

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, 2005 and the related statements of income, changes in shareholders' equity and cash flows for the three months then ended. These interim condensed financial statements are the responsibility of the Bank's management.

We conducted our review in accordance with generally accepted standards on 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.

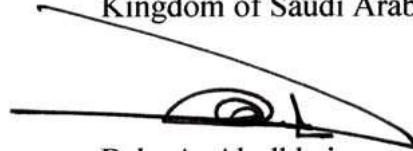
Based on our review, we are not aware of any material modifications that should be made to the accompanying interim condensed financial statements for them to be in conformity with Accounting Standards for Financial Institutions issued by the Saudi Arabian Monetary Agency and with International Financial Reporting Standards.

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26 Safar 1426H
(April 5, 2005)



ARAB NATIONAL BANK – Saudi Joint Stock Company
BALANCE SHEET

As at	Note	March 31, 2005 (Unaudited) SAR'000	December 31, 2004 (Audited) SAR'000	March 31, 2004 (Unaudited) SAR'000
ASSETS				
Cash and balances with SAMA		2,101,888	7,061,456	1,715,236
Due from banks and other financial institutions		3,560,658	4,731,873	6,816,666
Investments, net	2	22,033,768	21,187,466	21,647,313
Loans and advances, net		30,139,465	28,557,967	21,778,626
Other real estate		186,863	191,899	193,940
Fixed assets, net		411,108	382,415	315,284
Other assets		1,014,406	1,211,967	978,130
Total assets		<u>59,448,156</u>	<u>63,325,043</u>	<u>53,445,195</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Due to banks and other financial institutions		8,983,990	9,820,827	11,593,465
Customer deposits		43,369,122	46,315,710	35,740,536
Other liabilities		1,889,156	2,394,088	1,822,267
Total liabilities		<u>54,242,268</u>	<u>58,530,625</u>	<u>49,156,268</u>
SHAREHOLDERS' EQUITY				
Share capital	8	2,500,000	2,000,000	2,000,000
Statutory reserve		2,000,000	2,000,000	1,800,000
General reserve		50,000	550,000	-
Other reserves	4	275,789	226,759	210,038
Retained earnings		380,099	17,659	278,889
Total shareholders' equity		<u>5,205,888</u>	<u>4,794,418</u>	<u>4,288,927</u>
Total liabilities and shareholders' equity		<u>59,448,156</u>	<u>63,325,043</u>	<u>53,445,195</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 INCOME
For the three months ended
(Unaudited)

	<u>Note</u>	<u>March 31, 2005 SAR'000</u>	<u>March 31, 2004 SAR'000</u>
Special commission income		742,410	552,767
Special commission expense		228,739	116,358
Net special commission income		513,671	436,409
Fees from banking services, net		127,156	89,703
Exchange income		24,351	23,778
Trading income		5,926	409
Dividend income		1,330	-
Gains on non trading investments, net		6,157	3,607
Other operating income		3,857	1,081
Total operating income		682,448	554,987
Salaries and employee related expenses		157,610	131,180
Rent and premises related expenses		14,121	12,144
Depreciation and amortisation		15,548	15,831
Other general and administrative expenses		61,029	53,209
Provision for possible credit losses		71,632	61,097
Impairment of other financial assets		-	9,187
Other operating expenses		68	63
Total operating expenses		320,008	282,711
Net income for the period		362,440	272,276
Earnings per share for the period (in SAR)	8	7.25	5.45

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, 2005 and 2004
(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>2005</u>							
Balance January 1		2,000,000	2,000,000	550,000	226,759	17,659	4,794,418
Bonus share issue	8	500,000	-	(500,000)	-	-	-
Net income for the period		-	-	-	-	362,440	362,440
Net changes in fair value and cash flow hedges		-	-	-	49,030	-	49,030
Balance at March 31, 2005		<u>2,500,000</u>	<u>2,000,000</u>	<u>50,000</u>	<u>275,789</u>	<u>380,099</u>	<u>5,205,888</u>
<u>2004</u>							
Balance at January 1		1,800,000	1,800,000	200,000	170,728	6,613	3,977,341
Bonus share issue	8	200,000	-	(200,000)	-	-	-
Net income for the period		-	-	-	-	272,276	272,276
Net changes in fair value and cash flow hedges		-	-	-	39,310	-	39,310
Balance at March 31, 2004		<u>2,000,000</u>	<u>1,800,000</u>	<u>-</u>	<u>210,038</u>	<u>278,889</u>	<u>4,288,927</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)

