

SPECIAL REVIEW REPORT

To the Shareholders of Arab National Bank

We have reviewed the accompanying balance sheet of **Arab National Bank** (the Bank) as of March 31, 2006, and the related statements of income, changes in shareholders' equity and cash flows for the three month period then ended. These interim condensed financial statements are the responsibility of the Bank's management.

We conducted our review in accordance with generally accepted auditing standards applicable to review engagements. 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.

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 Accounting Standards for Financial Institutions issued by the Saudi Arabian Monetary Agency and with International Financial Reporting Standards.

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11 Rabi Awal 1427H
(April 9, 2006)

ARAB NATIONAL BANK – Saudi Joint Stock Company
BALANCE SHEET

As at	Note	March 31, 2006 (Unaudited) SAR'000	December 31, 2005 (Audited) SAR'000	March 31, 2005 (Unaudited) SAR'000
ASSETS				
Cash and balances with SAMA		3,031,690	2,495,186	2,101,888
Due from banks and other financial institutions		6,766,546	3,933,675	3,560,658
Investments, net	2	19,930,530	20,422,650	22,033,768
Loans and advances, net		40,291,196	38,778,556	30,139,465
Other real estate		154,648	158,865	186,863
Fixed assets, net		434,723	418,108	411,108
Other assets		1,295,247	1,285,039	1,014,406
Total assets		71,904,580	67,492,079	59,448,156
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Due to banks and other financial institutions		8,581,288	8,376,934	8,983,990
Customer deposits		53,159,287	48,832,464	43,369,122
Other liabilities		2,220,619	2,633,502	1,889,156
Term loan	3	1,312,500	1,312,500	-
Total liabilities		65,273,694	61,155,400	54,242,268
SHAREHOLDERS' EQUITY				
Share capital	8	3,250,000	2,500,000	2,500,000
Statutory reserve		2,500,000	2,500,000	2,000,000
General reserve		30,000	780,000	50,000
Other reserves		165,318	217,690	275,789
Retained earnings		685,568	64,242	380,099
Proposed dividend		-	274,747	-
Total shareholders' equity		6,630,886	6,336,679	5,205,888
Total liabilities and shareholders' equity		71,904,580	67,492,079	59,448,156

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
For the three months ended
(Unaudited)

	Note	March 31, 2006 SAR'000	March 31, 2005 SAR'000
Special commission income		1,058,735	742,410
Special commission expense		487,071	228,739
Net special commission income		571,664	513,671
Fees from banking services, net		281,474	127,156
Exchange income		30,560	24,351
Income from FVIS Financial Instruments, net		6,287	-
Trading income, net		1,015	5,926
Dividend income		-	1,330
Gains on non trading investments, net		50,018	6,157
Other operating income		9,974	3,857
Total operating income		950,992	682,448
Salaries and employee related expenses		177,072	157,610
Rent and premises related expenses		17,410	14,121
Depreciation and amortization		18,455	15,548
Other general and administrative expenses		64,913	61,029
Provision for possible credit losses		51,802	71,632
Other operating expenses		14	68
Total operating expenses		329,666	320,008
Net income for the period		621,326	362,440
Earnings per share for the period (Expressed in SAR per share)	8	1.91	1.12

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 three months ended March 31, 2006 and 2005
(Unaudited)

	<u>Note</u>	<u>Share capital SAR'000</u>	<u>Statutory reserve SAR'000</u>	<u>General reserve SAR'000</u>	<u>Other reserves SAR'000</u>	<u>Retained earnings SAR'000</u>	<u>Proposed dividend SAR'000</u>	<u>Total SAR'000</u>
<u>2006</u>								
Balance January 1		2,500,000	2,500,000	780,000	217,690	64,242	274,747	6,336,679
Bonus share issue	8	750,000	-	(750,000)	-	-	-	-
Net income for the period		-	-	-	-	621,326	-	621,326
2005 final dividend paid		-	-	-	-	-	(274,747)	(274,747)
Net changes in fair value and cash flow hedges		-	-	-	(52,372)	-	-	(52,372)
Balance at March 31		<u>3,250,000</u>	<u>2,500,000</u>	<u>30,000</u>	<u>165,318</u>	<u>685,568</u>	<u>-</u>	<u>6,630,886</u>
<u>2005</u>								
Balance at January 1, as restated		2,000,000	2,000,000	550,000	226,759	17,659	175,202	4,969,620
Bonus share issue	8	500,000	-	(500,000)	-	-	-	-
Net income for the period		-	-	-	-	362,440	-	362,440
2004 final dividend paid		-	-	-	-	-	(175,202)	(175,202)
Net changes in fair value and cash flow hedges		-	-	-	49,030	-	-	49,030
Balance at March 31		<u>2,500,000</u>	<u>2,000,000</u>	<u>50,000</u>	<u>275,789</u>	<u>380,099</u>	<u>-</u>	<u>5,205,888</u>

