

REVIEW REPORT

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

We have reviewed the accompanying interim balance sheet of **Arab National Bank** (the Bank) as of June 30, 2007, and the related statements of income for the three-month and six-month periods ended June 30, 2007, and the statements of changes in shareholders' equity and cash flows for the six-month period then ended.

Management's Responsibility for the Financial Statements

These interim condensed 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 issued by the Saudi Arabian Monetary Agency and with International Accounting Standard No. 34 "Interim Financial Reporting" and submitted to us together with all the information and explanations which we required.

Review Scope

Our responsibility is to express a conclusion on these interim condensed 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 financial statements for them to be in conformity with applicable Accounting Standards for Financial Institutions issued by the Saudi Arabian Monetary Agency and with International Accounting Standard No. 34.

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19 Jumada Al-Thani 1428H
July 4, 2007

ARAB NATIONAL BANK – Saudi Joint Stock Company
BALANCE SHEET

As at	Notes	June 30, 2007 (Unaudited) SAR'000	December 31, 2006 (Audited) SAR'000	June 30, 2006 (Unaudited) SAR'000
ASSETS				
Cash and balances with SAMA		5,081,759	3,216,007	2,553,593
Due from banks and other financial institutions		3,129,346	4,633,337	2,175,037
Investments, net	4	19,107,992	18,291,558	18,681,836
Loans and advances, net		52,826,791	49,747,224	43,435,153
Other real estate		155,855	155,127	154,648
Property and equipment, net		691,179	586,251	495,028
Other assets		1,518,342	1,405,879	1,377,393
Total assets		82,511,264	78,035,383	68,872,688
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Due to banks and other financial institutions		3,705,455	3,098,603	3,712,350
Customer deposits		64,235,181	61,773,494	54,530,299
Other liabilities		2,135,004	1,995,648	2,381,811
Term loan		1,312,500	1,312,500	1,312,500
Debt securities in issue		1,875,000	1,875,000	-
Total liabilities		73,263,140	70,055,245	61,936,960
Shareholders' equity				
Share capital	9	4,550,000	3,250,000	3,250,000
Statutory reserve		3,150,000	3,150,000	2,500,000
General reserve		-	1,300,000	30,000
Other reserves		(79,935)	19,841	95,928
Retained earnings		1,628,059	260,297	1,059,800
Total shareholders' equity		9,248,124	7,980,138	6,935,728
Total liabilities and shareholders' equity		82,511,264	78,035,383	68,872,688

The accompanying notes 1 to 9 form an integral part of these interim condensed financial statements.

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

	<u>For the three months ended</u>		<u>For the six months ended</u>		
	<u>June 30,</u> <u>2007</u> <u>SAR'000</u>	<u>June 30,</u> <u>2006</u> <u>SAR'000</u>	<u>June 30,</u> <u>2007</u> <u>SAR'000</u>	<u>June 30,</u> <u>2006</u> <u>SAR'000</u>	
	<i>Notes</i>				
Special commission income	1,321,092	1,087,507	2,618,276	2,146,242	
Special commission expense	593,931	462,616	1,202,141	949,687	
Net special commission income	727,161	624,891	1,416,135	1,196,555	
Fees from banking services, net	212,499	331,741	427,677	613,215	
Exchange income, net	46,645	31,188	86,229	61,748	
Income from FVIS financial instruments, net	39,868	2,178	64,032	8,465	
Trading income, net	1,356	981	1,256	1,996	
Dividend income	4,508	-	4,598	-	
Gains on non - trading investments, net	67,109	47,495	88,529	97,513	
Other operating income	8,964	7,332	14,288	17,306	
Total operating income	1,108,110	1,045,806	2,102,744	1,996,798	
Salaries and employee related expenses	203,796	182,307	403,409	359,379	
Rent and premises related expenses	24,836	19,542	47,284	36,952	
Depreciation and amortization	28,559	20,875	54,263	39,330	
Other general and administrative expenses	94,886	74,841	180,340	139,768	
Provision for credit losses	31,154	15,714	49,686	67,516	
Total operating expenses	383,231	313,279	734,982	642,945	
Net income for the period	724,879	732,527	1,367,762	1,353,853	
Basic and diluted earnings per share for the period (in SAR)	9	1.59	1.61	3.01	2.98

The accompanying notes 1 to 9 form an integral part of these interim condensed financial statements.