	Note	March 31, 2005 SAR'000	March 31, 2004 SAR'000
<u>OPERATING ACTIVITIES</u>			
Net income for the period		362,440	272,276
Adjustments to reconcile net income to net cash (used in) from operating activities			
(Accretion of discounts) and amortisation of premium on investments, net		(4,900)	(10,990)
Gains on non trading investments		(6,157)	(3,607)
Depreciation and amortization		15,548	15,831
(Gains) losses on disposal of fixed assets, net		(10)	52
Impairment of other financial assets		-	9,187
Provision for possible credit losses		71,632	61,097
		438,553	343,846
Net (increase) decrease in operating assets:			
Statutory deposit with SAMA		7,942	(86,586)
Due from banks and other financial institutions maturing after ninety days		(249,997)	-
Investments held for trading		(4,793)	(93,291)
Loans and advances		(1,653,728)	(1,662,890)
Other real estate		5,036	1,946
Other assets		55,554	89,360
Net increase (decrease) in operating liabilities:			
Due to banks and other financial institutions		(836,837)	2,484,896
Customer deposits		(2,946,877)	2,017,043
Other liabilities		(215,255)	(99,704)
Net cash (used in) from operating activities		(5,400,402)	2,994,620
<u>INVESTING ACTIVITIES</u>			
Proceeds from sales of and matured non trading investments		1,979,673	366,741
Purchase of non trading investments		(2,747,314)	(390,717)
Purchase of fixed assets		(44,242)	(11,871)
Proceeds from sale of fixed assets		11	13
Net cash used in investing activities		(811,872)	(35,834)
<u>FINANCING ACTIVITIES</u>			
Dividends paid		(160,564)	(385,986)
Net cash used in financing activities		(160,564)	(385,986)
(Decrease) increase in cash and cash equivalents		(6,372,838)	2,572,800
Cash and cash equivalents at the beginning of the period		10,187,697	4,637,056
Cash and cash equivalents at the end of the period	6	3,814,859	7,209,856
<u>Supplemental non cash information</u>			
Net changes in fair value and cash flow hedges		49,030	39,310

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, 2005 and 2004
(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), International Financial Reporting Standards (IFRS), and the interpretations issued by the International Accounting Standard Board (IASB). 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 as modified for the measurement at fair value of derivatives, investments held for trading, available for sale and FVIS (Fair Value through Income Statement).

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, 2004.

b) Change in accounting policies

The bank has implemented the revised versions of International Accounting Standard (IAS) 32 Financial Instruments: Disclosure and Presentation and IAS 39 Financial Instruments: Recognition and Measurement effective January 1, 2005 with retrospective effect, wherever applicable, with respect to the recognition, measurement and disclosure of financial instruments.

The revised IAS 39 has introduced a new classification Fair Value through Income Statement (FVIS), under which financial assets and liabilities, except for investments for equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured, can be classified and carried at fair value with the changes in fair values recognized in the statement of income.

This new classification includes financial assets and liabilities held for trading and items that are designated as FVIS at the time of initial recognition.

Following initial recognition, transfers between the various classifications of financial assets or liabilities are not ordinarily permissible.

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, 2005 (Unaudited)	December 31, 2004 (Audited)	March 31, 2004 (Unaudited)
Held at FVIS	203,853	199,059	191,243
Available for sale	3,744,308	2,959,233	2,885,855
Held at amortised cost - other	16,296,987	16,144,818	15,854,868
Held to maturity	1,788,620	1,884,356	2,715,347
Total	22,033,768	21,187,466	21,647,313

Investments included in FVIS above include investments held for trading of SAR 203.9 million (December 2004: SAR 199.1 million; March 2004: SAR 191.2 million).

