

## REVIEW REPORT

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

We have reviewed the accompanying interim balance sheet of **Arab National Bank** (the Bank) as of March 31, 2007, and the related statements of income, changes in shareholders' equity and cash flows for the three month period then ended.

### Management's Responsibility for the Financial Statements

These interim condensed 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 issued by the Saudi Arabian Monetary Agency and with International Accounting Standard No. 34 "Interim Financial Reporting" and submitted to us together with all the information and explanations which we required.

### Auditors' Responsibility

Our responsibility is to express a conclusion on these interim condensed 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 financial statements for them to be in conformity with applicable Accounting Standards for Financial Institutions issued by the Saudi Arabian Monetary Agency and with International Accounting Standard No. 34.

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21 Rabi Al Awal 1428H  
(April 9, 2007)

ARAB NATIONAL BANK – Saudi Joint Stock Company  
BALANCE SHEET

As at	Note	March 31, 2007 (Unaudited) SAR'000	December 31, 2006 (Audited) SAR'000	March 31, 2006 (Unaudited) SAR'000
<b>ASSETS</b>				
Cash and balances with SAMA		4,561,191	3,216,007	3,031,690
Due from banks and other financial institutions		5,348,203	4,633,337	6,766,546
Investments, net	4	19,763,671	18,291,558	19,930,530
Loans and advances, net		50,416,704	49,747,224	40,291,196
Other real estate		155,127	155,127	154,648
Property and equipment, net		623,715	586,251	434,723
Other assets		1,311,891	1,405,879	1,295,247
<b>Total assets</b>		<b>82,180,502</b>	<b>78,035,383</b>	<b>71,904,580</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Liabilities</b>				
Due to banks and other financial institutions		5,179,470	3,098,603	8,581,288
Customer deposits		63,254,094	61,773,494	53,159,287
Other liabilities		1,849,659	1,995,648	2,220,619
Term loan		1,312,500	1,312,500	1,312,500
Debt securities in issue		1,875,000	1,875,000	-
<b>Total liabilities</b>		<b>73,470,723</b>	<b>70,055,245</b>	<b>65,273,694</b>
<b>Shareholders' equity</b>				
Share capital	9	4,550,000	3,250,000	3,250,000
Statutory reserve		3,150,000	3,150,000	2,500,000
General reserve		-	1,300,000	30,000
Other reserves		106,599	19,841	165,318
Retained earnings		903,180	260,297	685,568
<b>Total shareholders' equity</b>		<b>8,709,779</b>	<b>7,980,138</b>	<b>6,630,886</b>
<b>Total liabilities and shareholders' equity</b>		<b>82,180,502</b>	<b>78,035,383</b>	<b>71,904,580</b>

The accompanying notes 1 to 10 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, 2007 SAR'000	March 31, 2006 SAR'000
Special commission income		1,297,184	1,058,735
Special commission expense		<u>608,210</u>	<u>487,071</u>
Net special commission income		688,974	571,664
Fees from banking services, net		215,178	281,474
Exchange income, net		39,584	30,560
Income from FVIS financial instruments, net		24,164	6,287
Trading (loss) income, net		(100)	1,015
Gains on non-trading investments, net		21,420	50,018
Other operating income		<u>5,414</u>	<u>9,974</u>
Total operating income		<u>994,634</u>	<u>950,992</u>
Salaries and employee related expenses		199,613	177,072
Rent and premises related expenses		22,448	17,410
Depreciation and amortization		25,704	18,455
Other general and administrative expenses		85,442	64,913
Provision for credit losses		18,532	51,802
Other operating expenses		<u>12</u>	<u>14</u>
Total operating expenses		<u>351,751</u>	<u>329,666</u>
Net income for the period		<u>642,883</u>	<u>621,326</u>
Basic and fully diluted earnings per share for the period (in SAR)	9	<u>1.41</u>	<u>1.37</u>

The accompanying notes 1 to 10 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, 2007 and 2006  
 (Unaudited)

