

SPECIAL REVIEW REPORT

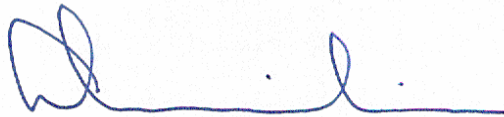
To the Shareholders of Arab National Bank

We have reviewed the accompanying balance sheet of Arab National Bank (the Bank) as of 30 September 2004, the related statements of income for the three month and nine month periods ended 30 September 2004, and the statements of changes in shareholders' equity and cash flows for the nine 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.

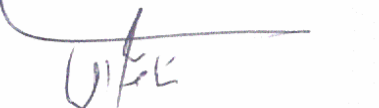
Based on our review, we are not aware of any material modifications that should be made to the accompanying interim condensed financial statements for them to be in conformity with Accounting Standards for Financial Institutions issued by the Saudi Arabian Monetary Agency and with International Financial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

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21 Sha'aban 1425H
(5 October 2004)



**ARAB NATIONAL BANK
BALANCE SHEET**

As at	30 September 2004 (Unaudited) SAR'000	31 December 2003 (Audited) SAR'000	30 September 2003 (Unaudited) SAR'000
Note	Note		
ASSETS			
Cash and balances with SAMA	1,933,614	1,677,826	1,624,640
Due from banks and other financial institutions	2,002,781	4,194,690	3,676,470
Investments, net	21,086,248	21,481,119	21,964,372
Loans and advances, net	27,596,924	20,172,233	19,030,913
Other real estate	193,940	201,297	203,303
Fixed assets, net	360,772	323,084	316,029
Other assets	960,565	1,150,641	1,071,037
Total assets	54,134,844	49,200,890	47,886,764
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Due to banks and other financial institutions	8,327,417	9,108,569	10,512,941
Customer deposits	39,358,644	33,722,994	31,235,660
Other liabilities	1,787,025	2,391,986	1,920,709
Total liabilities	49,473,086	45,223,549	43,669,310
SHAREHOLDERS' EQUITY			
Share capital	2,000,000	1,800,000	1,800,000
Statutory reserve	1,800,000	1,800,000	1,650,000
General reserve	-	200,000	-
Other reserves	184,118	170,728	172,101
Retained earnings	677,640	6,613	595,353
Total shareholders' equity	4,661,758	3,977,341	4,217,454
Total liabilities and shareholders' equity	54,134,844	49,200,890	47,886,764

The accompanying notes 1 to 8 form an integral part of these interim condensed financial statements.

**ARAB NATIONAL BANK
STATEMENT OF INCOME
(Unaudited)**

	Three months ended		Nine months ended	
	30 September 2004	30 September 2003	30 September 2004	30 September 2003
	SAR'000	SAR'000	SAR'000	SAR'000
Special commission income	631,208	495,113	1,753,214	1,472,013
Special commission expense	142,449	111,703	372,201	350,535
Net special commission income	488,759	383,410	1,381,013	1,121,478
Fees from banking services, net	123,905	80,046	336,502	199,746
Exchange income	23,733	22,752	70,709	71,473
Trading (loss) income, net	(573)	2,062	3,028	1,851
Dividend income	1,140	-	1,140	-
Gains on investments, net	373	88	4,879	728
Other operating income	1,057	1,124	3,662	4,858
Total operating income	638,394	489,482	1,800,933	1,400,134
Salaries and employee related expenses	143,469	128,072	414,905	370,861
Rent and premises related expenses	15,250	13,252	40,298	36,824
Depreciation and amortization	14,209	16,078	45,488	47,875
Other general and administrative expenses	66,427	48,986	184,948	147,461
Provision for possible credit losses	72,995	70,753	204,347	207,451
Other operating expenses	115	-	9,367	57
Total operating expenses	312,465	277,141	899,353	810,529
Net income for the period	325,929	212,341	901,580	589,605
Earnings per share for the period (in SAR)	8.15	5.31	22.54	14.74

The accompanying notes 1 to 8 form an integral part of these interim condensed financial statements.

