

Report on Review of Interim Condensed Consolidated Financial Statements

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

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Arab National Bank (the "Bank") and its subsidiaries (collectively referred to as "the Group") as at September 30, 2012, the related interim consolidated statements of income and comprehensive income for the three month and nine month periods then ended, the related interim consolidated statements of changes in equity and cash flows for the nine month period then ended and the notes from (1) to (12) for the nine 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, 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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23 Dhul-Qadah 1433H
(9 October 2012)



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

As at		September 30, 2012 (Unaudited) SAR'000	December 31, 2011 (Audited) SAR'000	September 30, 2011 (Unaudited) SAR'000
	Note			
ASSETS				
Cash and balances with SAMA		8,751,791	13,352,854	11,960,044
Due from banks and other financial institutions		2,901,679	1,572,239	1,916,957
Investments, net	4	26,466,625	26,082,198	26,813,874
Loans and advances, net	5	83,653,091	72,843,770	71,692,973
Investment in associates		420,658	349,417	341,369
Other real estate		319,174	168,009	127,095
Property and equipment, net		1,332,429	1,283,565	1,192,048
Other assets		1,502,574	1,922,253	2,622,810
Total assets		125,348,021	117,574,305	116,667,170
LIABILITIES AND EQUITY				
Liabilities				
Due to banks and other financial institutions		5,414,216	8,824,461	9,989,686
Customers' deposits	6	98,272,808	87,858,815	85,771,092
Other liabilities		2,100,207	2,474,004	2,545,164
Debt securities in issue		1,687,500	1,687,500	1,687,500
Total liabilities		107,474,731	100,844,780	99,993,442
Equity attributed to equity holders of the Bank				
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		224,971	177,620	78,420
Retained earnings		3,012,636	1,066,440	2,508,893
Proposed dividend		-	850,000	-
Total equity attributed to equity holders of the Bank		17,767,607	16,624,060	16,567,313
Non-controlling interest		105,683	105,465	106,415
Total equity		17,873,290	16,729,525	16,673,728
Total liabilities and equity		125,348,021	117,574,305	116,667,170

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
(Unaudited)

	<u>For the three months ended</u>		<u>For the nine months ended</u>		
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011	
	<u>Note</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	
Special commission income		954,519	840,935	2,772,264	2,590,386
Special commission expense		<u>108,770</u>	<u>58,649</u>	<u>310,988</u>	<u>208,679</u>
Net special commission income		845,749	782,286	2,461,276	2,381,707
Fees and commission income, net		218,753	186,386	693,831	549,538
Exchange income, net		63,797	86,170	168,971	243,843
Income (loss) from FVIS financial instruments, net		295	(820)	(1,189)	2,755
Trading income, net		5,539	34,815	55,502	81,068
Gains and impairment of non -trading investments, net		20,641	16,170	75,782	33,038
Dividend income		14,190	13,943	34,815	30,820
Other operating income		<u>18,772</u>	<u>27,116</u>	<u>149,492</u>	<u>95,556</u>
Total operating income		<u>1,187,736</u>	<u>1,146,066</u>	<u>3,638,480</u>	<u>3,418,325</u>
Salaries and employee related expenses		277,919	244,823	805,032	773,522
Rent and premises related expenses		33,077	32,392	95,772	92,797
Depreciation and amortization		42,290	45,989	130,872	141,531
Other general and administrative expenses		117,329	111,011	353,563	299,208
Impairment charges for credit losses, net		<u>151,805</u>	<u>198,599</u>	<u>325,568</u>	<u>321,629</u>
Total operating expenses		<u>622,420</u>	<u>632,814</u>	<u>1,710,807</u>	<u>1,628,687</u>
Net operating income		<u>565,316</u>	<u>513,252</u>	<u>1,927,673</u>	<u>1,789,638</u>
Share in earnings of an associate		<u>7,337</u>	<u>5,726</u>	<u>18,741</u>	<u>14,120</u>
Net income for the period		<u>572,653</u>	<u>518,978</u>	<u>1,946,414</u>	<u>1,803,758</u>
Loss (income) attributed to non-controlling interest		<u>48</u>	<u>198</u>	<u>(218)</u>	<u>(502)</u>
Net income for the period attributable to equity holders of the Bank		<u>572,701</u>	<u>519,176</u>	<u>1,946,196</u>	<u>1,803,256</u>
Basic and fully diluted earnings (in SAR per share)	11	<u>0.67</u>	<u>0.61</u>	<u>2.29</u>	<u>2.12</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 COMPREHENSIVE INCOME
(Unaudited)

