

REVIEW REPORT

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

We have reviewed the accompanying interim consolidated statement of financial position of Arab National Bank and its subsidiaries (the "Bank") as of March 31, 2010, the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the three-month period then ended, and the notes from (1) to (10) which form an integral part of these interim condensed consolidated financial statements.

Management's Responsibility for the Interim Condensed Consolidated Financial Statements

These interim condensed consolidated financial statements are the responsibility of the Bank's management and have been prepared by them in accordance with applicable Accounting Standards for Financial Institutions and certain capital adequacy disclosure requirements issued by the Saudi Arabian Monetary Agency ("SAMA") and with International Accounting Standard No. 34 "Interim Financial Reporting" and submitted to us together with all the information and explanations which we required.

Scope of Review

Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

We conducted our review in accordance with generally accepted standards in Saudi Arabia, applicable to review engagements and with International Standard on Review Engagements 2410. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim condensed consolidated financial statements for them to be in conformity with applicable Accounting Standards for Financial Institutions issued by SAMA and with International Accounting Standard No. 34 "Interim Financial Reporting".

Other Regulatory Matters

As required by SAMA, certain capital adequacy information has been disclosed in Note (9) of the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in Note (9) to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

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Rabi Thani 26, 1431H
April 11, 2010

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

As at	Note	March 31, 2010 (Unaudited) SAR'000	December 31, 2009 (Audited) SAR'000	March 31, 2009 (Unaudited) SAR'000
ASSETS				
Cash and balances with SAMA		8,824,937	10,457,455	7,319,619
Due from banks and other financial institutions		3,369,564	6,082,423	2,121,474
Investments, net	4	28,103,476	23,260,907	26,362,703
Loans and advances, net		65,444,120	66,811,033	72,810,358
Investment in an associate		316,390	314,649	191,948
Other real estate		100,992	100,992	103,440
Property and equipment, net		1,223,016	1,239,681	974,997
Other assets		2,674,807	2,030,180	2,522,281
Total assets		110,057,302	110,297,320	112,406,820
LIABILITIES AND EQUITY				
Liabilities				
Due to banks and other financial institutions		12,027,491	8,714,228	10,085,351
Customers' deposits		77,651,412	82,680,240	84,518,644
Other liabilities		4,098,028	2,737,085	3,418,975
Debt securities in issue		1,687,500	1,687,500	1,875,000
Total liabilities		95,464,431	95,819,053	99,897,970
Equity attributed to equity holders of the Bank				
Share capital		6,500,000	6,500,000	6,500,000
Statutory reserve		5,000,000	5,000,000	4,390,000
Other reserves		84,741	(46,871)	(293,059)
Retained earnings		2,899,322	2,265,638	1,911,909
Proposed Dividend		-	650,000	-
Total equity attributed to equity holders of the Bank		14,484,063	14,368,767	12,508,850
Non-controlling interest		108,808	109,500	-
Total equity		14,592,871	14,478,267	12,508,850
Total liabilities and equity		110,057,302	110,297,320	112,406,820

The accompanying notes 1 to 10 form an integral part of these interim condensed consolidated financial statements.

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

	March 31, 2010 SAR'000	March 31, 2009 SAR'000
Special commission income	888,860	1,264,474
Special commission expense	<u>85,817</u>	<u>352,174</u>
Net special commission income	803,043	912,300
Fees from banking services, net	136,188	155,815
Exchange income, net	72,923	60,845
Income (loss) from FVIS financial instruments, net	3,234	(14,752)
Trading income, net	6,839	5,402
Dividend income	13,052	2,251
Gains and impairment of non-trading investments, net	55,247	21,665
Other operating income	<u>34,173</u>	<u>13,503</u>
Total operating income	<u>1,124,699</u>	<u>1,157,029</u>
Salaries and employee related expenses	221,580	235,687
Rent and premises related expenses	30,335	29,497
Depreciation and amortization	51,410	44,398
Other general and administrative expenses	93,267	96,798
Provision for credit losses, net	<u>96,856</u>	<u>54,720</u>
Total operating expenses	<u>493,448</u>	<u>461,100</u>
Net operating income	<u>631,251</u>	<u>695,929</u>
Share in gains (losses) of an associate	<u>1,741</u>	<u>(1,100)</u>
Net income for the period	632,992	694,829
Loss attributed to non-controlling interest	<u>692</u>	<u>-</u>
Net income attributed to equity holders of the Bank	<u>633,684</u>	<u>694,829</u>
Basic and fully diluted earnings (in SAR per share)	<u>0.97</u>	<u>1.07</u>