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 three months ended
(Unaudited)

	March 31, 2006	March 31, 2005
Note	SAR'000	SAR'000
<u>OPERATING ACTIVITIES</u>		
Net income for the period	621,326	362,440
Adjustments to reconcile net income to net cash from (used in) operating activities		
Accretion of discounts on non trading investments, net	(2,423)	(4,900)
Gains on non trading investments	(50,018)	(6,157)
Depreciation and amortization	18,455	15,548
Losses (Gains) on disposal of fixed assets, net	14	(10)
Provision for possible credit losses	51,802	71,632
	639,156	438,553
Net (increase) decrease in operating assets:		
Statutory deposit with SAMA	(15,130)	7,942
Due from banks and other financial institutions maturing after ninety days	-	(249,997)
Investments held for trading	-	(4,793)
Loans and advances	(1,634,921)	(1,653,728)
Other real estate	4,217	5,036
Other assets	14,871	55,554
Net increase (decrease) in operating liabilities:		
Due to banks and other financial institutions	204,354	(836,837)
Customer deposits	4,327,545	(2,946,877)
Other liabilities	(395,778)	(215,255)
Net cash from (used in) operating activities	3,144,314	(5,400,402)
<u>INVESTING ACTIVITIES</u>		
Proceeds from sales of and matured non trading investments	1,000,934	1,979,673
Purchase of non trading investments	(503,814)	(2,747,314)
Purchase of fixed assets	(35,108)	(44,242)
Proceeds from sale of fixed assets	24	11
Net cash from (used) in investing activities	462,036	(811,872)
<u>FINANCING ACTIVITIES</u>		
Dividends paid	(252,105)	(160,564)
Net cash used in financing activities	(252,105)	(160,564)
Increase (Decrease) in cash and cash equivalents	3,354,245	(6,372,838)
Cash and cash equivalents at the beginning of the period	4,638,190	10,187,697
Cash and cash equivalents at the end of the period	7,992,435	3,814,859
	6	
<u>Supplemental non cash information</u>		
Net changes in fair value and cash flow hedges	(52,372)	49,030

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 three months ended March 31, 2006 and 2005
(SAR'000)

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these interim condensed financial statements are set out below:

a) Basis of preparation

The Bank prepares these interim condensed financial statements in accordance with the accounting standards for financial institutions promulgated by the Saudi Arabian Monetary Agency (SAMA) and International Financial Reporting Standards (IFRS). 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.

These interim condensed financial statements are prepared under the historical cost convention except for the measurement at fair value of derivatives, financial assets and liabilities held for trading, available for sale and fair value through Income Statement (FVIS). In addition, assets or liabilities that are hedged in a fair value hedging relationship are carried at fair value to the extent of the risk being hedged.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. Such estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances.

The Interim condensed financial statements are expressed in Saudi Arabian Riyals (SAR) and are rounded off to the nearest thousand.

Except for the changes explained in note 1(b) below, the accounting policies used in the preparation of these interim condensed financial statements are consistent with those used in the annual financial statements for the year ended December 31, 2005.

All Shariah approved (or non-interest based) banking products are accounted for using IFRS and are in conformity with the accounting policies used in the preparation of the Bank's annual financial statements for the year ended December 31, 2005

b) Change in accounting policies

The bank has implemented the amendments to International Accounting Standards (IAS) 39 Financial Instruments: Recognition and Measurement – The Fair Value Option – effective January 1, 2006 with retrospective effect, wherever applicable. Following this amendment, the revised IAS 39 requires that the use of the FVIS classification be restricted and shall be used only if permitted by the IAS.

Upon the introduction of these changes, the Bank was not required to reclassify any of its assets and liabilities.

2. Investments, net

Investment securities are classified as follows:

	March 31, 2006 (Unaudited)	December 31, 2005 (Audited)	March 31, 2005 (Unaudited)
Held at FVIS	350,946	307,159	203,853
Available for sale	5,165,017	5,145,865	3,744,308
Held at amortised cost - other	13,482,212	13,970,649	16,296,987
Held to maturity	932,355	998,977	1,788,620
Total	19,930,530	20,422,650	22,033,768

ARAB NATIONAL BANK – Saudi Joint Stock Company
Notes To The Interim Condensed Financial Statements (continued)
For the three months ended March 31, 2006 and 2005
(SAR'000)

3. Term Loan

On March 22, 2005 the Bank entered into a three year syndicated term loan facility agreement for an amount of USD 350 million for general banking purposes. The facility was drawn down in full on April 4, 2005 and is repayable in 2008. The Bank, however, has an option to effect an early repayment, subject to the terms and conditions of the related syndicate agreement.

