

**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 31 March 2004, 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.

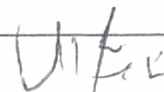
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(6 April 2004)

**ARAB NATIONAL BANK  
BALANCE SHEET**

<b>As at</b>	<b>31 March 2004 (Unaudited) SAR'000</b>	31 December 2003 (Audited) SAR'000	31 March 2003 (Unaudited) SAR'000
<b>Note</b>	<b>Note</b>	<b>Note</b>	<b>Note</b>
<b>ASSETS</b>			
Cash and balances with SAMA	<b>1,715,236</b>	1,677,826	1,502,431
Due from banks and other financial institutions	<b>6,816,666</b>	4,194,690	3,020,056
Investments, net	2 <b>21,647,313</b>	21,481,119	20,696,732
Loans and advances, net	<b>21,778,626</b>	20,172,233	17,462,955
Other real estate	<b>193,940</b>	201,297	140,695
Fixed assets, net	<b>315,284</b>	323,084	298,545
Other assets	<b>978,130</b>	1,150,641	1,029,823
<b>Total assets</b>	<b>53,445,195</b>	<b>49,200,890</b>	<b>44,151,237</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Liabilities</b>			
Due to banks and other financial institutions	<b>11,593,465</b>	9,108,569	8,275,439
Customer deposits	<b>35,740,536</b>	33,722,994	30,308,359
Other liabilities	<b>1,822,267</b>	2,391,986	1,795,744
<b>Total liabilities</b>	<b>49,156,268</b>	<b>45,223,549</b>	<b>40,379,542</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	<b>2,000,000</b>	1,800,000	1,800,000
Statutory reserve	<b>1,800,000</b>	1,800,000	1,650,000
General reserve	-	200,000	-
Other reserves	<b>210,038</b>	170,728	130,433
Retained earnings	<b>278,889</b>	6,613	191,262
<b>Total shareholders' equity</b>	<b>4,288,927</b>	<b>3,977,341</b>	<b>3,771,695</b>
<b>Total liabilities and shareholders' equity</b>	<b>53,445,195</b>	<b>49,200,890</b>	<b>44,151,237</b>

The accompanying notes 1 to 7 form an integral part of these interim condensed financial statements.

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

	<u>Note</u>	<b>Three months ended</b>	
		<b>31 March 2004</b>	31 March 2003
		<b>SAR'000</b>	SAR'000
Special commission income		<b>552,100</b>	494,440
Special commission expense		<b>116,358</b>	122,292
<b>Net special commission income</b>		<b>435,742</b>	372,148
Fees from banking services, net		<b>90,237</b>	49,920
Exchange income		<b>23,778</b>	23,264
Trading income (loss)		<b>409</b>	(268)
Gains on investments, net		<b>3,607</b>	135
Other operating income		<b>1,214</b>	1,816
<b>Total operating income</b>		<b>554,987</b>	<b>447,015</b>
Salaries and employee related expenses		<b>131,180</b>	120,303
Rent and premises related expenses		<b>12,144</b>	10,920
Depreciation and amortization		<b>15,831</b>	15,837
Other general and administrative expenses		<b>53,209</b>	48,650
Provision for possible credit losses		<b>61,097</b>	65,791
Other operating expenses		<b>9,250</b>	-
<b>Total operating expenses</b>		<b>282,711</b>	<b>261,501</b>
<b>Net income for the period</b>		<b>272,276</b>	<b>185,514</b>
<b>Earnings per share for the period (in SAR)</b>	<b>3</b>	<b>6.81</b>	4.64

The accompanying notes 1 to 7 form an integral part of these interim condensed financial statements.

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

	<b>Share capital SAR'000</b>	<b>Statutory reserve SAR'000</b>	<b>General reserve SAR'000</b>	<b>Other reserves SAR'000</b>	<b>Retained earnings SAR'000</b>	<b>Total SAR'000</b>
<b>For the three months ended 31 March 2004</b>						
Balance at beginning of the period	<b>1,800,000</b>	<b>1,800,000</b>	<b>200,000</b>	<b>170,728</b>	<b>6,613</b>	<b>3,977,341</b>
Bonus share issue (note 3)	<b>200,000</b>	-	<b>(200,000)</b>	-	-	-
Net income for the period	-	-	-	-	<b>272,276</b>	<b>272,276</b>
Net changes in fair value and cash flow hedges	-	-	-	<b>39,310</b>	-	<b>39,310</b>
Balance at end of the period	<b><u>2,000,000</u></b>	<b><u>1,800,000</u></b>	<b><u>-</u></b>	<b><u>210,038</u></b>	<b><u>278,889</u></b>	<b><u>4,288,927</u></b>
For the three months ended 31 March 2003						
Balance at beginning of the period	1,800,000	1,650,000	-	92,554	5,748	3,548,302
Net income for the period	-	-	-	-	185,514	185,514
Net changes in fair value and cash flow hedges	-	-	-	37,879	-	37,879
Balance at end of the period	<u>1,800,000</u>	<u>1,650,000</u>	<u>-</u>	<u>130,433</u>	<u>191,262</u>	<u>3,771,695</u>

