease) in operating liabilities:			
Due to banks and other financial institutions		(4,511,818)	(7,928,015)
Customers' deposits		6,957,005	321,336
Other liabilities		(168,883)	(209,035)
Net cash used in operating activities		<u>(4,430,140)</u>	<u>(9,132,346)</u>
<b><u>INVESTING ACTIVITIES</u></b>			
Proceeds from sales of and matured non-trading investments		45,824,568	37,563,664
Purchase of non-trading investments		(43,574,436)	(28,365,707)
Investment in associates		(52,500)	-
Purchase of property and equipment		(126,736)	(46,432)
Proceeds from disposal of property and equipment		244	33,893
Net cash from investing activities		<u>2,071,140</u>	<u>9,185,418</u>
<b><u>FINANCING ACTIVITIES</u></b>			
Dividends paid		(842,073)	(650,998)
Net cash used in financing activities		<u>(842,073)</u>	<u>(650,998)</u>
Decrease in cash and cash equivalents		(3,201,073)	(597,926)
Cash and cash equivalents at the beginning of the period		<u>10,241,180</u>	<u>9,162,764</u>
Cash and cash equivalents at the end of the period	9	<u>7,040,107</u>	<u>8,564,838</u>
Special commission received during the period		1,863,958	1,839,175
Special commission paid during the period		<u>(189,614)</u>	<u>(133,207)</u>
<b><u>Supplemental non-cash information</u></b>			
Net changes in fair value		<u>107,878</u>	<u>275,194</u>

The accompanying notes 1 to 13 form an integral part of these interim condensed consolidated financial statements.

**ARAB NATIONAL BANK – Saudi Joint Stock Company**  
**Notes To The Interim Condensed Consolidated Financial Statements**  
**For the six months ended June 30, 2012 and 2011**  
**(Unaudited)**  
**(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 143 branches (2011: 142 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 Saudi 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 Awal, 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 operations.

**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 six months ended June 30, 2012 and 2011**  
**(Unaudited)**  
**(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 year/period as that of the Bank, using consistent accounting policies. Adjustments, if any 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 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 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 disclosure: 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                           |
| • IAS 24                          |              | - Related party disclosure                                |
| • 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 early 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 six months ended June 30, 2012 and 2011  
(Unaudited)  
(SAR'000)

4. Investments, net

Investments are classified as follows:

	June 30, 2012 (Unaudited)	December 31, 2011 (Audited)	June 30, 2011 (Unaudited)
Held at fair value through income statement (FVIS)	80,119	84,322	162,231
Available for sale	8,545,745	10,972,464	6,723,139
Held at amortized cost, net	<u>15,349,696</u>	<u>15,025,412</u>	<u>15,846,772</u>
<b>Total</b>	<b><u>23,975,560</u></b>	<b><u>26,082,198</u></b>	<b><u>22,732,142</u></b>

5. Loans and advances, net

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

	June 30, 2012 (Unaudited)	December 31, 2011 (Audited)	June 30, 2011 (Unaudited)
Commercial loans and overdrafts	59,908,715	53,195,837	49,854,941
Consumer loans	21,562,302	19,974,729	18,850,092
Credit cards	<u>435,148</u>	<u>493,625</u>	<u>554,126</u>
Performing loans and advances	81,906,165	73,664,191	69,259,159
Non-performing loans and advances, net	<u>1,533,343</u>	<u>1,784,476</u>	<u>2,067,540</u>
Gross loans and advances	83,439,508	75,448,667	71,326,699
Impairment charges for credit losses, net	<u>(2,700,038)</u>	<u>(2,604,897)</u>	<u>(2,240,163)</u>
<b>Loans and advances, net</b>	<b><u>80,739,470</u></b>	<b><u>72,843,770</u></b>	<b><u>69,086,536</u></b>

6. Customers' deposits

	June 30, 2012 (Unaudited)	December 31, 2011 (Audited)	June 30, 2011 (Unaudited)
Demand	49,026,408	46,524,569	47,859,951
Time	43,188,357	38,032,054	34,109,857
Saving	104,906	105,533	107,526
Others	<u>2,496,149</u>	<u>3,196,659</u>	<u>2,442,615</u>
<b>Total</b>	<b><u>94,815,820</u></b>	<b><u>87,858,815</u></b>	<b><u>84,519,949</u></b>

**ARAB NATIONAL BANK – Saudi Joint Stock Company**  
**Notes To The Interim Condensed Consolidated Financial Statements (Continued)**  
**For the six months ended June 30, 2012 and 2011**  
**(Unaudited)**  
**(SAR'000)**

**7. Derivatives**

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

	June 30, 2012 (Unaudited)			December 31, 2011 (Audited)			June 30, 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	76,537	71,135	5,176,882	111,409	102,394	7,044,639	176,406	164,343	9,207,799
Commission rate futures and options	2,814	1,597	2,726,987	-	-	37,500	-	-	-
Forward foreign exchange contracts	79,907	43,976	10,746,494	90,713	60,122	10,161,226	112,149	84,448	9,989,164
Currency options	12,972	6,810	5,802,577	10,058	5,115	3,618,975	5,032	4,001	3,961,128
<b>Derivatives held as fair value hedges:</b>									
Commission rate swaps	-	181,545	4,548,111	653	147,672	4,183,646	1,621	179,410	7,227,534
<b>Derivatives held as cash flow hedges:</b>									
Commission rate swaps	6,125	1,258	2,400,000	23,031	5,798	1,957,500	19,387	-	1,676,250
<b>Total</b>	<b>178,355</b>	<b>306,321</b>	<b>31,401,051</b>	<b>235,864</b>	<b>321,101</b>	<b>27,003,486</b>	<b>314,595</b>	<b>432,202</b>	<b>32,061,875</b>

