



REVIEW REPORT

To the Shareholders of Arab National Bank:

We have reviewed the accompanying interim consolidated balance sheet of Arab National Bank (the "Bank") as of 31 March 2008, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the three-month period then ended.

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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Rabi Al-Thani 3, 1429H.
April 9, 2008

ARAB NATIONAL BANK – Saudi Joint Stock Company
CONSOLIDATED BALANCE SHEET

As at	Note	March 31, 2008 (Unaudited) SAR'000	December 31, 2007 (Audited) SAR'000	March 31, 2007 (Unaudited) SAR'000
ASSETS				
Cash and balances with SAMA		10,334,229	8,228,376	4,561,191
Due from banks and other financial institutions		2,896,135	1,293,967	5,348,203
Investments, net	4	22,070,555	21,024,805	19,763,671
Loans and advances, net		65,322,234	61,121,911	50,416,704
Investment in associate		200,000	200,000	-
Other real estate		105,675	155,855	155,127
Property and equipment, net		802,464	773,664	623,715
Other assets		2,232,862	1,668,983	1,311,891
Total assets		103,964,154	94,467,561	82,180,502
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Due to banks and other financial institutions		9,071,302	4,447,174	5,179,470
Customers' deposits		78,844,431	73,692,139	63,254,094
Other liabilities		3,087,366	2,616,151	1,849,659
Term loan		-	1,312,500	1,312,500
Debt securities in issue		1,875,000	1,875,000	1,875,000
Total liabilities		92,878,099	83,942,964	73,470,723
Shareholders' equity				
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		60,891	171,618	106,599
Retained earnings		759,164	86,979	903,180
Total shareholders' equity		11,086,055	10,524,597	8,709,779
Total liabilities and shareholders' equity		103,964,154	94,467,561	82,180,502

The accompanying notes 1 to 11 form an integral part of these interim condensed consolidated financial statements.

ARAB NATIONAL BANK – Saudi Joint Stock Company
CONSOLIDATED STATEMENT OF INCOME
For the three months ended
(Unaudited)

	Note	March 31, 2008 SAR'000	March 31, 2007 SAR'000
Special commission income		1,415,638	1,297,184
Special commission expense		<u>540,476</u>	<u>608,210</u>
Net special commission income		875,162	688,974
Fees from banking services, net		203,961	215,178
Exchange income, net		53,820	39,584
(Loss) income from FVIS financial instruments, net		(2,975)	24,164
Trading income (loss), net		724	(100)
(Losses) gains and impairment of non-trading investments, net		(153,992)	21,420
Other operating income		<u>68,909</u>	<u>5,414</u>
Total operating income		<u>1,045,609</u>	<u>994,634</u>
Salaries and employee related expenses		218,222	199,613
Rent and premises related expenses		27,629	22,448
Depreciation and amortization		35,082	25,704
Other general and administrative expenses		77,494	85,454
Provision for credit losses		<u>14,997</u>	<u>18,532</u>
Total operating expenses		<u>373,424</u>	<u>351,751</u>
Net income for the period		<u>672,185</u>	<u>642,883</u>
<u>Basic and fully diluted earnings (in SAR per share)</u>	9	<u>1.03</u>	<u>0.99</u>

The accompanying notes 1 to 11 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 three months ended March 31, 2008 and 2007
(Unaudited)

<u>2008</u>	Notes	Share capital SAR' 000	Statutory reserve SAR' 000	General reserve SAR' 000	Other reserves SAR' 000	Retained earnings SAR' 000	Total SAR' 000
Balance at the beginning of the period		4,550,000	3,766,000	1,950,000	171,618	86,979	10,524,597
Net changes in fair value of cash flow hedges					23,097	-	23,097
Net changes in fair values of available for sale investments					(124,537)	-	(124,537)
Transfers to consolidated statement of income					(9,287)	-	(9,287)
Net expense recognized directly in equity					(110,727)	-	(110,727)
Net income for the period					-	672,185	672,185
Total recognized (expense) income for the period					(110,727)	672,185	561,458
Bonus share issue	9	1,950,000	-	(1,950,000)	-	-	-
Balance at the end of the period		6,500,000	3,766,000	-	60,891	759,164	11,086,055
<u>2007</u>							
Balance at the 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

