

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, 2014, the related interim consolidated statements of income and comprehensive income for the three month and nine month periods ended 30 September 2014, 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 (14) which form an integral part of these interim condensed consolidated financial statements. We have not reviewed note (15), nor the information related to "Basel III Capital Structure 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 (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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22 Dhul Hijjah 1435H
(16 October 2014)

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

As at		September 30, 2014 (Unaudited) SAR'000	December 31, 2013 (Audited) SAR'000	September 30, 2013 (Unaudited) SAR'000
	Note			
ASSETS				
Cash and balances with SAMA		13,219,226	14,971,749	14,557,186
Due from banks and other financial institutions		1,353,338	2,767,181	4,899,116
Investments, net	4	35,278,039	28,248,369	28,349,974
Loans and advances, net	5	96,044,914	88,456,106	86,113,740
Investments in associates		489,540	466,533	456,487
Other real estate		136,634	136,634	136,634
Property and equipment, net		1,690,675	1,647,318	1,594,880
Other assets		1,725,940	1,241,534	1,779,349
Total assets		149,938,306	137,935,424	137,887,366
LIABILITIES AND EQUITY				
Liabilities				
Due to banks and other financial institutions		9,576,803	7,641,058	9,190,421
Customers' deposits	6	114,692,900	106,372,732	105,205,544
Other liabilities		3,128,364	3,045,720	2,746,322
Debt securities in issue		1,687,500	1,687,500	1,687,500
Total liabilities		129,085,567	118,747,010	118,829,787
Equity attributed to equity holders of the Bank				
Share capital	11	10,000,000	8,500,000	8,500,000
Statutory reserve		7,270,000	7,270,000	6,630,000
Other reserves		626,626	263,330	254,695
Retained earnings		2,918,353	2,622,124	3,565,523
Proposed dividends		-	425,000	-
Total equity attributed to equity holders of the Bank		20,814,979	19,080,454	18,950,218
Non-controlling interest		37,760	107,960	107,361
Total equity		20,852,739	19,188,414	19,057,579
Total liabilities and equity		149,938,306	137,935,424	137,887,366

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

Abdullah Al-Khalifa : Chief Financial Officer
Robert Eid : Managing Director
Hesham A. Al-Jabr : Authorized Board Member

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

	Note	For the three months ended		For the nine months ended	
		September 30, 2014 SAR'000	September 30, 2013 SAR'000	September 30, 2014 SAR'000	September 30, 2013 SAR'000
Special commission income		1,020,631	988,691	3,032,735	2,925,509
Special commission expense		101,474	111,882	352,295	436,594
Net special commission income		919,157	876,809	2,680,440	2,488,915
Fees and commission income, net		290,966	241,270	938,984	804,871
Exchange income, net		113,753	94,018	314,293	261,981
(Loss) income from FVIS financial instruments, net		(1,049)	240	(921)	5,211
Trading income, net		5,634	12,405	11,349	46,034
Dividend income		17,609	15,476	39,846	50,854
(Losses) gains and impairment of non - trading investments, net		(413)	2,717	(80)	26,648
Other operating income		19,423	21,852	75,449	111,950
Total operating income		1,365,080	1,264,787	4,059,360	3,796,464
Salaries and employee related expenses		293,339	292,580	893,377	890,830
Rent and premises related expenses		37,699	37,263	109,203	105,933
Depreciation and amortization		49,704	46,249	146,049	140,395
Other general and administrative expenses		115,720	126,451	351,575	343,527
Impairment charges for credit losses, net		121,909	182,502	334,516	354,305
Total operating expenses		618,371	685,045	1,834,720	1,834,990
Net operating income		746,709	579,742	2,224,640	1,961,474
Share in earnings of associates, net		1,777	9,337	23,008	26,441
Net income for the period		748,486	589,079	2,247,648	1,987,915
(Income) loss attributed to non-controlling interest		(556)	118	(1,419)	(2,049)
Net income for the period attributable to equity holders of the Bank		747,930	589,197	2,246,229	1,985,866
Basic and fully diluted earnings (in SAR per share)	11	0.75	0.59	2.25	1.99

