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KPMG Al Fozan & Partners
Certified Public Accountants

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 of March 31, 2016, the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended and the notes from (1) to (17) 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.

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Report on Review of Interim Condensed Consolidated Financial Statements (continued)

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

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.

Ernst & Young

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21 Rajab 1437H
(28 April 2016)

ARAB NATIONAL BANK – Saudi Joint Stock Company
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(SAR'000)

As at	**Notes**	**March 31, 2016 (Unaudited)**	December 31, 2015 (Audited)	March 31, 2015 (Unaudited)
ASSETS				
Cash and balances with SAMA		**14,890,965**	10,428,291	15,953,508
Due from banks and other financial institutions		**5,918,203**	5,575,099	2,236,105
Positive fair value derivatives	8	**309,055**	290,158	281,809
Investments, net	5	**23,798,908**	33,294,299	33,710,586
Loans and advances, net	6	**116,040,301**	115,655,825	108,850,385
Investments in associates		**592,689**	531,617	505,903
Other real estate		**136,634**	159,893	136,634
Investment property, net		**1,669,926**	1,675,866	-
Property and equipment, net		**1,962,778**	1,945,420	1,908,211
Other assets		**1,272,410**	864,805	1,203,301
Total assets		**166,591,869**	170,421,273	164,786,442
LIABILITIES AND EQUITY				
Liabilities				
Due to banks and other financial institutions		**5,227,055**	5,673,113	7,139,435
Negative fair value derivatives	8	**404,918**	338,949	432,104
Customers' deposits	7	**132,031,503**	135,761,194	131,225,333
Other liabilities		**3,663,922**	4,004,894	3,330,942
Debt securities and sukuk		**2,023,195**	2,011,270	1,692,031
Total liabilities		**143,350,593**	147,789,420	143,819,845
Equity attributed to equity holders of the Bank				
Share capital	12	**10,000,000**	10,000,000	10,000,000
Statutory reserve		**8,732,000**	8,732,000	7,990,000
Other reserves		**(40,200)**	102,051	384,560
Retained earnings		**3,259,137**	2,509,946	2,553,035
Proposed dividends		**550,000**	550,000	-
Total equity attributed to equity holders of the Bank		**22,500,937**	21,893,997	20,927,595
Non-controlling interest		**740,339**	737,856	39,002
Total equity		**23,241,276**	22,631,853	20,966,597
Total liabilities and equity		**166,591,869**	170,421,273	164,786,442

The accompanying notes 1 to 17 form an integral part of these interim condensed consolidated financial statements.

ARAB NATIONAL BANK – Saudi Joint Stock Company
INTERIM CONSOLIDATED STATEMENT OF INCOME
For the three months ended
(Unaudited)
(SAR'000)

	Note	March 31, 2016	March 31, 2015
Special commission income		**1,281,297**	1,100,280
Special commission expense		**319,616**	120,637
Net special commission income		**961,681**	979,643
Fees and commission income, net		**301,875**	362,430
Exchange income, net		**129,555**	134,343
Unrealized losses on FVIS financial investments, net		**(204)**	(68)
Trading income/(loss), net		**172**	(10,198)
Dividend income		**7,299**	14,770
Gains on non-trading investments, net		**23,252**	467
Other operating income, net		**51,562**	21,839
Total operating income		**1,475,192**	1,503,226
Salaries and employee related expenses		**334,237**	382,047
Rent and premises related expenses		**41,959**	36,725
Depreciation and amortization		**57,665**	47,466
Other general and administrative expenses		**145,548**	140,577
Impairment charges for credit losses, net		**152,682**	137,088
Total operating expenses		**732,091**	743,903
Net operating income		**743,101**	759,323
Share in earnings of associates, net		**8,573**	11,787
Net income for the period		**751,674**	771,110
Attributable to:			
Equity holders of the Bank		**749,191**	770,554
Non-controlling interest		**2,483**	556
Net income for the period		**751,674**	771,110
Basic and diluted earnings (in SAR per share)	12	**0.75**	0.77

The accompanying notes 1 to 17 form an integral part of these interim condensed consolidated financial statements.

