

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, 2015, the related interim consolidated statements of income and comprehensive income for the three and six month periods then ended, the related interim consolidated statements of changes in equity and cash flows for the six months period then ended and the notes from (1) to (14) which form an integral part of these interim condensed consolidated financial statements. We have neither reviewed note (15), 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 (14) of the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note (14) to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

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7 Shawwal 1436H
23 July 2015

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

As at	Notes	June 30, 2015 (Unaudited) SAR'000	December 31, 2014 (Audited) SAR'000	June 30, 2014 (Unaudited) SAR'000
ASSETS				
Cash and balances with SAMA		14,708,004	21,252,327	11,998,137
Due from banks and other financial institutions		2,300,314	1,935,625	1,781,211
Investments, net	4	33,810,707	33,876,206	33,094,659
Loans and advances, net	5	110,971,312	103,724,016	91,736,973
Investments in associates		515,375	494,117	487,764
Other real estate		159,893	136,634	136,634
Property and equipment, net		1,943,097	1,745,936	1,698,285
Other assets		2,016,460	1,503,494	1,735,550
Total assets		166,425,162	164,668,355	142,669,213
LIABILITIES AND EQUITY				
Liabilities				
Due to banks and other financial institutions		6,390,275	9,015,640	7,621,828
Customers' deposits	6	132,306,424	129,631,178	109,188,275
Other liabilities		4,621,647	3,694,278	3,860,755
Debt securities in issue		1,687,500	1,687,500	1,687,500
Total liabilities		145,005,846	144,028,596	122,358,358
Equity attributable to equity holders of the Bank				
Share capital	11	10,000,000	10,000,000	10,000,000
Statutory reserve		7,990,000	7,990,000	7,270,000
Other reserves		451,900	278,832	383,228
Retained earnings		2,938,346	1,782,481	2,620,423
Proposed dividends		-	550,000	-
Total equity attributable to equity holders of the Bank		21,380,246	20,601,313	20,273,651
Non-controlling interest		39,070	38,446	37,204
Total equity		21,419,316	20,639,759	20,310,855
Total liabilities and equity		166,425,162	164,668,355	142,669,213

The accompanying notes 1 to 15 form an integral part of these interim condensed consolidated financial statements.

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

	<u>Note</u>	<u>For the three months period ended</u>		<u>For the six months period ended</u>	
		June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
		SAR'000	SAR'000	SAR'000	SAR'000
Special commission income		1,085,424	1,014,835	2,185,704	2,012,104
Special commission expense		115,547	110,730	236,184	250,821
Net special commission income		969,877	904,105	1,949,520	1,761,283
Fees and commission income, net		367,148	332,413	729,578	648,018
Exchange income, net		126,104	104,761	260,447	200,540
Unrealized gain/(loss) on FVIS financial instruments, net		373	(163)	305	128
Trading (loss)/income, net		2,236	3,083	(7,962)	5,715
Dividend income		11,985	6,660	26,755	22,237
Gains on non-trading investments, net		-	333	467	333
Other operating income, net		24,604	34,317	46,443	56,026
Total operating income		1,502,327	1,385,509	3,005,553	2,694,280
Salaries and employee related expenses		321,166	297,865	703,213	600,038
Rent and premises related expenses		39,689	36,275	76,414	71,504
Depreciation and amortization		48,519	48,118	95,985	96,345
Other general and administrative expenses		131,292	121,496	271,869	235,855
Impairment charges for credit losses, net		135,754	106,554	272,842	212,607
Total operating expenses		676,420	610,308	1,420,323	1,216,349
Net operating income		825,907	775,201	1,585,230	1,477,931
Share in earnings of associates, net		9,472	10,140	21,259	21,231
Net income for the period		835,379	785,341	1,606,489	1,499,162
Attributable to:					
Equity holders of the Bank		835,311	785,440	1,605,865	1,498,299
Non-controlling interest		68	(99)	624	863
Net income for the period		835,379	785,341	1,606,489	1,499,162
Basic and diluted earnings (in SAR per share)	11	0.84	0.79	1.61	1.50

The accompanying notes 1 to 15 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 period ended</u>		<u>For the six months period ended</u>	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
	SAR' 000	SAR' 000	SAR' 000	SAR' 000
Net income for the period	835,379	785,341	1,606,489	1,499,162
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	67,340	(61,752)	172,103	102,140
- Net amounts transferred to interim consolidated statement of income	-	(333)	(54)	(333)
Cash flows hedges:				
- Net changes in fair value	-	15,060	-	19,846
- Net amounts transferred to interim consolidated statement of income	-	636	1,019	(1,755)
	67,340	(46,389)	173,068	119,898
Total comprehensive income for the period	902,719	738,952	1,779,557	1,619,060
Attributable to:				
Equity holders of the Bank	902,651	739,051	1,778,933	1,618,197
Non-controlling interest	68	(99)	624	863
Total comprehensive income for the period	902,719	738,952	1,779,557	1,619,060