The accompanying notes 1 to 10 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)

	March 31, 2010 SAR'000	March 31, 2009 SAR'000
Net income for the period	<u>633,684</u>	<u>694,829</u>
Other comprehensive income:		
Net changes in fair value of available for sale investments	190,107	(131,771)
Net changes in fair value of cash flow hedges	<u>42,270</u>	<u>(170,184)</u>
Total comprehensive income for the period	<u><u>866,061</u></u>	<u><u>392,874</u></u>
Attributable to:		
Equity holders of the Bank	866,753	392,874
Non-controlling interest	<u>(692)</u>	<u>-</u>
Total comprehensive income for the period	<u><u>866,061</u></u>	<u><u>392,874</u></u>

The accompanying notes 1 to 10 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, 2010 and 2009
(Unaudited)

Attributable to equity holders of the Bank

<u>2010</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 the beginning of the period	6,500,000	5,000,000	(46,871)	2,265,638	650,000	14,368,767	109,500	14,478,267
Net changes in fair value of cash flow hedges			42,270	-	-	42,270	-	42,270
Net changes in fair values of available for sale investments			190,107	-	-	190,107	-	190,107
Transfers to interim consolidated income statement			(100,765)	-	-	(100,765)	-	(100,765)
Net income recognized directly in equity			131,612	-	-	131,612	-	131,612
Net income for the period			-	633,684	-	633,684	(692)	632,992
Total recognized income (expense) for the period			131,612	633,684	-	765,296	(692)	764,604
2009 final Dividend			-	-	(650,000)	(650,000)	-	(650,000)
Balance at the end of the period	<u>6,500,000</u>	<u>5,000,000</u>	<u>84,741</u>	<u>2,899,322</u>	<u>-</u>	<u>14,484,063</u>	<u>108,808</u>	<u>14,592,871</u>
<u>2009</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 the beginning of the period	6,500,000	4,390,000	(85,782)	1,217,080	650,000	12,671,298	-	12,671,298
Net changes in fair value of cash flow hedges			(170,184)	-	-	(170,184)	-	(170,184)
Net changes in fair values of available for sale investments			(131,771)	-	-	(131,771)	-	(131,771)
Transfers to interim consolidated income statement			94,678	-	-	94,678	-	94,678
Net expense recognized directly in equity			(207,277)	-	-	(207,277)	-	(207,277)
Net income for the period			-	694,829	-	694,829	-	694,829
Total recognized income (expense) for the period			(207,277)	694,829	-	487,552	-	487,552
2008 final dividend			-	-	(650,000)	(650,000)	-	(650,000)
Balance at the end of the period	<u>6,500,000</u>	<u>4,390,000</u>	<u>(293,059)</u>	<u>1,911,909</u>	<u>-</u>	<u>12,508,850</u>	<u>-</u>	<u>12,508,850</u>

The accompanying notes 1 to 10 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)