ARAB NATIONAL BANK – Saudi Joint Stock Company
Notes To The Interim Condensed Financial Statements (continued)
For the three months ended March 31, 2005 and 2004
(SAR'000)

3. 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, 2005 (Unaudited)			At December 31, 2004 (Audited)			At March 31, 2004 (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	4,763	4,509	1,025,000	8,551	8,650	825,000	30,614	30,958	1,598,750
Commission rate futures and options	-	-	56,672	-	-	-	-	-	-
Forward rate agreements	-	-	-	-	-	375,000	-	-	-
Forward foreign exchange contracts	115,085	56,353	17,722,334	207,798	143,492	16,960,321	233,136	146,410	17,757,629
Currency options	34,923	30,570	4,403,515	42,086	38,247	5,511,724	79,021	75,568	7,643,644
Other	1,418	1,418	350,000	1,083	1,083	100,000	21	-	3,647
Derivatives held as fair value hedges:									
Commission rate swaps	22,956	26,872	4,089,792	36,669	44,971	5,369,494	1,045	88,874	6,377,233
Derivatives held as cash flow hedges:									
Commission rate swaps	9,351	8,138	1,341,250	17,764	-	552,500	44,389	-	752,500
Total	188,496	127,860	28,988,563	313,951	236,443	29,694,039	388,226	341,810	34,133,403

4. Other reserves

	March 31, 2005 (Unaudited)			December 31, 2004 (Audited)			March 31, 2004 (Unaudited)		
	Cash flow hedges	Available for sale investments	Total	Cash flow hedges	Available for sale investments	Total	Cash flow hedges	Available for sale investments	Total
Opening balance	17,763	208,996	226,759	38,538	132,190	170,728	38,538	132,190	170,728
Net change in fair value	(16,550)	71,737	55,187	(20,775)	66,322	45,547	5,851	34,165	40,016
Transfer to statement of income	-	(6,157)	(6,157)	-	10,484	10,484	-	(706)	(706)
Net movement during the period	(16,550)	65,580	49,030	(20,775)	76,806	56,031	5,851	33,459	39,310
Ending balance	1,213	274,576	275,789	17,763	208,996	226,759	44,389	165,649	210,038

ARAB NATIONAL BANK – Saudi Joint Stock Company
Notes To The Interim Condensed Financial Statements (continued)
For the three months ended March 31, 2005 and 2004
(SAR'000)

5. Credit related commitments and contingencies

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

	At March 31, 2005 (Unaudited)	At December 31, 2004 (Audited)	At March 31, 2004 (Unaudited)
Letters of credit	2,349,709	2,075,667	1,890,021
Letters of guarantee	4,690,422	4,144,825	3,567,200
Acceptances	840,310	731,519	891,639
Irrevocable commitments to extend credit	1,732,803	1,879,389	1,949,197
Other	487,421	505,626	546,334
Total	10,100,665	9,337,026	8,844,391

6. Cash and cash equivalents

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

	At March 31, 2005 (Unaudited)	At December 31, 2004 (Audited)	At March 31, 2004 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	504,198	5,455,824	393,190
Due from banks and other financial institutions maturing within ninety days	3,310,661	4,731,873	6,816,666
Total	3,814,859	10,187,697	7,209,856

7. Business segments

For management purpose the Bank is organised 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 and liquidity, currency, and commission risk.

ARAB NATIONAL BANK – Saudi Joint Stock Company
Notes To The Interim Condensed Financial Statements (continued)
For the three months ended March 31, 2005 and 2004
(SAR'000)

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 at March 31, 2005 and 2004, its total operating income, expenses and net income for the the three month periods then ended, by business segments, are as follows:

	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

	March 31, 2004 (Unaudited)			
	Retail banking	Corporate banking	Treasury banking	Total
Total assets	8,401,876	15,225,278	29,818,041	53,445,195
Total liabilities	17,672,150	2,918,533	28,565,585	49,156,268
Total operating income	373,568	109,809	71,610	554,987
Total operating expenses	203,016	66,258	13,437	282,711
Net income	170,552	43,551	58,173	272,276

8. Share capital

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. At March 31, 2005, the Bank has 50 million shares issued and outstanding. Furthermore, during the period ended March 31, 2004, 4 million shares of SAR 50 each were issued after approval by the shareholders at their extraordinary general assembly meeting held on March 14, 2004.

The calculation of earnings per share has been adjusted retroactively for the period ended March 31, 2004 to reflect the impact of the bonus shares issued during 2005.

9. Comparative figures

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