The accompanying notes 1 to 7 form an integral part of these interim condensed financial statements.

**ARAB NATIONAL BANK  
STATEMENT OF CASH FLOWS  
(Unaudited)**

**For the three months ended 31 March**

	<b>Note</b>	<b>2004 SAR'000</b>	<b>2003 SAR'000</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Net income for the period</b>		<b>272,276</b>	185,514
<b>Adjustments to reconcile net income to net cash from (used in) operating activities</b>			
Amortisation of premium and accretion of discounts on investments, net		<b>(10,990)</b>	(9,264)
Gains on investments		<b>(3,607)</b>	(135)
Depreciation and amortization		<b>15,831</b>	15,837
Loss on disposal of fixed assets		<b>52</b>	-
Provision for decline in value of fixed assets and other real estate		<b>9,187</b>	-
Provision for possible credit losses		<b>61,097</b>	65,791
		<b>343,846</b>	257,743
<b>Net (increase) decrease in operating assets:</b>			
Statutory deposits with SAMA		<b>(86,586)</b>	(58,051)
Trading securities		<b>(93,291)</b>	-
Loans and advances		<b>(1,662,890)</b>	(1,508,580)
Other real estate		<b>1,946</b>	2,200
Other assets		<b>89,360</b>	174,913
<b>Net increase (decrease) in operating liabilities:</b>			
Due to banks and other financial institutions		<b>2,484,896</b>	(1,765,290)
Customer deposits		<b>2,017,043</b>	2,143,153
Other liabilities		<b>(99,704)</b>	(273,898)
		<b>2,994,620</b>	(1,027,810)
<b>Net cash from (used in) operating activities</b>		<b>2,994,620</b>	(1,027,810)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Proceeds from sale and matured investments		<b>366,741</b>	764,923
Purchase of investments		<b>(390,717)</b>	(2,358,926)
Purchase of fixed assets		<b>(11,871)</b>	(15,407)
Proceeds from sale of fixed assets		<b>13</b>	-
		<b>(35,834)</b>	(1,609,410)
<b>Net cash used in investing activities</b>		<b>(35,834)</b>	(1,609,410)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Dividends paid		<b>(385,986)</b>	(419,733)
		<b>(385,986)</b>	(419,733)
<b>Net cash used in financing activities</b>		<b>(385,986)</b>	(419,733)
<b>Increase (decrease) in cash and cash equivalents</b>		<b>2,572,800</b>	(3,056,953)
Cash and cash equivalents at beginning of the period		<b>4,637,056</b>	6,200,464
<b>Cash and cash equivalents at end of the period</b>	6	<b>7,209,856</b>	3,143,511
<u>Supplemental non-cash information</u>			
Net changes in fair value and cash flow hedges		<b>39,310</b>	37,879

The accompanying notes 1 to 7 form an integral part of these interim condensed financial statements.

**ARAB NATIONAL BANK**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**For the three months ended 31 March 2004, 2003**

**1. Accounting policies**

The Bank follows the Accounting Standards for Financial Institutions promulgated by the Saudi Arabian Monetary Agency (SAMA) and International Financial Reporting Standards. These interim condensed financial statements are prepared in accordance with International Accounting Standard No. 34 Interim Financial Reporting issued by the International Accounting Standards Board, and also comply with the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia. 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 amounts have been reclassified to conform with the current period presentation.

**2. Investments, net**

The analysis of investments is as follows:

<b>SAR'000</b>	<b>31 March 2004 (Unaudited)</b>	31 December 2003 (Audited)	31 March 2003 (Unaudited)
Held for trading	<b>191,243</b>	97,952	-
Available for sale	<b>2,885,855</b>	2,906,922	3,281,898
Originated debt	<b>15,854,868</b>	15,634,647	14,610,320
Held to maturity	<b>2,715,347</b>	2,841,598	2,804,514
<b>Total</b>	<b>21,647,313</b>	<b>21,481,119</b>	<b>20,696,732</b>

**3. Bonus share issue and earnings per share**

The Board of Directors had proposed a 1:9 bonus share issue that was approved in the Extra Ordinary 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.