	March 31, 2010	March 31, 2009
	<u>SAR'000</u>	<u>SAR'000</u>
<u>OPERATING ACTIVITIES</u>	<u>Note</u>	
Net income for the period	633,684	694,829
Adjustments to reconcile net income to net cash from operating activities		
Accretion of discounts on non-trading investments, net	19,281	(87,443)
Gains and impairment on non-trading investments, net	(55,247)	(21,665)
Depreciation and amortization	51,410	44,398
(Gains) losses on disposal of property and equipment, net	(10)	79
Share in (gains) losses of an associate	(1,741)	1,100
Provision for credit losses, net	96,856	54,720
	<u>744,233</u>	<u>686,018</u>
Net (increase) decrease in operating assets:		
Statutory deposit with SAMA	12,154	68,851
Due from banks and other financial institutions maturing after three months of the acquisition date	1,492,187	(218,438)
Loans and advances	1,266,369	1,771,589
Other assets	(64,630)	(794,495)
Net increase (decrease) in operating liabilities:		
Due to banks and other financial institutions	3,313,263	(423,722)
Customers' deposits	(5,028,828)	(8,224,809)
Other liabilities	99,466	(170,707)
Net cash from (used in) operating activities	<u>1,834,214</u>	<u>(7,305,713)</u>
<u>INVESTING ACTIVITIES</u>		
Proceeds from sale of and matured non-trading investments	12,205,242	10,376,445
Purchase of non-trading investments	(16,844,873)	(8,491,826)
Purchase of property and equipment	(34,762)	(84,623)
Proceeds from sale of property and equipment	27	-
Net cash (used in) from investing activities	<u>(4,674,366)</u>	<u>1,799,996</u>
<u>FINANCING ACTIVITIES</u>		
Minority interest	(692)	-
Dividends paid	(192)	(1,008)
Net cash used in financing activities	<u>(884)</u>	<u>(1,008)</u>
Decrease in cash and cash equivalents	(2,841,036)	(5,506,725)
Cash and cash equivalents at the beginning of the period	<u>10,819,049</u>	<u>10,711,944</u>
Cash and cash equivalents at the end of the period	<u>7,978,013</u>	<u>5,205,219</u>
Special commission received during the period	976,643	1,364,133
Special commission paid during the period	<u>(59,558)</u>	<u>(329,895)</u>
<u>Supplemental non-cash information</u>		
Net changes in fair value and transfers to interim consolidated income statement	<u>232,377</u>	<u>(247,692)</u>

The accompanying notes 1 to 10 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 three months ended March 31, 2010 and 2009
(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 140 branches (2009: 134 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-interest 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 1, 1430H (corresponding to May 10, 2009). The company is engaged in leasing of heavy equipments and operating in compliance with Shariah principals. The Bank started consolidating the subsidiary financial statements effective May 10, 2009, the date the subsidiary started its operation.

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, 2009.

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 year 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 year, if any, are included in the interim consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Non controlling interests represent the portion of net income and net assets not owned, directly or indirectly, by the Bank in its subsidiary and are presented separately in the interim consolidated income statement and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

Balances and any unrealised gains and losses arising from transactions between the Bank and its subsidiaries are eliminated in preparing the interim condensed consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3. Accounting policies

The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those used for the year ended December 31, 2009, except for the adoption of amendments to the existing standards, as mentioned below:

- IAS 27 (revised), Consolidated and separate financial statements
- IAS 39 (amendment), Financial instruments - Recognition and measurement – Eligible hedged items
- IFRIC Interpretation 18, Transfers of Assets from Customers

The above amendments to existing standards and interpretations are effective for 2010 but adoption of these will not have a material impact to the Group's interim condensed consolidated financial statements.

4. Investments, net

Investment securities are classified as follows:

	March 31, 2010 (Unaudited)	December 31, 2009 (Audited)	March 31, 2009 (Unaudited)
Held at fair value through income statement	191,042	208,322	279,367
Available for sale	16,739,714	17,275,934	13,994,777
Held to maturity	421,148	422,114	425,065
Other investments held at amortized cost, net	10,751,572	5,354,537	11,663,494
Total	28,103,476	23,260,907	26,362,703

ARAB NATIONAL BANK – Saudi Joint Stock Company
Notes To The Interim Condensed Consolidated Financial Statements (Continued)
For the three months ended March 31, 2010 and 2009
(SAR'000)

5. 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.