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 ended</u>		<u>For the nine months ended</u>	
	<u>September 30, 2014 SAR'000</u>	<u>September 30, 2013 SAR'000</u>	<u>September 30, 2014 SAR'000</u>	<u>September 30, 2013 SAR'000</u>
Net income for the period	748,486	589,079	2,247,648	1,987,915
Other comprehensive income:				
Available for sale investments:				
- Net changes in fair value	243,398	117,262	345,537	60,421
- Transfers to interim consolidated income statement	-	(2,658)	(333)	(26,475)
Cash flows hedges:				
- Net changes in fair value	(2,464)	22,342	17,382	(14,318)
- Transfers to interim consolidated income statement	2,464	(4,178)	710	(9,551)
	<u>243,398</u>	<u>132,768</u>	<u>363,296</u>	<u>10,077</u>
Total comprehensive income for the period	991,884	721,847	2,610,944	1,997,992
Attributable to:				
Equity holders of the bank	991,328	721,965	2,609,525	1,995,943
Non-controlling interest	556	(118)	1,419	2,049
Total comprehensive income for the period	991,884	<u>721,847</u>	<u>2,610,944</u>	<u>1,997,992</u>

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 nine months ended September 30, 2014 and 2013
(Unaudited)

Attributable to equity holders of the Bank

2014

	Note	Share capital SAR'000	Statutory reserve SAR'000	Other reserves SAR'000	Retained earnings SAR'000	Proposed dividends SAR'000	Total SAR'000	Non-controlling interest SAR'000	Total equity SAR'000
Balance at beginning of the period		8,500,000	7,270,000	263,330	2,622,124	425,000	19,080,454	107,960	19,188,414
Net changes in fair value of cash flow hedges				17,382	-	-	17,382	-	17,382
Net changes in fair value of available for sale investments				345,537	-	-	345,537	-	345,537
Transfers to interim consolidated statement of income				377	-	-	377	-	377
Net comprehensive income for the period				363,296	-	-	363,296	-	363,296
Net income for the period				-	2,246,229	-	2,246,229	1,419	2,247,648
Total comprehensive income for the period				363,296	2,246,229	-	2,609,525	1,419	2,610,944
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)
2014 interim dividends paid	13	-	-	-	(450,000)	-	(450,000)	-	(450,000)
Balance at end of the period		10,000,000	7,270,000	626,626	2,918,353	-	20,814,979	37,760	20,852,739

Attributable to equity holders of the Bank

2013

	Note	Share capital SAR'000	Statutory reserve SAR'000	Other reserves SAR'000	Retained earnings SAR'000	Proposed dividends SAR'000	Total SAR'000	Non-controlling interest SAR'000	Total equity SAR'000
Balance at beginning of the period		8,500,000	6,630,000	244,618	1,579,657	850,000	17,804,275	105,312	17,909,587
Net changes in fair value of cash flow hedges				(14,318)	-	-	(14,318)	-	(14,318)
Net changes in fair value of available for sale investments				60,421	-	-	60,421	-	60,421
Transfers to interim consolidated statement of income				(36,026)	-	-	(36,026)	-	(36,026)
Net comprehensive income for the period				10,077	-	-	10,077	-	10,077
Net income for the period				-	1,985,866	-	1,985,866	2,049	1,987,915
Total comprehensive income for the period				10,077	1,985,866	-	1,995,943	2,049	1,997,992
2012 final dividends paid				-	-	(850,000)	(850,000)	-	(850,000)
Balance at end of the period		8,500,000	6,630,000	254,695	3,565,523	-	18,950,218	107,361	19,057,579

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 nine months ended
(Unaudited)