ARAB NATIONAL BANK – Saudi Joint Stock Company
INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the three months ended
(Unaudited)
(SAR'000)

	March 31, 2016	March 31, 2015
Net income for the period	**751,674**	771,110
Other comprehensive income:		
Items that are or may be reclassified to interim consolidated statement of income in subsequent periods		
Available for sale financial assets:		
- Net changes in fair value	**(118,999)**	104,763
- Transfers to interim consolidated statement of income	**(23,252)**	(54)
Cash flows hedges:		
- Net changes in fair value	**-**	-
- Transfers to interim consolidated statement of income	**-**	1,019
	(142,251)	105,728
Total comprehensive income for the period	**609,423**	876,838
Attributable to:		
Equity holders of the Bank	**606,940**	876,282
Non-controlling interest	**2,483**	556
Total comprehensive income for the period	**609,423**	876,838

The accompanying notes 1 to 17 form an integral part of these interim condensed consolidated financial statements.

ARAB NATIONAL BANK – Saudi Joint Stock Company
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the three months ended March 31, 2016 and 2015
(Unaudited)
(SAR'000)

2016					**Attributable to equity holders of the Bank**				
	Share capital	**Statutory reserve**	**Available for sale financial assets**	**Cash flow hedges**	**Retained earnings**	**Proposed dividends**	**Total**	**Non-controlling interest**	**Total equity**
Balance at the beginning of the period	**10,000,000**	**8,732,000**	**102,051**	**-**	**2,509,946**	**550,000**	**21,893,997**	**737,856**	**22,631,853**
Changes in equity for the period:									
Net changes in fair values of available for sale investments			**(118,999)**	**-**	**-**	**-**	**(118,999)**	**-**	**(118,999)**
Transfers to interim consolidated statement of income			**(23,252)**	**-**	**-**	**-**	**(23,252)**	**-**	**(23,252)**
Net income for the period			**-**	**-**	**749,191**	**-**	**749,191**	**2,483**	**751,674**
Total comprehensive income for the period			**(142,251)**	**-**	**749,191**	**-**	**606,940**	**2,483**	**609,423**
Balance at the end of the period	**10,000,000**	**8,732,000**	**(40,200)**	**-**	**3,259,137**	**550,000**	**22,500,937**	**740,339**	**23,241,276**

2015					Attributable to equity holders of the Bank				
	Share capital	Statutory reserve	Available for sale financial assets	Cash flow hedges	Retained earnings	Proposed dividends	Total	Non-controlling interest	Total equity
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 values of available for sale investments			104,763	-	-	-	104,763	-	104,763
Transfers to interim consolidated statement of income			(54)	1,019	-	-	965	-	965
Net income for the period			-	-	770,554	-	770,554	556	771,110
Total comprehensive income for the period			104,709	1,019	770,554	-	876,282	556	876,838
2014 final dividends paid	-	-	-	-	-	(550,000)	(550,000)	-	(550,000)
Balance at the end of the period	10,000,000	7,990,000	384,560	-	2,553,035	-	20,927,595	39,002	20,966,597

The accompanying notes 1 to 17 form an integral part of these interim condensed consolidated financial statements.