	<u>For the three months ended</u>		<u>For the nine months ended</u>	
	Sept 30, 2012	Sept 30, 2011	Sept 30, 2012	Sept 30, 2011
	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>
Net income for the period	<u>572,653</u>	<u>518,978</u>	<u>1,946,414</u>	<u>1,803,758</u>
Other comprehensive income:				
Available for sale investments:				
- Net changes in fair value	48,761	(69,590)	159,435	179,344
- Transfer to interim consolidated income statement	(32,566)	(22,352)	(85,157)	(44,041)
Cash flows hedges:				
- Net changes in fair value	340	(417)	(2,456)	25,843
- Transfer to interim consolidated income statement	<u>(5,137)</u>	<u>(2,906)</u>	<u>(24,471)</u>	<u>(37,860)</u>
	<u>11,398</u>	<u>(95,265)</u>	<u>47,351</u>	<u>123,286</u>
Total comprehensive income for the period	<u><u>584,051</u></u>	<u><u>423,713</u></u>	<u><u>1,993,765</u></u>	<u><u>1,927,044</u></u>
Attributable to:				
Equity holders of the bank	584,099	423,911	1,993,547	1,926,542
Non-controlling interest	(48)	(198)	218	502
Total comprehensive income for the period	<u><u>584,051</u></u>	<u><u>423,713</u></u>	<u><u>1,993,765</u></u>	<u><u>1,927,044</u></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 nine months ended September 30, 2012 and 2011
(Unaudited)

Attributable to equity holders of the Bank

<u>2012</u>	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
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				(2,456)	-	-	(2,456)	-	(2,456)
Net changes in fair value of available for sale investments				159,435	-	-	159,435	-	159,435
Transfers to interim consolidated income statement				(109,628)	-	-	(109,628)	-	(109,628)
Net comprehensive income for the period				47,351	-	-	47,351	-	47,351
Net income for the period				-	1,946,196	-	1,946,196	218	1,946,414
Total comprehensive income for the period				47,351	1,946,196	-	1,993,547	218	1,993,765
2011 dividend				-	-	(850,000)	(850,000)	-	(850,000)
Balance at end of the period		8,500,000	6,030,000	224,971	3,012,636	-	17,767,607	105,683	17,873,290
<u>2011</u>		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
Balance at beginning of the period		6,500,000	5,480,000	(44,866)	2,705,637	650,000	15,290,771	105,913	15,396,655
Net changes in fair value of cash flow hedges				25,843	-	-	25,843	-	25,843
Net changes in fair value of available for sale investments				179,344	-	-	179,344	-	179,344
Transfers to interim consolidated income statement				(81,901)	-	-	(81,901)	-	(81,901)
Net comprehensive income for the period				123,286	-	-	123,286	-	123,286
Net income for the period				-	1,803,256	-	1,803,256	502	1,803,758
Total comprehensive income for the period				123,286	1,803,256	-	1,926,542	502	1,927,044
Bonus share issue	11	2,000,000	-	-	(2,000,000)	-	-	-	-
2010 dividend				-	-	(650,000)	(650,000)	-	(650,000)
Balance at end of the period		8,500,000	5,480,000	78,420	2,508,893	-	16,567,313	106,415	16,673,728

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 nine months ended
(Unaudited)