The accompanying notes 1 to 15 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 period ended June 30, 2015 and 2014
(Unaudited)

Attributable to equity holders of the Bank

2015

	Note	Share capital SAR' 000	Statutory reserve SAR' 000	Available for sale financial assets SAR' 000	Cash flow hedges SAR' 000	Retained earnings SAR' 000	Proposed dividends SAR' 000	Total SAR' 000	Non-controlling interest SAR' 000	Total equity SAR' 000
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				172,103	-	-	-	172,103	-	172,103
Transfers to interim consolidated statement of income				(54)	1,019	-	-	965	-	965
Net income for the period				-	-	1,605,865	-	1,605,865	624	1,606,489
Total comprehensive income for the period				172,049	1,019	1,605,865	-	1,778,933	624	1,779,557
2014 final dividends paid		-	-	-	-	(550,000)	(550,000)	(550,000)	-	(550,000)
2015 interim dividends	13	-	-	-	-	(450,000)	-	(450,000)	-	(450,000)
Balance at the end of the period		10,000,000	7,990,000	451,900	-	2,938,346	-	21,380,246	39,070	21,419,316

Attributable to equity holders of the Bank

2014

	Note	Share capital SAR' 000	Statutory reserve SAR' 000	Available for sale financial assets SAR' 000	Cash flow hedges SAR' 000	Retained earnings SAR' 000	Proposed dividends SAR' 000	Total SAR' 000	Non-controlling interest SAR' 000	Total equity SAR' 000
Balance at the beginning of the period		8,500,000	7,270,000	282,441	(19,111)	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				-	19,846	-	-	19,846	-	19,846
Net changes in fair values of available for sale investments				102,140	-	-	-	102,140	-	102,140
Transfers to interim consolidated statement of income				(333)	(1,755)	-	-	(2,088)	-	(2,088)
Net income for the period				-	-	1,498,299	-	1,498,299	863	1,499,162
Total comprehensive income for the period				101,807	18,091	1,498,299	-	1,618,197	863	1,619,060
Bonus share issue	11	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)	-	(425,000)
Balance at the end of the period		10,000,000	7,270,000	384,248	(1,020)	2,620,423	-	20,273,651	37,204	20,310,855

The accompanying notes 1 to 15 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 period ended
(Unaudited)

	<u>Note</u>	<u>June 30, 2015</u> <u>SAR'000</u>	<u>June 30, 2014</u> <u>SAR'000</u>
<u>OPERATING ACTIVITIES</u>			
Net income for the period		1,606,489	1,499,162
Adjustments to reconcile net income for the period to net cash (used in) generated from operating activities:			
Accretion of discounts on non-trading investments, net		(45,087)	(52,442)
Gains on non-trading investments, net		(467)	(333)
Dividend income		(26,755)	(22,237)
Depreciation and amortization		95,985	96,345
Loss/(gain) on disposal/sale of property and equipment		1,943	(7,701)
Share in earnings of associates, net		(21,259)	(21,231)
Impairment charges for credit losses, net		272,842	212,607
		1,883,691	1,704,170
Net (increase) decrease in operating assets:			
Statutory deposit with SAMA		(836,605)	(270,060)
Investments held at FVIS		1,078	448
Loans and advances		(7,508,968)	(3,490,115)
Other assets		(476,329)	(475,431)
Other real estate		(23,259)	-
Net increase (decrease) in operating liabilities:			
Due to banks and other financial institutions		(2,625,365)	(19,230)
Customers' deposits		2,675,246	2,815,543
Other liabilities		401,691	752,469
		(6,508,820)	1,017,794
Net cash (used in) from operating activities		(6,508,820)	1,017,794
<u>INVESTING ACTIVITIES</u>			
Proceeds from sale of and matured non-trading investments		13,642,023	11,060,945
Purchase of non-trading investments		(13,335,559)	(15,697,578)
Purchase of property and equipment		(561,656)	(164,498)
Proceeds from sale of property and equipment		266,567	24,887
Dividend received		26,755	22,237
Net cash from (used in) investing activities		38,130	(4,754,007)
<u>FINANCING ACTIVITIES</u>			
Dividends paid, net of zakat		(545,549)	(421,809)
Acquisition of non-controlling interest		-	(71,619)
Net cash used in financing activities		(545,549)	(493,428)
Decrease in cash and cash equivalents		(7,016,239)	(4,229,641)
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	9	9,732,547	7,577,423
Special commission received during the period		2,127,045	1,970,604
Special commission paid during the period		(210,221)	(206,724)
<u>Supplemental non-cash information</u>			
Net changes in fair value of available-for-sale investments		172,103	102,140
Net changes in fair value of cash flow hedges		-	19,846

The accompanying notes 1 to 15 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 period ended June 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 its 153 branches (2014: 153 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. It is to be noted that on 19 Muharram 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 1, 1430H (corresponding to May 10, 2009). The company is engaged in leasing of heavy equipments 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 reach 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 the commercial registration no. 1010396423 issued in Riyadh dated 28 Muharram, 1435 (corresponding to December 1, 2013). The subsidiary obtained its license from the Saudi Arabian Monetary Agency 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 1, 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 six months period ended June 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 the Saudi Arabian Monetary Agency (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 as at and 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 thousands, except as otherwise indicated.