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

	Note	March 31, 2016	March 31, 2015
OPERATING ACTIVITIES			
Net income for the period		**751,674**	771,110
Adjustments to reconcile net income to net cash used in operating activities for the period:			
Accretion of discounts on non-trading investments, net		**(13,513)**	(24,618)
Gains on non-trading investments, net		**(23,252)**	(467)
Unrealized losses on revaluation of FVIS investment, net		**204**	68
Dividend income		**(7,299)**	(14,770)
Depreciation of investment property		**6,203**	-
Depreciation and amortization of property and equipment		**57,665**	47,466
(Gain) / loss on disposal of property and equipment, net		**(13)**	1,922
Share in earnings of associates, net		**(8,573)**	(11,787)
Impairment charges for credit losses, net		**152,682**	137,088
		915,778	906,012
Net (increase) / decrease in operating assets:			
Statutory deposit with SAMA		**250,800**	(558,315)
Investments held at FVIS		**1,313,095**	-
Positive fair value derivatives		**(18,897)**	(125,141)
Loans and advances		**(539,877)**	(4,778,486)
Other assets		**(407,605)**	(251,544)
Other real estate		**23,259**	-
Net increase / (decrease) in operating liabilities:			
Due to banks and other financial institutions		**(446,058)**	(1,877,982)
Negative fair value derivatives		**65,969**	191,790
Customers' deposits		**(3,729,691)**	1,472,291
Other liabilities		**(396,541)**	(200,311)
Net cash used in operating activities		**(2,969,768)**	(5,221,686)
INVESTING ACTIVITIES			
Proceeds from sale of and matured non-trading investments		**16,349,972**	13,246,890
Purchase of non-trading investments		**(8,214,707)**	(12,840,294)
Investment in associate		**(52,500)**	-
Purchase of investment property		**(263)**	-
Purchase of property and equipment		**(108,971)**	(211,663)
Proceeds from sale of property and equipment		**33,961**	-
Dividend received		**7,299**	14,770
Net cash from investing activities		**8,014,791**	209,703
FINANCING ACTIVITIES			
Dividends paid		**(370)**	(544,766)
Debt securities and Sukuk		**11,925**	10
Net cash from (used in) financing activities		**11,555**	(544,756)
Increase / (decrease) in cash and cash equivalents		**5,056,578**	(5,556,739)
Cash and cash equivalents at the beginning of the period		**8,680,518**	16,748,871
Cash and cash equivalents at the end of the period	10	**13,737,096**	11,192,132
Special commission received during the period		**1,269,457**	1,048,141
Special commission paid during the period		**(301,307)**	(78,638)
Supplemental non-cash information			
Net changes in fair value of available for sale financial assets		**(118,999)**	104,763

The accompanying notes 1 to 17 form an integral part of these interim condensed consolidated financial statements.

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 152 branches (2015: 154 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 (CMA) directives, the Bank has established ANB Invest, a wholly owned subsidiary (directly and indirectly) a Saudi closed joint stock company, registered in the Kingdom 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 CMA. 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. On Muharram 19, 1436 (corresponding to November 12, 2014), the subsidiary changed its legal structure from a limited liability company to a closed joint stock company. The objective of the subsidiary was amended and approved by CMA Board of Commissioners on Muharram 28, 1437 H (corresponding to November 10, 2015) through a resolution number S/1/6/14832/15 to include dealing as a principal activity.

Arabian Heavy Equipment Leasing Company (AHEL)

An 87.5% owned subsidiary incorporated in the Kingdom, as a Saudi closed joint stock company, under commercial registration no 1010267489 issued in Riyadh dated Jumada I 15, 1430H (corresponding to May 10, 2009). The company is engaged in the leasing of heavy equipment 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 under the commercial registration no. 1010396423 issued in Riyadh dated Muharram 28, 1435H (corresponding to December 1, 2013). The subsidiary obtained its license from the Saudi Arabian Monetary Agency (SAMA) to start its activities on Jumada I 5, 1435H (corresponding to March 6, 2014).

Al-Manzil Al-Mubarak Real Estate Financing Ltd.

A wholly owned Saudi limited liability company, registered in the Kingdom under the commercial registration no. 1010199647 issued in Riyadh dated Jumada I 18, 1425H (corresponding to July 6, 2004). The subsidiary is engaged in the purchase, sale and lease of land and real estate for investment purposes.