**8. Credit related commitments and contingencies**

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

	June 30, 2012 (Unaudited)	December 31, 2011 (Audited)	June 30, 2011 (Unaudited)
Letters of credit	7,588,750	5,509,306	5,776,969
Letters of guarantee	24,030,083	19,609,187	17,214,314
Acceptances	2,008,530	2,962,509	2,667,175
Irrevocable commitments to extend credit	1,777,219	1,663,043	2,176,503
Other	275,084	275,084	275,083
<b>Total</b>	<b>35,679,666</b>	<b>30,019,129</b>	<b>28,110,044</b>

**9. Cash and cash equivalents**

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

	June 30, 2012 (Unaudited)	December 31, 2011 (Audited)	June 30, 2011 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	4,825,627	8,706,441	7,500,542
Due from banks and other financial institutions maturing within ninety days of the acquisition date	2,214,480	1,534,739	1,064,296
<b>Total</b>	<b>7,040,107</b>	<b>10,241,180</b>	<b>8,564,838</b>

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**(Unaudited)**  
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**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.

The Group's total consolidated assets and liabilities as at June 30, 2012 and 2011, its total interim consolidated operating income, expenses and net income and other related information for the six months period then ended, by operating segments, as reported to senior management, are as follows:

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**10. Operating segments (continued)**

<b>June 30, 2012 (Unaudited)</b>						
	<b>Retail banking</b>	<b>Corporate banking</b>	<b>Treasury banking</b>	<b>Investment and brokerage services</b>	<b>Other</b>	<b>Total</b>
Total assets	30,098,276	54,850,932	32,339,390	163,213	2,940,214	120,392,025
Total liabilities	48,574,521	48,244,237	5,945,361	33,721	304,946	103,102,786
Total operating income	1,103,495	774,155	439,692	86,240	47,162	2,450,744
Total operating expenses	704,225	274,275	38,239	43,028	28,620	1,088,387
Share in earnings of an associate	-	-	-	-	11,404	11,404
Income attributed to non-controlling interest	-	-	-	-	266	266
Impairment charges for credit losses, net	78,671	95,092	-	-	-	173,763
Depreciation and amortization	79,536	1,662	2,101	3,994	1,289	88,582
Net income for the period	399,270	499,880	401,453	43,212	29,680	1,373,495
<b>June 30, 2011 (Unaudited)</b>						
	<b>Retail banking</b>	<b>Corporate banking</b>	<b>Treasury banking</b>	<b>Investment and brokerage services</b>	<b>Other</b>	<b>Total</b>
Total assets	26,094,303	47,234,134	32,906,927	54,081	2,754,964	109,044,409
Total liabilities	47,389,586	39,074,078	6,012,282	30,891	287,557	92,794,394
Total operating income	1,087,037	703,668	208,230	74,553	198,771	2,272,259
Total operating expenses	695,065	199,460	45,595	43,300	12,453	995,873
Share in earnings of an associate	-	-	-	-	8,394	8,394
Income attributed to non-controlling interest	-	-	-	-	700	700
Impairment charges for credit losses, net	77,138	45,892	-	-	-	123,030
Depreciation and amortization	85,761	1,782	2,091	4,880	1,028	95,542
Net income for the period	391,972	504,208	162,635	31,253	194,012	1,284,080

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

At June 30, 2012, the Bank has 850 million shares of SAR 10 each (30 June 2011: 850 million shares) issued and outstanding.

During the period ended June 30, 2011: 200 million bonus 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 June 30, 2012 and 2011 are calculated by dividing the net income for the periods by 850 million.

**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>June 30, 2012</b> <b>(Unaudited)</b>	<b>June 30, 2011</b> <b>(Unaudited)</b>
Credit Risk RWA	105,669,307	91,107,737
Operational Risk RWA	8,504,613	8,302,575
Market Risk RWA	2,139,466	2,326,220
<b>Total Pillar-I RWA</b>	<b>116,313,386</b>	<b>101,736,532</b>
Tier I Capital	15,677,136	14,766,166
Tier II Capital	2,956,021	3,080,740
<b>Total Tier I &amp; II Capital</b>	<b>18,633,157</b>	<b>17,846,906</b>
<b>Capital Adequacy Ratio %</b>		
Tier I ratio	13.48%	14.51%
Tier I + Tier II ratio	16.02%	17.54%

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.

**13. BASEL II PILLAR 3 DISCLOSURES**

Under Basel II pillar 3, certain quantitative disclosures are required, and these disclosures will be made available on the Bank's website [www.anb.com.sa](http://www.anb.com.sa) as required by the Saudi Arabian Monetary Agency. Such disclosures are not subject to review or audit by the external auditors.