ARAB NATIONAL BANK – Saudi Joint Stock Company
 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
 For the six months ended June 30, 2007 and 2006
 (Unaudited)

	Notes	Share capital SAR' 000	Statutory reserve SAR' 000	General reserve SAR' 000	Other reserves SAR' 000	Retained earnings SAR' 000	Proposed dividend SAR' 000	Total SAR' 000
<u>2007</u>								
Balance at beginning of the period		3,250,000	3,150,000	1,300,000	19,841	260,297	-	7,980,138
Net changes in fair values of cash flow hedges					(9,055)	-	-	(9,055)
Net changes in fair values of available for sale investments					(2,192)	-	-	(2,192)
Transfers to statement of income					(88,529)	-	-	(88,529)
Net expenses recognized directly in equity					(99,776)	-	-	(99,776)
Net income for the period					-	1,367,762	-	1,367,762
Total recognized income (expenses) for the period					(99,776)	1,367,762	-	1,267,986
Bonus share issue	9	1,300,000	-	(1,300,000)	-	-	-	-
Balance at the end of the period		4,550,000	3,150,000	-	(79,935)	1,628,059	-	9,248,124
<u>2006</u>								
Balance at beginning of period		2,500,000	2,500,000	780,000	217,690	64,242	274,747	6,336,679
Net changes in fair values of cash flow hedges					6,276	-	-	6,276
Net changes in fair values of available for sale investments					(30,525)	-	-	(30,525)
Transfers to statement of income					(97,513)	-	-	(97,513)
Net expense recognized directly in equity					(121,762)	-	-	(121,762)
Net income for the period					-	1,353,853	-	1,353,853
Total recognized income (expense) for the period					(121,762)	1,353,853	-	1,232,091
Bonus share issue	9	750,000	-	(750,000)	-	-	-	-
2005 final dividend paid		-	-	-	-	-	(274,747)	(274,747)
Interim gross dividend		-	-	-	-	(358,295)	-	(358,295)
Balance at end of the period		3,250,000	2,500,000	30,000	95,928	1,059,800	-	6,935,728

The accompanying notes 1 to 9 form an integral part of these interim condensed financial statements.

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

	June 30, 2007 SAR'000	June 30, 2006 SAR'000
<u>OPERATING ACTIVITIES</u>	<u>Note</u>	
Net income for the period	1,367,762	1,353,853
Adjustments to reconcile net income to net cash from (used in) operating activities		
Accretion of discounts on non-trading investments, net	(6,739)	(5,545)
Gains on non-trading investments, net	(88,529)	(97,513)
Depreciation and amortization	54,263	39,330
(Gains) losses on disposal of property and equipment, net	(316)	14
Provision for credit losses	49,686	67,516
	<u>1,376,127</u>	<u>1,357,655</u>
Net (increase) decrease in operating assets:		
Statutory deposit with SAMA	(309,556)	(167,475)
Due from banks and other financial institutions maturing after ninety days	(526,013)	-
Loans and advances	(3,150,048)	(4,744,076)
Other real estate	(728)	4,216
Other assets	(106,167)	(59,954)
Net increase (decrease) in operating liabilities:		
Due to banks and other financial institutions	606,852	(4,664,584)
Customer deposits	2,461,991	5,699,236
Other liabilities	67,306	(630,429)
Net cash from (used in) operating activities	<u>419,764</u>	<u>(3,205,411)</u>
<u>INVESTING ACTIVITIES</u>		
Proceeds from sales of and matured non-trading investments	2,564,801	2,922,123
Purchase of non-trading investments	(3,297,099)	(1,198,717)
Purchase of property and equipment	(159,744)	(116,421)
Proceeds from sale of property and equipment	867	157
Net cash (used in) from investing activities	<u>(891,175)</u>	<u>1,607,142</u>
<u>FINANCING ACTIVITIES</u>		
Dividends paid	(2,397)	(269,437)
Net cash used in financing activities	<u>(2,397)</u>	<u>(269,437)</u>
Decrease in cash and cash equivalents	(473,808)	(1,867,706)
Cash and cash equivalents at the beginning of the period	<u>5,723,943</u>	<u>4,638,190</u>
Cash and cash equivalents at the end of the period	<u>7</u> <u>5,250,135</u>	<u>2,770,484</u>
Special commission received during the period	2,538,903	2,021,276
Special commission paid during the period	(1,182,991)	(780,873)
<u>Supplemental non cash information</u>		
Net changes in fair value	<u>(11,247)</u>	<u>(24,249)</u>

The accompanying notes 1 to 9 form an integral part of these interim condensed financial statements.

ARAB NATIONAL BANK – Saudi Joint Stock Company
Notes To The Interim Condensed Financial Statements
For the six months ended June 30, 2007 and 2006
(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 123 branches (2006: 116 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.

2. Basis of preparation

These interim condensed 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 financial statements to comply with the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia.

The interim condensed financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2006.

The Bank has adopted IFRS 7- "Financial Instruments: disclosures" and amendments to IAS 1- "Presentation of Financial Statements – Capital Disclosures" effective January 1, 2007 with retrospective effect, wherever applicable. IFRS 7 introduces new disclosures of qualitative and quantitative information about exposure to risks arising from financial instruments. The amendment to IAS 1 introduces disclosures about the level of capital and how it manages capital. The changes introduced by these standards do not have any significant implication to these interim financial statements as they are condensed financial statements.

