



**REVIEW REPORT**

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

We have reviewed the accompanying interim consolidated balance sheet of Arab National Bank (the "Bank") and its subsidiary as of 30 June 2008, and the related consolidated statement of income for the three-month and six-month periods ended 30 June 2008 and the consolidated statements of changes in shareholders' equity and cash flows and the notes from 1 to 11 for the six-month period then ended. We have not reviewed note 12, nor the information related to "Basel II disclosures" cross-referenced therein, which is not required to be within the scope of our review.

**Management's Responsibility for the 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.

**Other Regulatory Matters**

As required by SAMA, certain capital adequacy information has been disclosed in Note 10 of the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in Note 10 to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

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ARAB NATIONAL BANK – Saudi Joint Stock Company  
CONSOLIDATED BALANCE SHEET

As at	Note	June 30, 2008 (Unaudited) SAR'000	December 31, 2007 (Audited) SAR'000	June 30, 2007 (Unaudited) SAR'000
<b>ASSETS</b>				
Cash and balances with SAMA		11,863,054	8,228,376	5,081,759
Due from banks and other financial institutions		3,319,454	1,293,967	3,129,346
Investments, net	4	22,291,861	21,024,805	19,107,992
Loans and advances, net		69,882,715	61,121,911	52,826,791
Investment in associate		200,000	200,000	-
Other real estate		104,590	155,855	155,855
Property and equipment, net		869,003	773,664	691,179
Other assets		1,799,219	1,668,983	1,518,342
<b>Total assets</b>		<b>110,329,896</b>	<b>94,467,561</b>	<b>82,511,264</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Liabilities</b>				
Due to banks and other financial institutions		8,893,088	4,447,174	3,705,455
Customers' deposits		84,914,695	73,692,139	64,235,181
Other liabilities		2,898,655	2,616,151	2,135,004
Term loan		-	1,312,500	1,312,500
Debt securities in issue		1,875,000	1,875,000	1,875,000
<b>Total liabilities</b>		<b>98,581,438</b>	<b>83,942,964</b>	<b>73,263,140</b>
<b>Shareholders' equity</b>				
Share capital	9	6,500,000	4,550,000	4,550,000
Statutory reserve		3,766,000	3,766,000	3,150,000
General reserve		-	1,950,000	-
Other reserves		(28,868)	171,618	(79,935)
Retained earnings		1,511,326	86,979	1,628,059
<b>Total shareholders' equity</b>		<b>11,748,458</b>	<b>10,524,597</b>	<b>9,248,124</b>
<b>Total liabilities and shareholders' equity</b>		<b>110,329,896</b>	<b>94,467,561</b>	<b>82,511,264</b>

The accompanying notes 1 to 12 form an integral part of these interim condensed consolidated financial statements.

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

	<u>For the three months ended</u>		<u>For the six months ended</u>		
	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>	
<i>Note</i>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	
Special commission income	1,298,188	1,321,092	2,713,826	2,618,276	
Special commission expense	443,142	593,931	983,618	1,202,141	
Net special commission income	855,046	727,161	1,730,208	1,416,135	
Fees from banking services, net	196,491	212,499	400,452	427,677	
Exchange income, net	66,033	46,645	119,853	86,229	
(Loss) Income from FVIS financial instruments, net	(9,776)	39,868	(12,751)	64,032	
Trading income, net	871	1,356	1,595	1,256	
(Loss) Gains and impairment of non -trading investments, net	51,070	67,109	(102,922)	88,529	
Other operating income	19,401	13,472	88,310	18,886	
Total operating income	1,179,136	1,108,110	2,224,745	2,102,744	
Salaries and employee related expenses	227,289	203,796	445,511	403,409	
Rent and premises related expenses	31,801	24,836	59,430	47,284	
Depreciation and amortization	38,177	28,559	73,259	54,263	
Other general and administrative expenses	106,582	94,886	184,076	180,340	
Provision for credit losses, net	23,125	31,154	38,122	49,686	
Total operating expenses	426,974	383,231	800,398	734,982	
Net income for the period	752,162	724,879	1,424,347	1,367,762	
Basic and fully diluted earnings (in SAR per share)	9	1.16	1.12	2.19	2.10

The accompanying notes 1 to 12 form an integral part of these interim condensed consolidated financial statements.

ARAB NATIONAL BANK – Saudi Joint Stock Company  
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
For the six months ended June 30, 2008 and 2007  
(Unaudited)

	Note	Share capital SAR' 000	Statutory reserve SAR' 000	General reserve SAR' 000	Other reserves SAR' 000	Retained earnings SAR' 000	Total SAR' 000
<u>2008</u>							
Balance at beginning of the period		4,550,000	3,766,000	1,950,000	171,618	86,979	10,524,597
Net changes in fair values of cash flow hedges					(9,406)	-	(9,406)
Net changes in fair values of available for sale investments					(88,349)	-	(88,349)
Transfers to consolidated statement of income					(102,731)	-	(102,731)
Net expenses recognized directly in equity					(200,486)	-	(200,486)
Net income for the period					-	1,424,347	1,424,347
Total recognized income (expenses) for the period					(200,486)	1,424,347	1,223,861
Bonus share issue	9	1,950,000	-	(1,950,000)	-	-	-
Balance at end of the period		6,500,000	3,766,000	-	(28,868)	1,511,326	11,748,458
<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 end of the period		4,550,000	3,150,000	-	(79,935)	1,628,059	9,248,124

The accompanying notes 1 to 12 form an integral part of these interim condensed consolidated financial statements.