	Notes	Share capital SAR' 000	Statutory reserve SAR' 000	General reserve SAR' 000	Other reserves SAR' 000	Retained earnings SAR' 000	Proposed dividend SAR' 000	Total SAR' 000
<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 value of cash flow hedges					2,671	-	-	2,671
Net changes in fair values of available for sale investments					105,507	-	-	105,507
Transfers to statement of income					(21,420)	-	-	(21,420)
Net income recognized directly in equity					86,758	-	-	86,758
Net income for the period					-	642,883	-	642,883
Total recognized income for the period					86,758	642,883	-	729,641
Bonus share issue	9	1,300,000	-	(1,300,000)	-	-	-	-
Balance at the end of the period		4,550,000	3,150,000	-	106,599	903,180	-	8,709,779
<u>2006</u>								
Balance at beginning of period		2,500,000	2,500,000	780,000	217,690	64,242	274,747	6,336,679
Net changes in fair value of cash flow hedges					6,115	-	-	6,115
Net changes in fair values of available for sale investments					(8,469)	-	-	(8,469)
Transfers to statement of income					(50,018)	-	-	(50,018)
Net expense recognized directly in equity					(52,372)	-	-	(52,372)
Net income for the period					-	621,326	-	621,326
Total recognized income (expense) for the period					(52,372)	621,326	-	568,954
Bonus share issue	9	750,000	-	(750,000)	-	-	-	-
2005 final dividend paid		-	-	-	-	-	(274,747)	(274,747)
Balance at end of the period		3,250,000	2,500,000	30,000	165,318	685,568	-	6,630,886

The accompanying notes 1 to 10 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, 2007 <u>SAR'000</u>	March 31, 2006 <u>SAR'000</u>
<b><u>OPERATING ACTIVITIES</u></b>	<b>Note</b>	
Net income for the period	642,883	621,326
Adjustments to reconcile net income to net cash from (used in) operating activities		
Accretion of discounts on non-trading investments, net	(7,072)	(2,423)
Gains on non-trading investments, net	(21,420)	(50,018)
Depreciation and amortization	25,704	18,455
(Gains) losses on disposal of property and equipment, net	(8,488)	14
Provision for credit losses	18,532	51,802
	<u>650,139</u>	<u>639,156</u>
Net (increase) decrease in operating assets:		
Statutory deposit with SAMA	(139,544)	(15,130)
Due from banks and other financial institutions maturing after ninety days	(517,453)	56,250
Loans and advances	(684,372)	(1,634,921)
Other real estate	-	4,217
Other assets	83,422	14,871
Net increase (decrease) in operating liabilities:		
Due to banks and other financial institutions	2,080,867	204,354
Customer deposits	1,480,904	4,327,545
Other liabilities	(157,135)	(395,778)
Net cash from operating activities	<u>2,796,828</u>	<u>3,200,564</u>
<b><u>INVESTING ACTIVITIES</u></b>		
Proceeds from sales of and matured non-trading investments	1,409,402	1,000,934
Purchase of non-trading investments	(2,746,742)	(503,814)
Purchase of property and equipment	(63,723)	(35,108)
Proceeds from sale of property and equipment	9,040	24
Net cash (used in) from investing activities	<u>(1,392,023)</u>	<u>462,036</u>
<b><u>FINANCING ACTIVITIES</u></b>		
Dividends paid	(1,752)	(252,105)
Net cash used in financing activities	<u>(1,752)</u>	<u>(252,105)</u>
Increase in cash and cash equivalents	1,403,053	3,410,495
Cash and cash equivalents at the beginning of the period	<u>5,723,943</u>	<u>4,379,440</u>
Cash and cash equivalents at the end of the period	7 <u>7,126,996</u>	<u>7,789,935</u>
Special commission received during the period	1,128,517	924,380
Special commission paid during the period	(544,165)	(270,254)
<b><u>Supplemental non cash information</u></b>		
Net changes in fair value	<u>108,178</u>	<u>(2,354)</u>

The accompanying notes 1 to 10 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, 2007 and 2006  
(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 121 branches (2006: 116 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 also provides its customers non-interest based banking products which are approved and supervised by an independent Shariah Board established by the Bank.

**2. Basis of preparation**

These interim condensed 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 financial statements to comply with the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia.

The interim condensed financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2006.

The Bank has adopted IFRS 7, Financial Instruments: disclosures and amendments to IAS 1 Presentation of Financial Statements – Capital Disclosures effective January 1, 2007 with retrospective effect, wherever applicable. IFRS 7 introduces new disclosures of qualitative and quantitative information about exposure to risks arising from financial instruments. The amendment to IAS 1 introduces disclosures about the level of capital and how it manages capital. The changes introduced by these standards do not have any significant implication to these interim financial statements as they are condensed financial statements.