ANBI Business Gate Fund (the Fund)

The Bank owns indirectly 25.47% of the Fund, which is a closed-ended private placement real estate investment fund launched on August 25, 2014 for a period of 5 years starting from date of closure of first offering on January 11, 2015. CMA has been informed of the offering of the Fund through letter number 8/14//411 dated Shawwal 9, 1435H (corresponding to August 5, 2014). The Fund's purpose is to acquire real estate assets, an income generating real estate property located in the city of Riyadh, out of which the Fund will receive rental and hotel operating income over the Fund term. The Group has significant aggregate economic interest in the Fund and manages the Fund through an agreement between Arab National Investment Company (the "Fund Manager") and the Fund Investors (the "Unitholders"). As a result, management has concluded that the Group has effective control of the Fund and started consolidating the Fund's financial statements effective December 31, 2015, the date of effective control.

2. Basis of preparation

These interim condensed consolidated financial statements are prepared in accordance with the Accounting Standards for Financial Institutions promulgated by 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, 2015.

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 for the year ended December 31, 2015.

These interim condensed consolidated financial statements are expressed in Saudi Arabian Riyals (SAR) and are rounded off to the nearest thousand, except if indicated otherwise.

3. 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 interim condensed 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 where 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 interim condensed 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:

- Contractual arrangements 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.

3. 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; and
- 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.

4. 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, 2015 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 in the current or prior periods and are expected to have no significant effect in future periods:

a) New Standards

IFRS 14 – "Regulatory Deferral Accounts", applicable for the annual periods beginning on or after 1 January 2016, allows an entity, whose activities are subject to rate regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first time adoption of IFRS. The standard does not apply to existing IFRS preparers. Also, an entity whose current GAAP does not allow the recognition of rate-regulated assets and liabilities, or that has not adopted such policy under its current GAAP, would not be allowed to recognise them on first-time application of IFRS.

b) Amendments to existing standards

Amendments to IFRS 10 – "Consolidated Financial Statements", IFRS 12 – "Disclosure of Interests in Other Entities" and IAS 28 – "Investments in Associates", applicable for the annual periods beginning on or after 1 January 2016, address three issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures its subsidiaries at fair value. Furthermore, only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

4. Significant Accounting policies (continued)

b) Amendments to existing standards

Amendments to IFRS 11 – "Joint Arrangements", applicable for the annual periods beginning on or after 1 January 2016, require an entity acquiring an interest in a joint operation, in which the activity of the joint operation constitutes a business, to apply, to the extent of its share, all of the principles in IFRS 3 – "Business Combinations" and other IFRSs that do not conflict with the requirements of IFRS 11 Joint Arrangements. Furthermore, entities are required to disclose the information required by IFRS 3 and other IFRSs for business combinations. The amendments also apply to an entity on the formation of a joint operation if, and only if, an existing business is contributed by one of the parties to the joint operation on its formation. Furthermore, the amendments clarify that, for the acquisition of an additional interest in a joint operation in which the activity of the joint operation constitutes a business, previously held interests in the joint operation must not be remeasured if the joint operator retains joint control.

Amendments to IAS 1 – "Presentation of Financial Statements", applicable for the annual periods beginning on or after 1 January 2016, clarify, existing IAS 1 requirements in relation to:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and other comprehensive income ("OCI") and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

The amendments further clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI.

Annual improvements to IFRS 2012-2014 cycle applicable for annual periods beginning on or after 1 January 2016. A summary of the amendments is as follows:

- IFRS 5 – "Non-current Assets Held for Sale and Discontinued Operations".
- IFRS 7 – "Financial Instruments: Disclosures" has been amended to clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. The nature of the fee and the arrangement should be assessed in order to consider whether the disclosures are required under IFRS 7 and the assessment must be done retrospectively. IFRS 7 has been further amended to clarify that the offsetting disclosure requirements do not apply to interim condensed financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report.
- IAS 19 – "Employee Benefits" – amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- IAS 34 – "Interim Financial Reporting" – amendment clarifies that the required interim disclosures must be either in the interim financial statements or incorporated by cross-referencing to the interim financial report (e.g., in the management commentary or risk report). However, the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.