	Note	September 30, 2014 SAR'000	September 30, 2013 SAR'000
<u>OPERATING ACTIVITIES</u>			
Net income for the period		2,247,648	1,987,915
Adjustments to reconcile net income for the period to net cash from operating activities:			
Accretion of discounts on non-trading investments, net		(79,895)	(36,232)
Losses (gains) and impairment on non-trading investments, net		80	(26,648)
Depreciation and amortization		146,049	140,395
(Gains) losses on disposal of property and equipment, net		(6,882)	822
Share in earnings of associates, net		(23,008)	(26,441)
Impairment charges for credit losses, net		334,516	354,305
		2,618,508	2,394,116
Net (increase) decrease in operating assets:			
Statutory deposit with SAMA		(278,206)	(307,590)
Due from banks and other financial institutions maturing after ninety days of the acquisition date		-	-
Investments held at FVIS		2,326	53,858
Loans and advances		(7,942,696)	(170,280)
Other real estate		-	182,372
Other assets		(430,200)	(584,548)
Net increase (decrease) in operating liabilities:			
Due to banks and other financial institutions		1,935,745	2,640,497
Customers' deposits		8,320,168	(2,354,899)
Other liabilities		49,524	(378,748)
Net cash from operating activities		4,275,169	1,474,778
<u>INVESTING ACTIVITIES</u>			
Proceeds from sales of and matured non-trading investments		12,393,154	25,608,068
Purchase of non-trading investments		(18,989,569)	(29,436,892)
Purchase of property and equipment		(206,896)	(230,022)
Proceeds from disposal of property and equipment		24,372	236
Net cash used in investing activities		(6,778,939)	(4,058,610)
<u>FINANCING ACTIVITIES</u>			
Dividends paid		(869,184)	(842,808)
Acquisition of non-controlling interest		(71,619)	-
Net cash used in financing activities		(940,803)	(842,808)
Decrease in cash and cash equivalents		(3,444,573)	(3,426,640)
Cash and cash equivalents at the beginning of the period		11,807,064	17,304,744
Cash and cash equivalents at the end of the period	9	8,362,491	13,878,104
Special commission received during the period		2,924,417	2,873,261
Special commission paid during the period		(282,628)	(434,133)
<u>Supplemental non-cash information</u>			
Net changes in fair value		362,919	46,103

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 nine months ended September 30, 2014 and 2013
(Unaudited)
(SAR'000)

1. General

Arab National Bank (the "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 154 branches (2013: 148 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 limited liability company, registered in the Kingdom of Saudi Arabia under commercial registration No. 1010239908 issued on Shawal 26, 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)

An 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 principals. The Bank started consolidating the subsidiary's financial statements effective May 10, 2009, the date the subsidiary started its operation. On May 6, 2014 the Bank increased its ownership percentage in this subsidiary from 62.5% to reach 87.5%.

Arab National Bank 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 agency is licensed by the Saudi Arabian Monetary Agency under the license no. 341000077525 to perform insurance agent activities. The subsidiary obtained its license to start its activities on 5 Jumada I, 1435 (corresponding to March 6, 2014).

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" as issued by the International Accounting Standards Board. 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.

ARAB NATIONAL BANK – Saudi Joint Stock Company
Notes To The Interim Condensed Consolidated Financial Statements (continued)
For the nine months ended September 30, 2014 and 2013
(Unaudited)
(SAR'000)

2. Basis of preparation (continued)

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, 2013.

The preparation of interim 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, 2013.

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

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 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 investees controlled by the Bank. The Bank 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 Bank controls an investee if and only if the Bank 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 Bank has less than a majority of the voting or similar rights of an investee, the Bank 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
- The Bank's voting rights and potential voting rights

The Bank 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 Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Bank gains control until the date the Bank ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Bank and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

ARAB NATIONAL BANK – Saudi Joint Stock Company
Notes To The Interim Condensed Consolidated Financial Statements (continued)
For the nine months ended September 30, 2014 and 2013
(Unaudited)
(SAR'000)

2. Basis of preparation (continued)

Basis of consolidation (continued)

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 interest in excess of the non controlling interest share are allocated against the interests of the Bank. 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.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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, 2013 except for the adoption of the following standards which had no significant financial impact on the interim condensed consolidated financial statements of the Group:

- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
- Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32
- Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
- Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36

In addition to the above, the Group chose not to early adopt IFRS 9 (2010) – Financial instruments in the current period as it is only effective for financial years beginning on or after January 1, 2018. The Group is currently assessing the implication of the above standard 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, 2014 and 2013
(Unaudited)
(SAR'000)

4. Investments, net

Investments are classified as follows:

	September 30, 2014 (Unaudited)	December 31, 2013 (Audited)	September 30, 2013 (Unaudited)
Held at fair value through income statement (FVIS)	15,117	17,443	24,320
Available for sale	11,185,953	10,907,749	12,171,981
Held at amortized cost, net	24,076,969	17,323,177	16,153,673
Total	35,278,039	28,248,369	28,349,974