ARAB NATIONAL BANK
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

	Share capital SAR'000	Statutory reserve SAR'000	General reserve SAR'000	Other reserves SAR'000	Retained earnings SAR'000	Total SAR'000
For the nine months ended 30 September 2004						
Balance at the beginning of the period	1,800,000	1,800,000	200,000	170,728	6,613	3,977,341
Bonus share issue (note 3)	200,000	-	(200,000)	-	-	-
Net income for the period	-	-	-	-	901,580	901,580
Interim gross dividend (note 8)	-	-	-	-	(214,830)	(214,830)
Net changes in fair value and cash flow hedges	-	-	-	13,390	(15,723)	(2,333)
Balance at the end of the period	<u>2,000,000</u>	<u>1,800,000</u>	<u>-</u>	<u>184,118</u>	<u>677,640</u>	<u>4,661,758</u>
For the nine months ended 30 September 2003						
Balance at the beginning of the period	1,800,000	1,650,000	-	92,554	5,748	3,548,302
Net income for the period	-	-	-	-	589,605	589,605
Net changes in fair value and cash flow hedges	-	-	-	79,547	-	79,547
Balance at the end of the period	<u>1,800,000</u>	<u>1,650,000</u>	<u>-</u>	<u>172,101</u>	<u>595,353</u>	<u>4,217,454</u>

The accompanying notes 1 to 8 form an integral part of these interim condensed financial statements.

**STATEMENT OF CASH FLOWS
(Unaudited)**

For the nine months ended 30 September

	Note	2004 SAR'000	2003 SAR'000
CASH FLOW FROM OPERATING ACTIVITIES			
Net income for the period		901,580	589,605
Adjustments to reconcile net income to net cash from (used in) operating activities			
Amortisation of premium and accretion of discounts on investments, net		(27,512)	(28,605)
Gains on investments, net		(4,879)	(728)
Depreciation and amortization		45,488	47,875
Losses (gains) on disposal of fixed assets		52	(605)
Provision for decline in value of fixed assets and other real estate		9,187	-
Provision for possible credit losses		204,347	207,451
		1,128,263	814,993
Net (increase) decrease in operating assets:			
Statutory deposits with SAMA		(283,836)	(126,529)
Trading securities		(95,208)	(95,604)
Loans and advances		(7,624,660)	(3,218,846)
Other real estate		1,946	(60,408)
Other assets		(163,539)	210,394
Net increase (decrease) in operating liabilities:			
Due to banks and other financial institutions		(781,152)	472,212
Customer deposits		5,635,501	3,075,494
Other liabilities		173,831	(192,677)
Net cash (used in) from operating activities		(2,008,854)	879,029
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale and matured investments		1,386,702	2,279,975
Purchase of investments		(897,329)	(5,000,889)
Purchase of fixed assets		(101,043)	(65,390)
Proceeds from disposal of fixed assets		14,039	1,066
Net cash from (used in) investing activities		402,369	(2,785,238)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid		(613,472)	(440,599)
Net cash used in financing activities		(613,472)	(440,599)
Decrease in cash and cash equivalents		(2,219,957)	(2,346,808)
Cash and cash equivalents at the beginning of the period		4,637,056	6,200,464
Cash and cash equivalents at the end of the period	6	2,417,099	3,853,656
<u>Supplemental non cash information</u>			
Net changes in fair value and cash flow hedges		(2,333)	79,547

The accompanying notes 1 to 8 form an integral part of these interim condensed financial statements.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the nine months ended 30 September 2004

1. Accounting policies

The Bank follows the Accounting Standards for Financial Institutions promulgated by the Saudi Arabian Monetary Agency (SAMA), standards issued or adopted by the International Accounting Standards Board, and interpretations issued by the International Financial Reporting Interpretations Committee. The Bank also complies with the Banking Control Law and Regulations for Companies in the Kingdom of Saudi Arabia. These interim condensed financial statements are prepared in accordance with International Accounting Standard No. 34 Interim Financial Reporting. 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 31 December 2003.

Reclassification

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

2. Investments, net

The analysis of investments is as follows:

SAR'000	At 30 September 2004 (Unaudited)	At 31 December 2003 (Audited)	At 30 September 2003 (Unaudited)
Held for trading	193,160	97,952	95,604
Available for sale	2,784,110	2,906,922	2,927,316
Originated debt	15,922,402	15,634,647	16,112,260
Held to maturity	2,186,576	2,841,598	2,829,192
Total	21,086,248	21,481,119	21,964,372

3. Bonus share issue and earnings per share

The Board of Directors proposed a 1:9 bonus share issue that was approved in the Extraordinary General Assembly held on 14 March 2004. The calculation of earnings per share has been adjusted retroactively to give effect to the issuance of bonus shares.