(SAR'000)

5. Investments, net

Investments are classified as follows:

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)	March 31, 2015 (Unaudited)
Designated as fair value through income statement (FVIS)	**7,277**	1,320,557	14,467
Available for sale	**10,619,625**	11,226,490	11,328,601
Held at amortized cost, net	**13,172,006**	20,747,252	22,367,518
Total	**23,798,908**	33,294,299	33,710,586

Investments designated as FVIS do not include investments held for trading as of March 31, 2016 (December 31, 2015: SAR 1,312,480 thousand and March 31, 2015: nil)

6. Loans and advances, net

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

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)	March 31, 2015 (Unaudited)
Commercial loans and overdrafts	**89,676,787**	89,815,308	84,486,931
Consumer loans	**27,555,455**	26,957,177	25,406,722
Credit cards	**451,174**	415,931	326,949
Performing loans and advances	**117,683,416**	117,188,416	110,220,602
Non-performing loans and advances, net	**1,225,496**	1,229,583	1,092,285
Gross loans and advances	**118,908,912**	118,417,999	111,312,887
Impairment charges for credit losses, net	**(2,868,611)**	(2,762,174)	(2,462,502)
Loans and advances, net	**116,040,301**	115,655,825	108,850,385

7. Customers' deposits

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)	March 31, 2015 (Unaudited)
Demand	**68,446,978**	66,264,114	74,444,930
Time	**60,184,738**	63,902,499	53,429,259
Saving	**82,337**	107,820	113,279
Other	**3,317,450**	5,486,761	3,237,865
Total	**132,031,503**	135,761,194	131,225,333

(SAR'000)

8. 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.

	March 31, 2016 (Unaudited)			December 31, 2015 (Audited)			March 31, 2015 (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	**36,681**	**27,776**	**6,739,459**	29,825	18,952	7,483,969	54,053	48,717	7,451,790
Commission rate futures and options	**8,450**	**7,295**	**2,250,000**	8,169	6,879	2,261,124	14,286	12,573	2,373,586
Forward foreign exchange and commodity contracts	**117,638**	**87,550**	**9,192,136**	96,476	67,783	6,484,658	123,625	92,497	10,695,272
Currency and commodity options	**128,510**	**115,806**	**16,197,165**	145,528	136,047	16,643,582	88,463	86,127	21,704,054
Held as fair value hedges:									
Commission rate swaps	**17,776**	**166,491**	**12,304,628**	10,160	109,288	13,132,446	1,382	192,190	16,278,135
Total	**309,055**	**404,918**	**46,683,388**	290,158	338,949	46,005,779	281,809	432,104	58,502,837

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 132,140 thousands (December 31, 2015: SAR 69,969 thousands, and March 31, 2015: SAR 175,476 thousands).

9. Credit related commitments and contingencies

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

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)	March 31, 2015 (Unaudited)
Letters of credit	**4,884,735**	4,781,675	7,197,657
Letters of guarantee	**26,468,066**	26,656,422	25,526,477
Acceptances	**2,198,745**	2,168,914	2,268,475
Irrevocable commitments to extend credit	**2,867,324**	2,427,668	1,131,748
Other	**107,741**	111,731	125,795
Total	**36,526,611**	36,146,410	36,250,152

The unutilized portion of non-firm commitments as at March 31, 2016 which can be revoked unilaterally at any time by the Bank, amounts SAR 20,228 million (December 31, 2015: SAR 21,517 million and March 31, 2015: SAR 23,444 million).

10. Cash and cash equivalents

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

	March 31, 2016 (Unaudited)	December 31,2015 (Audited)	March 31, 2015 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	**7,818,893**	3,105,419	8,956,027
Due from banks and other financial institutions maturing within 90 days of the acquisition date	**5,918,203**	5,575,099	2,236,105
Total	**13,737,096**	8,680,518	11,192,132

11. Operating segments

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief executive officer in order to allocate resources to 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

Manages the Bank's trading and investment portfolios and the Bank's funding, liquidity, currency and commission rate risks.

Investment and brokerage services

Investment management services and asset management activities related to dealing, managing, arranging and 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.

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.