5. Loans and advances, net

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

	September 30, 2014 (Unaudited)	December 31, 2013 (Audited)	September 30, 2013 (Unaudited)
Commercial loans and overdrafts	72,332,530	66,630,893	64,354,509
Consumer loans	24,498,526	22,519,724	22,893,698
Credit cards	323,208	355,959	371,701
Performing loans and advances	97,154,264	89,506,576	87,619,908
Non-performing loans and advances, net	1,100,648	1,003,570	1,388,402
Gross loans and advances	98,254,912	90,510,146	89,008,310
Impairment charges for credit losses, net	(2,209,998)	(2,054,040)	(2,894,570)
Loans and advances, net	96,044,914	88,456,106	86,113,740

6. Customers' deposits

	September 30, 2014 (Unaudited)	December 31, 2013 (Audited)	September 30, 2013 (Unaudited)
Demand	65,785,796	57,388,751	55,718,098
Time	45,893,506	42,843,203	46,648,309
Saving	101,015	104,608	103,048
Others	2,912,583	6,036,170	2,736,089
Total	114,692,900	106,372,732	105,205,544

ARAB NATIONAL BANK – Saudi Joint Stock Company
Notes To The Interim Condensed Consolidated Financial Statements (continued)
For the nine months ended September 30, 2014 and 2013
(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, 2014 (Unaudited)			December 31, 2013 (Audited)			September 30, 2013 (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	113,910	105,775	8,693,125	119,174	114,332	7,786,184	128,975	124,521	6,865,578
Commission rate futures and options	-	-	2,274,332	-	-	24,815	-	-	7,480,129
Forward foreign exchange contracts	82,330	53,185	7,045,537	50,043	21,015	6,310,929	63,652	35,371	7,454,226
Currency options	10,046	6,673	22,582,444	2,825	2,820	13,306,210	30,038	30,018	9,989,099
Derivatives held as fair value hedges:									
Commission rate swaps	6,728	105,910	10,332,425	4,859	81,171	2,642,222	4,457	97,827	1,426,475
Derivatives held as cash flow hedges:									
Commission rate swaps	-	-	-	-	18,092	1,237,500	-	25,762	1,725,000
Total	213,014	271,543	50,927,863	176,901	237,430	31,307,860	227,122	313,499	34,940,507

8. Credit related commitments and contingencies

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

	September 30, 2014 (Unaudited)	December 31, 2013 (Audited)	September 30, 2013 (Unaudited)
Letters of credit	6,576,616	5,662,967	5,888,762
Letters of guarantee	25,025,040	24,916,838	25,243,238
Acceptances	1,876,819	1,536,884	1,772,555
Irrevocable commitments to extend credit	1,279,377	2,206,468	2,533,019
Other	136,556	148,462	155,112
Total	34,894,408	34,471,619	35,592,686

9. Cash and cash equivalents

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

	September 30, 2014 (Unaudited)	December 31, 2013 (Audited)	September 30, 2013 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	7,009,153	9,039,883	8,978,988
Due from banks and other financial institutions maturing within ninety days of the acquisition date	1,353,338	2,767,181	4,899,116
Total	8,362,491	11,807,064	13,878,104

ARAB NATIONAL BANK – Saudi Joint Stock Company
Notes To The Interim Condensed Consolidated Financial Statements (continued)
For the nine months ended September 30, 2014 and 2013
(Unaudited)
(SAR'000)

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.

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.

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.

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10 Operating segments (continued)

The Group's total interim consolidated assets and liabilities as at September 30, 2014 and 2013, its total interim consolidated operating income, expenses and net income and other related information for the nine months then ended, by operating segments, as reported to senior management, are as follows:

September 30, 2014 (Unaudited)						
	Retail banking	Corporate banking	Treasury banking	Investment and brokerage services	Other	Total
Total assets	36,005,060	65,612,344	45,138,433	58,336	3,124,133	149,938,306
Total liabilities	63,465,333	53,189,960	11,392,439	38,316	999,519	129,085,567
Total operating income	1,620,877	1,520,828	679,133	99,118	139,404	4,059,360
Total operating expenses	1,149,856	523,986	65,498	53,674	41,706	1,834,720
Share in earnings of associates	-	-	-	-	23,008	23,008
Income attributed to non-controlling	-	-	-	-	(1,419)	(1,419)
Net income for the period	471,021	996,842	613,635	45,444	119,287	2,246,229
Impairment charges for credit losses, net	170,535	163,981	-	-	-	334,516
Depreciation and amortization	101,301	1,719	2,819	3,436	36,774	146,049

September 30, 2013 (Unaudited)						
	Retail banking	Corporate banking	Treasury banking	Investment and brokerage services	Other	Total
Total assets	32,331,854	58,675,683	44,154,751	54,935	2,670,143	137,887,366
Total liabilities	54,783,946	52,884,277	11,023,375	37,077	101,112	118,829,787
Total operating income	1,584,384	1,321,767	679,604	89,424	121,285	3,796,464
Total operating expenses	1,157,188	531,972	70,409	57,088	18,333	1,834,990
Share in earnings of associates	-	-	-	-	26,441	26,441
Income attributed to non-controlling	-	-	-	-	(2,049)	(2,049)
Net income for the period	427,196	789,795	609,195	32,336	127,344	1,985,866
Impairment charges for credit losses, net	154,541	199,764	-	-	-	354,305
Depreciation and amortization	102,938	2,240	2,707	4,708	27,802	140,395

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11. Share capital and basic / diluted earnings per share

During the period ended September 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 September 30, 2014, the Bank has 1,000 million shares of SAR 10 each (30 September 2013: 850 million shares) issued and outstanding.

Basic and diluted earnings per share for the periods ended September 30, 2014 and 2013 are calculated by dividing the net income for the periods by 1,000 million shares to give retroactive effect to the change in the number of shares as a result of 2014 bonus shares.

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.

September 30, 2014 (Unaudited)	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets designated at FVIS	-	15,117	-	15,117
Financial investments available for sale	9,366,637	1,734,807	84,509	11,185,953
Derivative financial instruments	82,330	130,684	-	213,014
Total	9,448,967	1,880,608	84,509	11,414,084
Financial Liabilities				
Derivative financial instruments	53,185	218,358	-	271,543
Total	53,185	218,358	-	271,543
September 30, 2013 (Unaudited)	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets designated at FVIS	-	24,320	-	24,320
Financial investments available for sale	10,196,034	1,910,264	65,683	12,171,981
Derivative financial instruments	63,652	163,470	-	227,122
Total	10,259,686	2,098,054	65,683	12,423,423
Financial Liabilities				
Derivative financial instruments	35,371	278,128	-	313,499
Total	35,371	278,128	-	313,499

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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 values of on-interim consolidated statement of financial position financial instruments, except for other investments held at amortized cost, held-to-maturity investments 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 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.

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. The fair value of these investments was estimated to be SAR 24.2 billion at 30 September 2014 (30 September 2013: SAR16.2 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 30 September 2014, is SAR 59 million (30 September 2013: SAR 61 million).

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 September 2014. This interim dividend resulted in a payment to the shareholders of SAR 0.45 per share, net of applicable zakat and income taxes.

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 Risk Weighted Assets (RWA), total capital and related ratios on a consolidated basis for the Group, are as follows:

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14. Capital Adequacy (continued)

	September 30, 2014 (Unaudited)	September 30, 2013 (Unaudited)
Credit Risk RWA	124,471,287	114,387,626
Operational Risk RWA	10,718,207	9,579,842
Market Risk RWA	1,101,352	793,364
Total Pillar-I RWA	136,290,846	124,760,832
 Tier I Capital	 20,814,979	 18,950,218
Tier II Capital	1,259,023	1,382,385
Total Tier I & II Capital	22,074,002	20,332,603
 Capital Adequacy Ratio %		
Tier I ratio	15.27%	15.19%
Tier I + Tier II ratio	16.20%	16.30%

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. BASEL III capital structure disclosures

Certain quantitative disclosures on the Bank's capital structure are required to be published on Bank's website. These disclosures will be made available on the Bank's website www.anb.com.sa as required by the Saudi Arabian Monetary Agency. Such disclosures are not subject to review by the external auditors.