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 when 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:

- The contractual arrangement 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 six months period ended June 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
- 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 six months period ended June 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:	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)	June 30, 2014 (Unaudited)
Held at fair value through income statement (FVIS)	13,457	14,535	16,995
Available for sale	11,573,593	10,893,705	10,757,486
Held at amortized cost, net	22,223,657	22,967,966	22,320,178
Total	33,810,707	33,876,206	33,094,659

5. Loans and advances, net

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

	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)	June 30, 2014 (Unaudited)
Commercial loans and overdrafts	85,913,968	79,955,241	68,451,871
Consumer loans	26,046,812	24,734,820	24,063,074
Credit cards	386,056	324,725	334,985
Performing loans and advances	112,346,836	105,014,786	92,849,930
Non-performing loans and advances, net	1,174,189	1,095,184	1,026,406
Gross loans and advances	113,521,025	106,109,970	93,876,336
Impairment charges for credit losses, net	(2,549,713)	(2,385,954)	(2,139,363)
Loans and advances, net	110,971,312	103,724,016	91,736,973

6. Customers' deposits

	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)	June 30, 2014 (Unaudited)
Demand	75,482,004	69,263,668	64,307,953
Time	51,940,826	54,616,700	41,904,730
Saving	114,300	98,923	102,035
Other	4,769,294	5,651,887	2,873,557
Total	132,306,424	129,631,178	109,188,275

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

7. 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.

	June 30, 2015 (Unaudited)			December 31, 2014 (Audited)			June 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	37,530	30,425	7,578,132	35,763	30,053	7,564,282	101,466	101,789	8,776,564
Commission rate futures and options	12,497	10,922	2,261,814	15,975	14,129	2,273,382	21,586	19,457	6,312,823
Forward foreign exchange contracts	89,053	60,501	6,554,246	57,687	30,108	5,872,809	48,231	18,759	7,664,184
Currency options	52,261	51,307	19,800,889	44,204	43,979	20,970,262	3,905	2,960	14,342,577
Held as fair value hedges:									
Commission rate swaps	944	146,196	13,498,243	3,040	122,045	16,297,254	2,206	146,165	10,220,054
Held as cash flow hedges:									
Commission rate swaps	-	-	-	-	-	-	-	-	-
Total	192,285	299,351	49,693,324	156,669	240,314	52,977,989	177,394	289,130	47,316,202

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 88,824 thousands (December 31, 2014: SAR 77,454 thousands, and June 30, 2014: SAR 87,789 thousands).

8. Credit related commitments and contingencies

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

	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)	June 30, 2014 (Unaudited)
Letters of credit	6,203,757	6,328,230	6,910,164
Letters of guarantee	26,909,299	25,743,488	24,455,246
Acceptances	2,470,876	2,097,684	1,524,479
Irrevocable commitments to extend credit	2,034,799	923,915	1,384,710
Other	118,138	631,681	139,744
Total	37,736,869	35,724,998	34,414,343

The unutilized portion of non-firm commitments as at June 30, 2015 which can be revoked unilaterally at any time by the Bank, amounts SAR 24,484 million (December 31, 2014: SAR 23,422 million and June 30, 2014: SAR 21,087 million).

9. Cash and cash equivalents

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

	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)	June 30, 2014 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	7,432,233	14,813,161	5,796,212
Due from banks and other financial institutions maturing within 90 days of the acquisition date	2,300,314	1,935,625	1,781,211
Total	9,732,547	16,748,786	7,577,423

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10. Operating segments

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

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

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

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 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 June 30, 2015 and 2014, its total interim consolidated operating income, expenses and net income for the six months then ended, by operating segments, are as follows:

June 30, 2015 (Unaudited)	Retail banking	Corporate banking	Treasury banking	Investment and brokerage services	Other	Total
Total assets	38,725,014	78,897,809	45,381,160	310,578	3,110,601	166,425,162
Investments in associates	-	-	-	-	515,375	515,375
Total liabilities	74,926,855	61,536,162	8,183,325	41,702	317,802	145,005,846
Fees and commission income, net	285,705	305,389	5,787	75,222	57,475	729,578
Total operating income	1,222,712	1,145,066	440,223	76,041	121,511	3,005,553
Total operating expenses	885,483	405,815	48,558	39,789	40,678	1,420,323
Share in earnings of associates, net	-	-	-	-	21,259	21,259
Income attributed to non-controlling interest	-	-	-	-	624	624
Net income attributed to equity holders of the Bank	337,229	739,251	391,665	36,252	101,468	1,605,865
Impairment charges for credit losses, net	138,916	133,926	-	-	-	272,842
Depreciation and amortization	58,803	1,000	1,735	2,019	32,428	95,985