4. Derivatives

The table below sets out the positive and negative fair values of the Bank's 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 related future cash flows involved. These notional amounts, therefore, are neither indicative of the Bank's exposure to credit risk nor market risk.

SAR'000	At 30 September 2004 (Unaudited)			At 31 December 2003 (Audited)			At 30 September 2003 (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
Held for trading:									
Commission rate swaps	13,941	13,936	825,000	37,660	37,468	2,150,750	48,267	47,991	2,223,750
Forward foreign exchange contracts	130,341	70,692	14,285,659	285,242	223,860	15,680,114	266,497	187,328	17,038,453
Currency options	41,623	36,157	7,628,101	113,678	112,749	4,926,480	78,114	76,765	5,669,222
Other	967	967	100,000	21	-	3,739	21	-	3,387
Held as fair value hedges:									
Commission rate swaps	25,185	52,740	4,757,548	2,129	84,941	4,933,365	1,667	101,809	6,177,351
Held as cash flow hedges:									
Commission rate swaps	25,057	-	752,500	38,538	-	752,500	45,444	-	752,500
Total	237,114	174,492	28,348,808	477,268	459,018	28,446,948	440,010	413,893	31,864,663

The analysis of commitments and contingencies is as follows:

SAR'000	At 30 September 2004 (Unaudited)	At 31 December 2003 (Audited)	At 30 September 2003 (Unaudited)
Letters of credit	1,862,900	1,629,499	1,946,808
Letters of guarantee	3,873,530	3,594,335	3,849,296
Acceptances	799,919	843,608	653,467
Irrevocable commitments to extend credit	2,280,205	1,291,913	1,669,167
Other	512,782	552,703	557,803
Total	9,329,336	7,912,058	8,676,541

6. Cash and cash equivalents

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

SAR'000	At 30 September 2004 (Unaudited)	At 31 December 2003 (Audited)	At 30 September 2003 (Unaudited)
Cash and balances with SAMA excluding statutory deposits	414,318	442,366	427,186
Due from banks and other financial institutions maturing within ninety days	2,002,781	4,194,690	3,426,470
Total	2,417,099	4,637,056	3,853,656

7. Business segments

The Bank's products and services can be categorised into the following 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 London branch.

Treasury banking

Manages the Bank's trading and investment portfolios and the Bank's liquidity, currency and commission rate risk.

Transactions between the business segments are reported as recorded by the Bank's transfer pricing policy. The Bank's total assets and liabilities as at 30 September 2004 and 2003, its total operating income and expenses, and its net income for the nine month periods then ended, by business segment, are as follows:

30 September 2004 (Unaudited)				
SAR'000	Retail banking	Corporate banking	Treasury banking	Total
Total assets	11,371,795	18,241,640	24,521,409	54,134,844
Total liabilities	19,185,597	3,109,392	27,178,097	49,473,086
Total operating income	1,271,484	338,392	191,057	1,800,933
Total operating expenses	633,918	221,505	43,930	899,353
Net income	637,566	116,887	147,127	901,580

30 September 2003 (Unaudited)				
SAR'000	Retail banking	Corporate banking	Treasury banking	Total
Total assets	6,879,276	14,400,869	26,606,619	47,886,764
Total liabilities	16,218,120	2,741,604	24,709,586	43,669,310
Total operating income	917,461	295,131	187,542	1,400,134
Total operating expenses	573,516	196,275	40,738	810,529
Net income	343,945	98,856	146,804	589,605

8. Interim dividend, zakat and taxation

The Board of Directors declared on 8 June 2004 an interim gross dividend in respect of 2004 of SAR 214.8 million (2003-SAR Nil). Zakat relating to Saudi shareholders, amounting to approximately SAR 8.8 million (2003-SAR Nil), was deducted from their share of the dividend. This resulted in net dividend to Saudi shareholders of SAR 5 per share (2003-SAR Nil). The income tax liability of the foreign shareholder was deducted from their share of the dividend.