<b>SAR'000</b>	<b>At 31 March 2004 (Unaudited)</b>			<b>At 31 December 2003 (Audited)</b>			<b>At 31 March 2003 (Unaudited)</b>		
	<b>Positive fair value</b>	<b>Negative fair value</b>	<b>Notional amount</b>	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value	Notional Amount
<b>Held for trading:</b>									
Commission rate swaps	<b>30,614</b>	<b>30,958</b>	<b>1,598,750</b>	37,660	37,468	2,150,750	67,392	69,415	3,655,000
Forward foreign exchange contracts	<b>233,136</b>	<b>146,410</b>	<b>17,757,629</b>	285,242	223,860	15,680,114	179,336	102,439	15,972,328
Currency options	<b>79,021</b>	<b>75,568</b>	<b>7,643,644</b>	113,678	112,749	4,926,480	53,613	51,900	6,203,174
Other	<b>21</b>	-	<b>3,647</b>	21	-	3,739	21	150	77,980
<b>Held as fair value hedges:</b>									
Commission rate swaps	<b>1,045</b>	<b>88,874</b>	<b>6,377,233</b>	2,129	84,941	4,933,365	6,975	124,802	6,063,950
<b>Held as cash flow hedges:</b>									
Commission rate swaps	<b>44,389</b>	-	<b>752,500</b>	38,538	-	752,500	50,721	-	752,500
<b>Total</b>	<b>388,226</b>	<b>341,810</b>	<b>34,133,403</b>	477,268	459,018	28,446,948	358,058	348,706	32,724,932

## 5. Credit related commitments and contingencies

The analysis of commitments and contingencies is as follows:

<b>SAR'000</b>	<b>31 March 2004 (Unaudited)</b>	31 December 2003 (Audited)	31 March 2003 (Unaudited)
Letters of credit	<b>1,890,021</b>	1,629,499	1,228,621
Letters of guarantee	<b>3,567,200</b>	3,594,335	3,468,889
Acceptances	<b>891,639</b>	843,608	491,742
Irrevocable commitments to extend credit	<b>1,949,197</b>	1,291,913	1,689,139
Other	<b>546,334</b>	552,703	688,643
<b>Total</b>	<b>8,844,391</b>	7,912,058	7,567,034

## 6. Cash and cash equivalents

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

<b>SAR'000</b>	<b>31 March 2004 (Unaudited)</b>	31 December 2003 (Audited)	31 March 2003 (Unaudited)
Cash and balances with SAMA excluding statutory deposits	<b>393,190</b>	442,366	373,455
Due from banks and other financial institutions maturing within ninety days	<b>6,816,666</b>	4,194,690	2,770,056
<b>Total</b>	<b>7,209,856</b>	4,637,056	3,143,511

## 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 31 March 2004 and 2003, its total operating income and expenses, and its net income for the three month periods then ended, by business segment, are as follows:

<b>31 March 2004 (Unaudited)</b>				
<b>SAR'000</b>	<b>Retail banking</b>	<b>Corporate banking</b>	<b>Treasury banking</b>	<b>Total</b>
Total assets	<b>8,400,576</b>	<b>15,225,278</b>	<b>29,819,341</b>	<b>53,445,195</b>
Total liabilities	<b>17,672,150</b>	<b>2,918,533</b>	<b>28,565,585</b>	<b>49,156,268</b>
Total operating income	<b>373,568</b>	<b>109,809</b>	<b>71,610</b>	<b>554,987</b>
Total operating expenses	<b>204,316</b>	<b>66,258</b>	<b>12,137</b>	<b>282,711</b>
Net income	<b>169,252</b>	<b>43,551</b>	<b>59,473</b>	<b>272,276</b>

<b>31 March 2003 (Unaudited)</b>				
<b>SAR'000</b>	<b>Retail banking</b>	<b>Corporate banking</b>	<b>Treasury banking</b>	<b>Total</b>
Total assets	5,621,317	13,690,657	24,839,263	44,151,237
Total liabilities	16,379,510	3,015,791	20,984,241	40,379,542
Total operating income	286,070	92,122	68,823	447,015
Total operating expenses	191,615	59,945	9,941	261,501
Net income	94,455	32,177	58,882	185,514