ARAB NATIONAL BANK – Saudi Joint Stock Company  
CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended  
(Unaudited)

	June 30, 2008 SAR'000	June 30, 2007 SAR'000
<b><u>OPERATING ACTIVITIES</u></b>	<u>Note</u>	
Net income for the period	1,424,347	1,367,762
Adjustments to reconcile net income to net cash from operating activities:		
Accretion of discounts on non-trading investments, net	(87,076)	(6,739)
Losses (gains) on non-trading investments, net	102,922	(88,529)
Depreciation and amortization	73,259	54,263
Gains on disposal of property and equipment, net	(58,013)	(316)
Provision for credit losses, net	38,122	49,686
	<u>1,493,561</u>	<u>1,376,127</u>
Net (increase) decrease in operating assets:		
Statutory deposit with SAMA	(2,287,918)	(309,556)
Due from banks and other financial institutions maturing after ninety days of the acquisition date	5,912	(526,013)
Loans and advances	(8,816,522)	(3,150,048)
Other real estate	51,265	(728)
Other assets	35,713	(106,167)
Net increase (decrease) in operating liabilities:		
Due to banks and other financial institutions	4,445,914	606,852
Customers' deposits	11,223,227	2,461,991
Other liabilities	211,834	67,306
Net cash from operating activities	<u>6,362,986</u>	<u>419,764</u>
<b><u>INVESTING ACTIVITIES</u></b>		
Proceeds from sales of and matured non-trading investments	11,655,915	2,564,801
Purchase of non-trading investments	(13,146,597)	(3,297,099)
Purchase of property and equipment	(177,029)	(159,744)
Proceeds from sale of property and equipment	66,444	867
Net cash used in investing activities	<u>(1,601,267)</u>	<u>(891,175)</u>
<b><u>FINANCING ACTIVITIES</u></b>		
Term loan	(1,312,500)	-
Dividends paid	(71,060)	(2,397)
Net cash used in financing activities	<u>(1,383,560)</u>	<u>(2,397)</u>
Increase (decrease) in cash and cash equivalents	3,378,159	(473,808)
Cash and cash equivalents at the beginning of the period	<u>5,460,659</u>	<u>5,723,943</u>
Cash and cash equivalents at the end of the period	<u>7</u> <u>8,838,818</u>	<u>5,250,135</u>
Special commission received during the period	2,780,829	2,538,903
Special commission paid during the period	<u>(983,178)</u>	<u>(1,182,991)</u>
<b><u>Supplemental non cash information</u></b>		
Net changes in fair value	<u>(97,755)</u>	<u>(11,247)</u>

The accompanying notes 1 to 12 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 six months ended June 30, 2008 and 2007  
(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 125 branches (2007: 121 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.

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 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.

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 should be read in conjunction with the annual financial statements for the year ended December 31, 2007.

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

Basis of consolidation

The interim condensed consolidated financial statements comprise the interim consolidated financial statements of the Bank and its subsidiary collectively referred to as (the Group). The financial statements of the subsidiary 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 subsidiary when necessary to align them with the Bank's financial statements.

Subsidiaries are all entities controlled by the Bank. Control exists when 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 consolidated statement of income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

ARAB NATIONAL BANK – Saudi Joint Stock Company  
Notes To The Interim Condensed Consolidated Financial Statements (Continued)  
For the six months ended June 30, 2008 and 2007  
(SAR'000)

2. Basis of preparation (continued)

Balances and any unrealised gains and losses arising from transactions between the Bank and its subsidiary are eliminated in preparing the interim 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 adopted are consistent with those followed in the preparation of the Bank's annual financial statements for the year ended December 31, 2007.

4. Investments, net

Investment securities are classified as follows:

	June 30, 2008 (Unaudited)	December 31, 2007 (Audited)	June 30, 2007 (Unaudited)
Held at fair value through income statement (FVIS)	1,017,499	1,076,941	1,307,256
Available for sale	5,439,160	6,132,341	5,485,108
Held to maturity	6,359,746	2,429,532	431,933
Other investments held at amortized cost, net	9,475,456	11,385,991	11,883,695
Total	22,291,861	21,024,805	19,107,992

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 Group's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor to market risk.