June 30, 2014 (Unaudited)	Retail banking	Corporate banking	Treasury banking	Investment and brokerage services	Other	Total
Total assets	35,210,024	61,767,547	42,733,121	133,585	2,824,936	142,669,213
Investments in associates	-	-	-	-	487,764	487,764
Total liabilities	63,064,930	49,612,360	9,303,598	35,283	342,187	122,358,358
Fees and commission income, net	219,183	305,293	19,355	63,633	40,554	648,018
Total operating income	1,102,574	981,898	470,247	67,072	72,489	2,694,280
Total operating expenses	778,721	343,258	46,828	34,904	12,638	1,216,349
Share in earnings of associates, net	-	-	-	-	21,231	21,231
Income attributed to non-controlling interest	-	-	-	-	863	863
Net income attributed to equity holders of the Bank	323,853	638,640	423,419	32,168	80,219	1,498,299
Impairment charges for credit losses, net	110,994	101,613	-	-	-	212,607
Depreciation and amortization	67,341	1,172	1,861	2,501	23,470	96,345

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11. Share capital and earnings per share

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

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

Basic and diluted earnings per share for the periods ended June 30, 2015 and 2014 are calculated by dividing the net income for the periods 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 figure.

12. Fair values of financial assets and liabilities

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

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

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

June 30, 2015 (Unaudited)	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets designated at FVIS	-	13,457	-	13,457
Financial investments available for sale	9,338,043	1,903,912	331,638	11,573,593
Derivative financial instruments	-	192,285	-	192,285
Total	9,338,043	2,109,654	331,638	11,779,335
Financial Liabilities				
Derivative financial instruments	-	299,351	-	299,351
Total	-	299,351	-	299,351
June 30, 2014 (Unaudited)	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets designated at FVIS	-	16,995	-	16,995
Financial investments available for sale	8,879,022	1,791,100	87,364	10,757,486
Derivative financial instruments	-	177,394	-	177,394
Total	8,879,022	1,985,489	87,364	10,951,875
Financial Liabilities				
Derivative financial instruments	-	289,130	-	289,130
Total	-	289,130	-	289,130

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

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

	June 30, 2015 (Unaudited)	June 30, 2014 (Unaudited)
Balance at the beginning of the period	89,594	95,601
Total gains/(losses) in other comprehensive income	4,386	(8,237)
Settlements	(4,342)	(2,485)
Purchases	242,000	2,485
Balance at the end of the period	331,638	87,364

The fair values of on-interim consolidated statement of financial position financial instruments, except for other investments held at amortized cost, which are carried at amortized cost, are not significantly different from the carrying values included in the interim condensed consolidated financial statements. The fair values of loans and advances, commission bearing customers' deposits, debts securities in issue, due from and due to banks and 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 the time of their respective maturities.

The estimated fair values of investments held at amortized cost are based on quoted market prices when available or pricing models when used in the case of certain fixed rate bonds (respectively). The fair value of these investments was estimated to be SAR 22.3 billion at June 30, 2015 (June 30, 2014: SAR 22.5 billion).

The fair values of derivatives and other off-interim consolidated statement of financial position financial instruments are based on the quoted market prices when available or by using the appropriate valuation technique. The total amount of the changes in fair value recognized in the interim consolidated statement of income, which was estimated using valuation technique at June 30, 2015, is SAR 107 million (June 30, 2014: SAR 112 million).

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13. Interim Dividend

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 June 2015. This interim dividend resulted in a payment to the shareholders of SAR 0.45 per share, net.

14. Capital Adequacy

The Group's objectives when managing capital are, to comply with the capital requirements set by SAMA; to safeguard the Group's ability to continue as a going concern; and to maintain a strong capital base.

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

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

	June 30, 2015 (Unaudited)	June 30, 2014 (Unaudited)
Credit Risk RWA	139,789,708	119,265,431
Operational Risk RWA	11,524,634	10,410,589
Market Risk RWA	369,987	1,328,251
Total Pillar-I RWA	151,684,329	131,004,271
Tier I Capital	21,380,246	20,273,651
Tier II Capital	1,111,652	1,197,642
Total Tier I & II Capital	22,491,898	21,471,293
Capital Adequacy Ratio %		
Tier I ratio	14.10%	15.48%
Tier I + Tier II ratio	14.83%	16.39%

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.

15. 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.