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

3. Accounting policies

The accounting policies adopted are consistent with those followed in the preparation of the Bank's annual financial statements for the year ended December 31, 2006.

4. Investments, net

Investment securities are classified as follows:

	June 30, 2007 (Unaudited)	December 31, 2006 (Audited)	June 30, 2006 (Unaudited)
Held as fair value through income statement (FVIS)	1,307,256	599,403	540,624
Available for sale	5,485,108	4,887,240	5,020,977
Held to maturity	431,933	433,875	931,956
Other investments held at amortized cost, net	11,883,695	12,371,040	12,188,279
Total	19,107,992	18,291,558	18,681,836

ARAB NATIONAL BANK – Saudi Joint Stock Company
Notes To The Interim Condensed Financial Statements (continued)
For the six months ended June 30, 2007 and 2006
(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.

	June 30, 2007 (Unaudited)			December 31, 2006 (Audited)			June 30, 2006 (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	40,816	36,018	6,030,447	33,258	28,303	5,746,681	30,528	25,819	6,329,330
Forward foreign exchange contracts	97,436	57,196	22,071,853	99,446	59,582	20,823,621	138,046	95,408	20,601,141
Currency options	11,335	11,227	1,255,133	8,131	7,826	814,443	25,281	24,970	779,114
Other	-	-	-	-	-	-	1,858	1,858	100,000
Derivatives held as fair value hedges:									
Commission rate swaps	17,353	16,262	6,367,923	10,389	41,320	6,625,146	24,825	10,308	6,657,980
Derivatives held as cash flow hedges:									
Commission rate swaps	186	15,940	2,809,500	552	7,251	2,317,500	58	14,225	817,500
Total	167,126	136,643	38,534,856	151,776	144,282	36,327,391	220,596	172,588	35,285,065

6. Credit related commitments and contingencies

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

	June 30, 2007 (Unaudited)	December 31, 2006 (Audited)	June 30, 2006 (Unaudited)
Letters of credit	4,695,435	5,087,840	3,942,932
Letters of guarantee	9,918,423	8,177,009	6,195,285
Acceptances	2,084,088	1,356,579	1,201,085
Irrevocable commitments to extend credit	1,862,944	1,572,416	1,651,571
Other	380,456	391,567	403,588
Total	18,941,346	16,585,411	13,394,461

ARAB NATIONAL BANK – Saudi Joint Stock Company
Notes To The Interim Condensed Financial Statements (continued)
For the six months ended June 30, 2007 and 2006
(SAR'000)

7. Cash and cash equivalents

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

	June 30, 2007 (Unaudited)	December 31, 2006 (Audited)	June 30, 2006 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	2,684,302	1,128,106	595,447
Due from banks and other financial institutions maturing within ninety days	2,565,833	4,595,837	2,175,037
Total	5,250,135	5,723,943	2,770,484

8. Business segments

The Bank'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 Bank's overall financial statements.

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 Bank 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.

The Bank's total assets and liabilities as at June 30, 2007 and 2006, its total operating income, expenses and net income for the six month periods then ended, by business segments, being the primary reporting segments, are as follows:

	June 30, 2007 (Unaudited)			
	Retail banking	Corporate banking	Treasury banking	Total
Total assets	23,773,698	33,515,935	25,221,631	82,511,264
Total liabilities	31,513,774	34,709,247	7,040,119	73,263,140
Total operating income	1,300,855	406,967	394,922	2,102,744
Total operating expenses	619,931	89,798	25,253	734,982
Net income for the period	680,924	317,169	369,669	1,367,762

ARAB NATIONAL BANK – Saudi Joint Stock Company
Notes To The Interim Condensed Financial Statements (continued)
For the six months ended June 30, 2007 and 2006
(SAR'000)

8. Business segments (continued)

	June 30, 2006 (Unaudited)			
	Retail banking	Corporate banking	Treasury banking	Total
Total assets	21,979,233	24,577,639	22,315,816	68,872,688
Total liabilities	25,073,595	31,869,640	4,993,725	61,936,960
Total operating income	1,408,834	338,064	249,900	1,996,798
Total operating expenses	493,736	122,846	26,363	642,945
Net income for the period	915,098	215,218	223,537	1,353,853

9. Share capital and earnings per share

During the period ended June 30, 2007; 130 million shares of SAR 10 each were issued after approval by the shareholders at their extraordinary general assembly meeting held on March 18, 2007. Consequently at June 30, 2007, the Bank has 455 million shares issued and outstanding. Furthermore, during the period ended June 30, 2006, 15 million shares of SAR 50 each were issued after approval by the shareholders at their extraordinary general assembly meeting held on March 12, 2006.

Basic and diluted earnings per share for the periods ended June 30, 2007 and 2006 are calculated by dividing the net income for the period by 455 million shares to give a retroactive effect of change in the number of shares as a result of the bonus share issue.