	Note	Sept 30, 2012 SAR'000	Sept 30, 2011 SAR'000
<u>OPERATING ACTIVITIES</u>			
Net income for the period		1,946,414	1,803,758
Adjustments to reconcile net income to net cash used in operating activities:			
Accretion of discounts on non-trading investments, net		(26,909)	(10,770)
Gains and impairment on non-trading investments, net		(75,782)	(33,038)
Depreciation and amortization		130,872	141,531
Losses (gains) on disposal of property and equipment, net		36	(11,962)
Share in earnings of an associate		(18,741)	(14,120)
Impairment charges for credit losses, net		325,568	321,629
		<u>2,281,458</u>	<u>2,197,028</u>
Net (increase) decrease in operating assets:			
Statutory deposit with SAMA		(622,551)	(354,073)
Due from banks and other financial institutions maturing after ninety days of the acquisition date		37,500	75,457
Investments held at FVIS		(275,310)	1,204,285
Loans and advances		(11,143,193)	(5,830,772)
Other real estate		(151,165)	(26,832)
Other assets		326,573	(747,295)
Net increase (decrease) in operating liabilities:			
Due to banks and other financial institutions		(3,410,245)	(2,107,118)
Customers' deposits		10,413,993	1,572,479
Other liabilities		(311,505)	(58,456)
Net cash used in operating activities		<u>(2,854,445)</u>	<u>(4,075,297)</u>
<u>INVESTING ACTIVITIES</u>			
Proceeds from sales of and matured non-trading investments		54,495,166	42,004,034
Purchase of non-trading investments		(54,422,177)	(36,996,356)
Investment in associates		(52,500)	-
Purchase of property and equipment		(180,023)	(95,442)
Proceeds from disposal of property and equipment		251	34,577
Net cash (used in) from investing activities		<u>(159,283)</u>	<u>4,946,813</u>
<u>FINANCING ACTIVITIES</u>			
Dividends paid		(842,946)	(651,192)
Net cash used in financing activities		<u>(842,946)</u>	<u>(651,192)</u>
(Decrease) increase in cash and cash equivalents		(3,856,674)	220,324
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>6,384,506</u>	<u>9,383,088</u>
Special commission received during the period		2,698,700	2,602,262
Special commission paid during the period		<u>(307,902)</u>	<u>(227,833)</u>
<u>Supplemental non-cash information</u>			
Net changes in fair value		<u>156,979</u>	<u>205,187</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 nine months ended September 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 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 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 principles. The Bank started consolidating the subsidiary's 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 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.

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. Adjustments have been made to the financial statements of the subsidiaries to align them with the Bank's financial statements.

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

Subsidiaries are consolidated from the date on which control is transferred to the Bank and cease to be consolidated from the date on which the control is transferred from the Bank. The results of subsidiaries acquired or disposed of during the 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 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 nine months ended September 30, 2012 and 2011
(Unaudited)
(SAR'000)

4. Investments, net

Investments are classified as follows:

	September 30, 2012 (Unaudited)	December 31, 2011 (Audited)	September 30, 2011 (Unaudited)
Held at fair value through income statement (FVIS)	359,632	84,322	82,445
Available for sale	10,617,871	10,972,464	11,199,958
Held at amortized cost, net	15,489,122	15,025,412	15,531,471
Total	<u>26,466,625</u>	<u>26,082,198</u>	<u>26,813,874</u>

5. Loans and advances, net

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

	September 30, 2012 (Unaudited)	December 31, 2011 (Audited)	September 30, 2011 (Unaudited)
Commercial loans and overdrafts	62,782,391	53,195,837	52,306,356
Consumer loans	21,708,635	19,974,729	19,393,230
Credit cards	415,065	493,625	529,815
Performing loans and advances	84,906,091	73,664,191	72,229,401
Non-performing loans and advances, net	1,383,334	1,784,476	1,882,420
Gross loans and advances	86,289,425	75,448,667	74,111,821
Impairment charges for credit losses, net	(2,636,334)	(2,604,897)	(2,418,848)
Loans and advances, net	<u>83,653,091</u>	<u>72,843,770</u>	<u>71,692,973</u>

6. Customers' deposits

	September 30, 2012 (Unaudited)	December 31, 2011 (Audited)	September 30, 2011 (Unaudited)
Demand	51,793,107	46,524,569	46,622,667
Time	43,277,769	38,032,054	36,426,860
Saving	100,752	105,533	120,107
Others	3,101,180	3,196,659	2,601,458
Total	<u>98,272,808</u>	<u>87,858,815</u>	<u>85,771,092</u>

ARAB NATIONAL BANK – Saudi Joint Stock Company
Notes To The Interim Condensed Consolidated Financial Statements (continued)
For the nine months ended September 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.