4. 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.

	At March 31, 2006 (Unaudited)			At December 31, 2005 (Audited)			At March 31, 2005 (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	26,520	22,031	6,007,971	14,091	10,707	5,176,395	4,763	4,509	1,025,000
Commission rate futures and options	-	-	-	-	-	-	-	-	56,672
Forward foreign exchange contracts	103,173	53,086	17,917,905	124,933	65,865	13,944,716	115,085	56,353	17,722,334
Currency options	9,630	9,768	827,980	25,373	24,811	997,809	34,923	30,570	4,403,515
Other	1,833	1,833	100,000	1,662	1,662	100,000	1,418	1,418	350,000
Derivatives held as fair value hedges:									
Commission rate swaps	71,936	13,883	12,929,082	15,544	35,540	11,367,588	22,956	26,872	4,089,792
Derivatives held as cash flow hedges:									
Commission rate swaps	89	14,095	817,500	1,681	9,571	817,500	9,351	8,138	1,341,250
Total	213,181	114,696	38,600,438	183,284	148,156	32,404,008	188,496	127,860	28,988,563

ARAB NATIONAL BANK – Saudi Joint Stock Company
Notes To The Interim Condensed Financial Statements (continued)
For the three months ended March 31, 2006 and 2005
(SAR'000)

5. Credit related commitments and contingencies

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

	At March 31, 2006 (Unaudited)	At December 31, 2005 (Audited)	At March 31, 2005 (Unaudited)
Letters of credit	3,365,212	2,869,476	2,349,709
Letters of guarantee	5,870,311	5,153,598	4,690,422
Acceptances	875,868	1,074,943	840,310
Irrevocable commitments to extend credit	1,918,368	2,107,947	1,732,803
Other	419,213	439,236	487,421
Total	12,448,972	11,645,200	10,100,665

6. Cash and cash equivalents

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

	At March 31, 2006 (Unaudited)	At December 31, 2005 (Audited)	At March 31, 2005 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	1,225,889	704,515	504,198
Due from banks and other financial institutions maturing within ninety days	6,766,546	3,933,675	3,310,661
Total	7,992,435	4,638,190	3,814,859

7. Business segments

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.

ARAB NATIONAL BANK – Saudi Joint Stock Company
Notes To The Interim Condensed Financial Statements (continued)
For the three months ended March 31, 2006 and 2005
(SAR'000)

7. Business segments (continued)

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.

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.

The Bank's total assets and liabilities as at March 31, 2006 and 2005, its total operating income, expenses and net income for the the three month periods then ended, by business segments, are as follows:

	March 31, 2006(Unaudited)			
	Retail banking	Corporate banking	Treasury banking	Total
Total assets	21,112,258	22,558,950	28,233,372	71,904,580
Total liabilities	24,997,486	4,229,257	36,046,951	65,273,694
Total operating income	670,199	157,068	123,725	950,992
Total operating expenses	238,576	78,160	12,930	329,666
Net income	431,623	78,908	110,795	621,326

	March 31, 2005(Unaudited)			
	Retail banking	Corporate banking	Treasury banking	Total
Total assets	12,967,101	19,816,732	26,664,323	59,448,156
Total liabilities	20,816,963	3,453,946	29,971,359	54,242,268
Total operating income	477,140	116,730	88,578	682,448
Total operating expenses	202,472	104,271	13,265	320,008
Net income	274,668	12,459	75,313	362,440

8. Share capital and earnings per share

During the period ended March 31, 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. At March 31, 2006, the Bank has 65 million shares issued and outstanding. Furthermore, during the period ended March 31, 2005, 10 million shares of SAR 50 each were issued after approval by the shareholders at their extraordinary general assembly meeting held on March 13, 2005.

Earnings per share for the periods ended March 31, 2006 and 2005 are calculated by dividing the net income for the period by 325 million shares to give a retroactive effect of change in the number of shares as a result of the share split on April 8, 2006 (see note 9)

9. Subsequent Events

In accordance with the Capital Market Authority's announcement dated March 27, 2006, the shares of the bank were split into five shares for every one share effective April 8, 2006. Accordingly, the share capital of the Bank has now increased from 65 million ordinary shares of SR 50 each to 325 million ordinary shares of SR 10 each. Calculation of earnings per share has been adjusted retrospectively as required by IAS 33 – Earnings per Share.