(SAR'000)

11. Operating segments (continued)

The Group's total interim consolidated assets and liabilities as at March 31, 2016 and 2015, its total interim consolidated operating income, expenses and net income for the three months then ended, by operating segments, are as follows:

March 31, 2016 (Unaudited)	**Retail banking**	**Corporate banking**	**Treasury**	**Investment and brokerage services**	**Other**	**Total**
Total assets	**41,363,430**	**80,467,290**	**40,556,033**	**1,761,024**	**2,444,092**	**166,591,869**
Investments in associates	**-**	**-**	**-**	**-**	**592,689**	**592,689**
Total liabilities	**66,137,814**	**68,272,322**	**7,662,464**	**199,259**	**1,078,734**	**143,350,593**
Operating income / (loss) from external customers	**579,695**	**868,247**	**(67,909)**	**34,882**	**60,277**	**1,475,192**
Intersegment operating income/(expense)	**(38,534)**	**(357,999)**	**357,245**	**-**	**39,288**	**-**
Total operating income	**541,161**	**510,248**	**289,336**	**34,882**	**99,565**	**1,475,192**
Credit losses and impairment provision, net	**86,412**	**66,270**	**-**	**-**	**-**	**152,682**
Provision from impairment of investments, net	**-**	**-**	**-**	**-**	**-**	**-**
Depreciation and amortization	**33,888**	**825**	**900**	**1,010**	**21,042**	**57,665**
Total operating expenses	**454,525**	**210,201**	**31,675**	**23,899**	**11,791**	**732,091**
Share in earnings of associates, net	**-**	**-**	**-**	**-**	**8,573**	**8,573**
Income attributed to non-controlling interest	**-**	**-**	**-**	**-**	**2,483**	**2,483**
Net income attributed to equity holders of the Bank	**86,636**	**300,047**	**257,661**	**10,983**	**93,864**	**749,191**

March 31, 2015 (Unaudited)	Retail banking	Corporate banking	Treasury	Investment and brokerage services	Other	Total
Total assets	37,692,504	76,385,741	47,460,733	408,821	2,838,643	164,786,442
Investments in associates	-	-	-	-	505,903	505,903
Total liabilities	70,370,905	63,059,151	9,178,543	40,602	1,170,644	143,819,845
Operating income from external customers	605,513	734,197,	91,051	32,573	39,892	1,503,226
Intersegment operating income/(expense)	(1,037)	(151,440)	126,263	-	26,214	-
Total operating income	604,476	582,757	217,314	32,573	66,106	1,503,226
Credit losses and impairment provision, net	60,869	76,219	-	-	-	137,088
Provision from impairment of investments, net						
Depreciation and amortization	29,265	493	871	1,062	15,775	47,466
Total operating expenses	456,790	220,038	28,111	21,205	17,759	743,903
Share in earnings of associates, net	-	-	-	-	11,787	11,787
Income attributed to non-controlling interest	-	-	-	-	556	556
Net income attributed to equity holders of the Bank	147,686	362,719	189,203	11,368	59,578	770,554

(SAR'000)

12. Share capital and earnings per share

At March 31, 2016, the Bank has 1,000 million shares of SAR 10 each issued and outstanding (December 31, 2015 and March 31, 2015: the same).

Basic and diluted earnings per share for the periods ended March 31, 2016 and 2015 are calculated by dividing the net income for the period attributable 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.

13. Fair values of financial assets and liabilities

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 accessible 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.

The fair values of on-balance sheet financial instruments are not significantly different from their carrying amounts included in the interim condensed consolidated financial statements.