	September 30, 2012 (Unaudited)			December 31, 2011 (Audited)			September 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
Derivatives held for trading:									
Commission rate swaps	70,373	65,135	5,032,830	111,409	102,394	7,044,639	159,212	148,831	8,380,940
Commission rate futures and options	703	-	1,993,975	-	-	37,500	-	-	-
Forward foreign exchange contracts	90,138	58,546	15,882,247	90,713	60,122	10,161,226	103,839	78,017	10,757,579
Currency options	5,893	1,537	6,224,073	10,058	5,115	3,618,975	7,005	4,279	3,356,917
Derivatives held as fair value hedges:									
Commission rate swaps	2,576	147,510	3,735,003	653	147,672	4,183,646	-	189,168	6,017,040
Derivatives held as cash flow hedges:									
Commission rate swaps	-	356	712,500	23,031	5,798	1,957,500	22,608	3,634	1,113,750
Total	169,683	273,084	33,580,628	235,864	321,101	27,003,486	292,664	423,929	29,626,226

8. Credit related commitments and contingencies

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

	September 30, 2012 (Unaudited)	December 31, 2011 (Audited)	September 30, 2011 (Unaudited)
Letters of credit	6,745,850	5,509,306	6,524,528
Letters of guarantee	23,193,075	19,609,187	19,134,731
Acceptances	1,976,151	2,962,509	2,180,253
Irrevocable commitments to extend credit	1,869,918	1,663,043	1,989,234
Other	174,572	275,084	275,085
Total	33,959,566	30,019,129	30,103,831

9. Cash and cash equivalents

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

	September 30, 2012 (Unaudited)	December 31, 2011 (Audited)	September 30, 2011 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	3,482,827	8,706,441	7,466,131
Due from banks and other financial institutions maturing within ninety days of the acquisition date	2,901,679	1,534,739	1,916,957
Total	6,384,506	10,241,180	9,383,088

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 business 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 September 30, 2012 and 2011, its total interim consolidated operating income, expenses and net income and other related information for the nine months period then ended, by operating segments, as reported to senior management, are as follows:

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10 Operating segments (continued)

September 30, 2012 (Unaudited)						
	Retail banking	Corporate banking	Treasury banking	Investment and brokerage services	Other	Total
Total assets	30,531,285	57,178,723	34,772,208	56,936	2,808,869	125,348,021
Total liabilities	50,182,170	50,128,510	7,038,078	38,299	87,674	107,474,731
Total operating income	1,613,296	1,138,250	688,979	117,042	80,913	3,638,480
Total operating expenses	1,048,483	468,777	59,028	67,464	67,055	1,710,807
Share in earnings of an associate	-	-	-	-	18,741	18,741
Income attributed to non-controlling interest	-	-	-	-	(218)	(218)
Impairment charges for credit losses, net	130,436	195,132	-	-	-	325,568
Depreciation and amortization	117,956	2,511	3,121	5,411	1,873	130,872
Net income for the period	564,813	669,473	629,951	49,578	32,381	1,946,196
September 30, 2011 (Unaudited)						
	Retail banking	Corporate banking	Treasury banking	Investment and brokerage services	Other	Total
Total assets	26,639,841	49,257,709	37,882,782	47,856	2,838,982	116,667,170
Total liabilities	45,744,677	42,146,627	11,691,179	33,318	377,641	99,993,442
Total operating income	1,641,599	1,078,525	304,294	96,988	296,919	3,418,325
Total operating expenses	1,018,765	461,037	62,251	63,082	23,552	1,628,687
Share in earnings of an associate	-	-	-	-	14,120	14,120
Income attributed to non-controlling interest	-	-	-	-	(502)	(502)
Impairment charges for credit losses, net	119,618	202,011	-	-	-	321,629
Depreciation and amortization	126,980	2,633	3,136	7,217	1,565	141,531
Net income for the period	622,834	617,488	242,043	33,906	286,985	1,803,256

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11. Share capital and earnings per share

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

During the nine months period ended September 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 September 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 showing for the Bank's pillar I Risk Weighted Assets, Tier I and Tier II Capital adequacy Ratios

	September 30,2012 (Unaudited)	September 30, 2011 (Unaudited)
Credit Risk RWA	107,450,482	93,017,350
Operational Risk RWA	8,612,275	8,251,238
Market Risk RWA	<u>2,887,290</u>	<u>762,018</u>
Total Pillar-I RWA	<u>118,950,047</u>	<u>102,030,606</u>
Tier I Capital	15,685,278	14,667,839
Tier II Capital	<u>3,525,513</u>	<u>3,648,053</u>
Total Tier I & II Capital	<u>19,210,791</u>	<u>18,315,892</u>
Capital Adequacy Ratio %		
Tier I ratio	13.19%	14.38%
Tier I + Tier II ratio	16.15%	17.95%

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.