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

**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, 2006.

**4. Investments, net**

Investment securities are classified as follows:

	March 31, 2007 (Unaudited)	December 31, 2006 (Audited)	March 31, 2006 (Unaudited)
Held as fair value through income statement (FVIS)	1,069,615	599,403	350,946
Available for sale	6,146,320	4,887,240	5,165,017
Held to maturity	432,909	433,875	932,355
Other investments held at amortized cost, net	12,114,827	12,371,040	13,482,212
<b>Total</b>	<b>19,763,671</b>	<b>18,291,558</b>	<b>19,930,530</b>

ARAB NATIONAL BANK – Saudi Joint Stock Company  
Notes To The Interim Condensed Financial Statements (continued)  
For the three months ended March 31, 2007 and 2006  
(SAR'000)

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

	March 31, 2007 (Unaudited)			December 31, 2006 (Audited)			March 31, 2006 (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	29,333	25,472	5,312,384	33,258	28,303	5,746,681	26,520	22,031	6,007,971
Forward foreign exchange contracts	91,817	50,726	25,068,593	99,446	59,582	20,823,621	103,173	53,086	17,917,905
Currency options	4,593	4,809	897,170	8,131	7,826	814,443	9,630	9,768	827,980
Other	-	-	-	-	-	-	1,833	1,833	100,000
Derivatives held as fair value hedges:	-	-	-	-	-	-	-	-	-
Commission rate swaps	9,354	42,147	4,523,146	10,389	41,320	6,625,146	71,936	13,883	12,929,082
Derivatives held as cash flow hedges:									
Commission rate swaps	2,941	6,969	2,813,500	552	7,251	2,317,500	89	14,095	817,500
Total	138,038	130,123	38,614,793	151,776	144,282	36,327,391	213,181	114,696	38,600,438

6. Credit related commitments and contingencies

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

	March 31, 2007 (Unaudited)	December 31, 2006 (Audited)	March 31, 2006 (Unaudited)
Letters of credit	4,959,540	5,087,840	3,365,212
Letters of guarantee	9,857,915	8,177,009	5,870,311
Acceptances	1,848,041	1,356,579	875,868
Irrevocable commitments to extend credit	1,544,075	1,572,416	1,918,368
Other	383,954	391,567	419,213
Total	<u>18,593,525</u>	<u>16,585,411</u>	<u>12,448,972</u>

ARAB NATIONAL BANK – Saudi Joint Stock Company  
Notes To The Interim Condensed Financial Statements (continued)  
For the three months ended March 31, 2007 and 2006  
(SAR'000)

7. Cash and cash equivalents

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

	March 31, 2007 (Unaudited)	December 31, 2006 (Audited)	March 31, 2006 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	2,333,746	1,128,106	1,225,889
Due from banks and other financial institutions maturing within ninety days	4,793,250	4,595,837	6,564,046
<b>Total</b>	<b>7,126,996</b>	<b>5,723,943</b>	<b>7,789,935</b>

8. Business segments

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.

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 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.

The Bank's total assets and liabilities as at March 31, 2007 and 2006, its total operating income, expenses and net income for the three month periods then ended, by business segments, being the primary reporting segments, are as follows:

	March 31, 2007 (Unaudited)			
	Retail banking	Corporate banking	Treasury banking	Total
Total assets	24,471,813	29,882,337	27,826,352	82,180,502
Total liabilities	28,533,980	36,585,689	8,351,054	73,470,723
Total operating income	627,737	198,926	167,971	994,634
Total operating expenses	305,109	37,391	9,251	351,751
Net income for the period	322,628	161,535	158,720	642,883



ARAB NATIONAL BANK – Saudi Joint Stock Company  
Notes To The Interim Condensed Financial Statements (continued)  
For the three months ended March 31, 2007 and 2006  
(SAR'000)

8. Business segments (continued)

	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,	30,321,967	9,954,241	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 for the period	431,623	78,908	110,795	621,326

9. Share capital and earnings per share

During the period ended March 31, 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. Consequently at March 31, 2007, the Bank has 455 million shares issued and outstanding. Furthermore, 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.

Basic and diluted earnings per share for the periods ended March 31, 2007 and 2006 are calculated by dividing the net income for the period by 455 million shares to give a retroactive effect of change in the number of shares as a result of the bonus share issue.

10. COMPARATIVE FIGURES

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