Determination of fair value and fair value hierarchy

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.

a. Carrying amounts and fair value

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Financial assets

March 31, 2016 (Unaudited)	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Held for trading investments	-	-	-	-	-
FVIS investments	7,277	-	7,277	-	7,277
Available for sale investments	10,619,625	8,992,490	1,594,181	32,954	10,619,625
Positive fair value derivatives	309,055	-	309,055	-	309,055
Financial assets not measured at fair value					
Due from banks and other financial institutions	5,918,203	-	-	-	5,918,203
Other investments at amortised cost	13,172,006	-	-	-	13,231,311
Loans and advances	116,040,301	-	-	-	117,635,646

(SAR'000)

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

a. Carrying amounts and fair value (continued)

December 31, 2015 (Audited)	Carrying value	Fair value Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Held for trading investments	1,312,480	1,312,480	-	-	1,312,480
FVIS investments	8,077	-	8,077	-	8,077
Available for sale investments	11,226,490	9,486,872	1,653,824	85,794	11,226,490
Positive fair value derivatives	290,158		290,158	-	290,158
Financial assets not measured at fair value					
Due from banks and other financial institutions	5,575,099	-	-	-	5,575,099
Other investments at amortised cost	20,747,252	-	-	-	20,658,874
Loans and advances	115,655,825	-	-	-	117,035,320

Financial Liabilities

March 31, 2016 (Unaudited)	**Carrying value**	**Fair value Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities measured at fair value					
Negative fair value derivatives	**404,918**	**-**	**404,918**	**-**	**404,918**
Financial liabilities not measured at fair value					
Due to banks and other financial institutions	**5,227,055**	**-**	**-**	**-**	**5,227,055**
Customer Deposits	**132,031,503**	**-**	**-**	**-**	**132,031,503**
Sukuk	**2,023,195**	**-**	**-**	**-**	**1,818,867**

December 31, 2015 (Audited)	Carrying value	Fair value Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value					
Negative fair value derivatives	338,949	-	338,949	-	338,949
Financial liabilities not measured at fair value					
Due to banks and other financial institutions	5,673,113	-	-	-	5,673,113
Customer Deposits	135,761,194	-	-	-	135,761,194
Sukuk	2,011,270	-	-	-	1,806,566

(SAR'000)

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

b. Measurement of fair values

i. Valuation technique and significant unobservable inputs

The following table shows the valuation techniques used in measuring level 2 and Level 3 fair values at 31 March 2016 and 31 December 2015, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets designated at FVIS	Fair value is determined based on the fund's most recent reported net asset value (NAV).	Not applicable	Not applicable
Available for sale investments classified as Level 2 include plain vanilla bonds for which market quotes are not available.	Fair valued using simple discounted cash flow techniques that use observable market data inputs for yield curves and credit spreads.	Not applicable	Not applicable
Available for sale investments classified as Level 3 include Private Equity Funds	Fair value is determined based on the fund's most recent reported net asset value (NAV).	Not applicable	Not applicable

ii. Transfer between levels of the fair value hierarchy

There have been no transfers within levels of the fair value hierarchy during the three months period ended March 31, 2016 and 2015.

iii. Level 3 fair values

Reconciliation of Level 3 fair values

Financial investments designated as available for sale:

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

	March 31, 2016 (Unaudited)	March 31, 2015 (Unaudited)
Balance at the beginning of the period	**85,794**	89,594
Total gains(losses) in other comprehensive income	**5,493**	(2,442)
Purchases	**-**	242,000
Settlements	**(58,333)**	-
Balance at the end of the period	**32,954**	329,152

(SAR'000)

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. During the period, the Group has fully complied with regular capital requirements.

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 consolidated 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:

	March 31, 2016 (Unaudited)	March 31, 2015 (Unaudited)
Credit Risk RWA	**145,700,743**	138,625,496
Operational Risk RWA	**12,319,763**	11,239,023
Market Risk RWA	**634,301**	342,753
Total Pillar-I RWA	**158,654,807**	150,207,272
Tier I Capital	**21,950,937**	20,927,595
Tier II Capital	**2,855,470**	1,083,867
Total Tier I & II Capital	**24,806,407**	22,011,462
Capital Adequacy Ratio %		
Tier I ratio	**13.84%**	13.93%
Tier I + Tier II ratio	**15.64%**	14.65%

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 as adopted by the SAMA 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.

16. Comparative figures

Certain comparative figures were reclassified to conform to the current period reclassification.

17. Board of Directors' approval

The interim condensed consolidated financial statements were approved by the Board on Rajab 13, 1437 (corresponding to April 20, 2016).