	June 30, 2008 (Unaudited)			December 31, 2007 (Audited)			June 30, 2007 (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	125,168	117,424	12,733,087	79,050	68,532	9,405,475	40,816	36,018	6,030,447
Forward foreign exchange contracts	238,007	193,488	23,891,170	110,198	77,116	13,117,870	97,436	57,196	22,071,853
Currency options	722	1,413	115,125	8,089	8,624	1,072,269	11,335	11,227	1,255,133
Derivatives held as fair value hedges:									
Commission rate swaps	24,820	65,655	6,377,083	8,696	74,991	3,716,314	17,353	16,262	6,367,923
Derivatives held as cash flow hedges:									
Commission rate swaps	7,531	6,191	1,331,000	10,746	-	689,000	186	15,940	2,809,500
Total	396,248	384,171	44,447,465	216,779	229,263	28,000,928	167,126	136,643	38,534,856



ARAB NATIONAL BANK – Saudi Joint Stock Company  
Notes To The Interim Condensed Consolidated Financial Statements (continued)  
For the six months ended June 30, 2008 and 2007  
(SAR'000)

6. Credit related commitments and contingencies

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

	June 30, 2008 (Unaudited)	December 31, 2007 (Audited)	June 30, 2007 (Unaudited)
Letters of credit	7,128,692	5,245,467	4,695,435
Letters of guarantee	14,268,930	11,620,501	9,918,423
Acceptances	2,320,762	1,785,059	2,084,088
Irrevocable commitments to extend credit	1,865,446	1,435,166	1,862,944
Other	358,055	369,804	380,456
<b>Total</b>	<b>25,941,885</b>	<b>20,455,997</b>	<b>18,941,346</b>

7. Cash and cash equivalents

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

	June 30, 2008 (Unaudited)	December 31, 2007 (Audited)	June 30, 2007 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	6,409,365	5,062,605	2,684,302
Due from banks and other financial institutions maturing within ninety days of the acquisition date	2,429,453	398,054	2,565,833
<b>Total</b>	<b>8,838,818</b>	<b>5,460,659</b>	<b>5,250,135</b>

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 consolidated 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 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.

Investment and brokerage services

Investment management services and asset management activities related to dealing, managing, arranging, advising and custody of securities.

Treasury banking

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

Other

Includes income on capital and unallocated costs, assets and liabilities pertaining to the Head office and other supporting departments.



ARAB NATIONAL BANK – Saudi Joint Stock Company  
Notes To The Interim Condensed Consolidated Financial Statements (continued)  
For the six months ended June 30, 2008 and 2007  
(SAR'000)

8. Business segments (continued)

The Group's total consolidated assets and liabilities as at June 30, 2008 and 2007, its total consolidated operating income, expenses and net income and other related information for the six month periods then ended, by business segments, being the primary reporting segments, are as follows:

June 30, 2008 (Unaudited)						
	Retail banking	Corporate banking	Treasury banking	Investment and brokerage services	Other	Total
Total assets	26,350,530	47,446,543	35,289,369	19,175	1,224,279	110,329,896
Total liabilities	35,691,069	51,209,103	10,080,703	1,327,931	272,632	98,581,438
Total operating income	1,242,110	515,898	135,096	109,221	222,420	2,224,745
Total operating expenses	713,530	(15,879)	42,076	56,564	4,107	800,398
Net income for the period	528,580	531,777	93,020	52,657	218,313	1,424,347
Provision for credit losses, net	157,020	(118,898)	-	-	-	38,122
Impairment of other financial assets	-	-	205,654	-	-	205,654
Depreciation	36,496	679	396	3,227	32,461	73,259
June 30, 2007 (Unaudited)						
	Retail banking	Corporate banking	Treasury banking	Investment and brokerage services	Other	Total
Total assets	23,052,794	33,264,328	25,122,824	561,476	509,842	82,511,264
Total liabilities	31,137,121	34,610,877	7,001,488	314,323	199,331	73,263,140
Total operating income	1,097,662	351,890	327,959	149,898	175,335	2,102,744
Total operating expenses	589,143	89,650	25,198	30,104	887	734,982
Net income for the period	508,519	262,240	302,761	119,794	174,448	1,367,762
Provision for credit losses, net	53,037	(3,351)	-	-	-	49,686
Depreciation	27,541	611	424	1,828	23,859	54,263

9. Share capital and earnings per share

During the period ended June 30, 2008, 195 million shares of SAR 10 each were issued after approval by the shareholders at their extraordinary general assembly meeting held on March 16, 2008. Consequently at June 30, 2008, the Bank has 650 million shares issued and outstanding. Furthermore, 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.

Basic and diluted earnings per share for the periods ended June 30, 2008 and 2007 are calculated by dividing the net income for the period by 650 million shares to give a retroactive effect of the change in the number of shares as a result of the 2008 bonus share issue.

#### 10. 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 Banks.

SAMA has issued guidance regarding implementation of Basel II disclosures effective January 1, 2008. Consequently the following disclosures have been made for the first period and comparatives have not been presented.

Capital Adequacy Ratios		
Particulars	Total capital ratio	Tier 1 capital ratio
	%	
Top consolidated level	13.66	10.04

#### 11. COMPARATIVE FIGURES

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

#### 12. BASEL II PILLAR 3 DISCLOSURES

Under Basel II pillar 3, certain quantitative disclosures are required, and these disclosures will be made available on the Bank's website [www.anb.com.sa](http://www.anb.com.sa) as required by the Saudi Arabian Monetary Agency. Such disclosures are not subject to review or audit by the external auditors.