	March 31, 2010 (Unaudited)			December 31, 2009 (Audited)			March 31, 2009 (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	208,278	188,524	14,225,821	187,783	169,950	13,579,910	252,360	234,016	14,996,184
Commission rate futures and options	1,033	1,047	907,266	-	-	-	-	-	-
Forward foreign exchange contracts	694,193	664,080	12,847,084	195,719	169,473	12,807,732	306,383	268,794	13,406,928
Currency options	2,304	2,087	128,279	5,516	4,521	177,848	9,927	9,395	413,425
Derivatives held as fair value hedges:									
Commission rate swaps	-	134,950	2,918,706	794	140,768	3,017,129	-	226,184	4,831,686
Derivatives held as cash flow hedges:									
Commission rate swaps	4,393	-	425,000	4,023	171	625,000	10,619	-	444,000
Total	910,201	990,688	31,452,156	393,835	484,883	30,207,619	579,289	738,389	34,092,223

6. Credit related commitments and contingencies

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

	March 31, 2010 (Unaudited)	December 31, 2009 (Audited)	March 31, 2009 (Unaudited)
Letters of credit	5,278,687	4,623,573	3,658,584
Letters of guarantee	15,413,045	15,024,473	13,884,979
Acceptances	1,515,147	1,231,898	1,945,617
Irrevocable commitments to extend credit	2,183,584	2,188,576	4,237,080
Other	275,082	282,585	305,136
Total	24,665,545	23,351,105	24,031,396

7. Cash and cash equivalents

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

	March 31, 2010 (Unaudited)	December 31, 2009 (Audited)	March 31, 2009 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	4,845,637	6,466,001	3,489,682
Due from banks and other financial institutions maturing within 3 months of the acquisition date	3,132,376	4,353,048	1,715,537
Total	7,978,013	10,819,049	5,205,219

8. Business 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 business 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 interim consolidated assets and liabilities as at March 31, 2010 and 2009, its total interim consolidated operating income, expenses and net income and other related information for the three month periods then ended, by business segments, as reported to senior management, are as follows:

March 31, 2010 (Unaudited)	Retail banking	Corporate banking	Treasury banking	Investment and brokerage services	Other	Total
Total assets	23,812,540	45,096,035	38,925,623	86,222	2,136,882	110,057,302
Total liabilities	41,439,084	38,961,058	14,370,508	24,641	669,140	95,464,431
Total operating income	526,504	305,456	125,199	20,222	147,318	1,124,699
Total operating expenses	280,445	172,446	17,129	18,777	4,651	493,448
Share in gains of an associate	-	-	-	-	1,741	1,741
Loss attributed to Non-controlling interest	-	-	-	-	692	692
Net income for the period	246,059	133,010	108,070	1,445	145,100	633,684
Provision for credit losses, net	(19,009)	115,865	-	-	-	96,856
Depreciation and amortization	27,970	585	325	1,874	20,656	51,410

ARAB NATIONAL BANK – Saudi Joint Stock Company
Notes To The Interim Condensed Consolidated Financial Statements (continued)
For the three months ended March 31, 2010 and 2009
(SAR'000)

8. Business segments (continued)

March 31, 2009 (Unaudited)	Retail banking	Corporate banking	Treasury banking	Investment and brokerage services	Other	Total
Total assets	25,120,158	51,496,900	34,564,997	46,454	1,178,311	112,406,820
Total liabilities	36,735,309	49,802,700	12,515,335	41,666	802,960	99,897,970
Total operating income	524,103	328,634	133,446	33,235	137,611	1,157,029
Total operating expenses	300,864	117,166	19,637	22,190	1,243	461,100
Share in losses of an associate	-	-	-	-	1,100	1,100
Net income for the period	223,239	211,468	113,809	11,045	135,268	694,829
Provision for credit losses, net	(8,813)	63,534	-	-	-	54,721
Impairment of other financial assets	-	-	18,750	-	-	18,750
Depreciation and amortization	23,123	391	228	448	20,209	44,399

9. Capital Adequacy

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.

Capital Adequacy Ratios				
Particulars	Total capital ratio %	Tier 1 capital ratio %	Total capital ratio %	Tier 1 capital ratio %
	March 31, 2010 (Unaudited)		March 31, 2009 (Unaudited)	
Top consolidated level	17.09	14.48	15.07	12.10

10. Comparative figures

Certain prior period figures have been reclassified to conform with current period presentation.