The accompanying notes 1 to 11 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 three months ended
(Unaudited)

	March 31, 2008 <u>SAR'000</u>	March 31, 2007 <u>SAR'000</u>
<u>OPERATING ACTIVITIES</u>	<u>Note</u>	
Net income for the period	672,185	642,883
Adjustments to reconcile net income to net cash from operating activities		
Accretion of discounts on non-trading investments, net	(36,749)	(7,072)
Losses (gains) on non-trading investments, net	153,992	(21,420)
Depreciation and amortization	35,082	25,704
Gains on disposal of property and equipment, net	(55,467)	(8,488)
Provision for credit losses	14,997	18,532
	<u>784,040</u>	<u>650,139</u>
Net (increase) decrease in operating assets:		
Statutory deposit with SAMA	(376,070)	(139,544)
Due from banks and other financial institutions maturing after three months of the acquisition date	347,475	(517,453)
Loans and advances	(4,159,919)	(684,372)
Other real estate	50,180	-
Other assets	(338,472)	83,422
Net increase (decrease) in operating liabilities:		
Due to banks and other financial institutions	4,624,128	2,080,867
Customers' deposits	5,151,774	1,480,904
Other liabilities	235,121	(157,135)
Net cash from operating activities	<u>6,318,257</u>	<u>2,796,828</u>
<u>INVESTING ACTIVITIES</u>		
Proceeds from sale of and matured non-trading investments	5,398,309	1,409,402
Purchase of non-trading investments	(6,687,767)	(2,746,742)
Purchase of property and equipment	(63,945)	(63,723)
Proceeds from sale of property and equipment	55,530	9,040
Net cash used in investing activities	<u>(1,297,873)</u>	<u>(1,392,023)</u>
<u>FINANCING ACTIVITIES</u>		
Term Loan	(1,312,500)	-
Dividends paid	(28,458)	(1,752)
Net cash used in financing activities	<u>(1,340,958)</u>	<u>(1,752)</u>
Increase in cash and cash equivalents	3,679,426	1,403,053
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>9,140,085</u>	<u>7,126,996</u>
Special commission received during the period	1,404,068	1,128,517
Special commission paid during the period	<u>(551,716)</u>	<u>(544,165)</u>
<u>Supplemental non-cash information</u>		
Net changes in fair value	<u>(101,440)</u>	<u>108,178</u>

The accompanying notes 1 to 11 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 three months ended March 31, 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, this is the first period for which the Bank has prepared consolidated financial statements.

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 financial statements of "Arab National Bank" and its subsidiary, ANB Invest. 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 to align them with the Bank's financial statements.

Subsidiaries are all entities over which 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 three months ended March 31, 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 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:

	March 31, 2008 (Unaudited)	December 31, 2007 (Audited)	March 31, 2007 (Unaudited)
Held as fair value through income statement	1,073,966	1,076,941	1,069,615
Available for sale	3,926,469	6,132,341	6,146,320
Held to maturity	6,325,098	2,429,532	432,909
Other investments held at amortized cost, net	10,745,022	11,385,991	12,114,827
Total	22,070,555	21,024,805	19,763,671

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, 2008 (Unaudited)			December 31, 2007 (Audited)			March 31, 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	147,049	137,372	9,538,354	79,050	68,532	9,405,475	29,333	25,472	5,312,384
Forward foreign exchange contracts	224,813	189,028	21,646,244	110,198	77,116	13,117,870	91,817	50,726	25,068,593
Currency options	6,438	7,663	342,609	8,089	8,624	1,072,269	4,593	4,809	897,170
Derivatives held as fair value hedges:									
Commission rate swaps	7,548	135,501	6,969,410	8,696	74,991	3,716,314	9,354	42,147	4,523,146
Derivatives held as cash flow hedges:									
Commission rate swaps	33,843	-	685,000	10,746	-	689,000	2,941	6,969	2,813,500
Total	419,691	469,564	39,181,617	216,779	229,263	28,000,928	138,038	130,123	38,614,793

ARAB NATIONAL BANK – Saudi Joint Stock Company
Notes To The Interim Condensed Consolidated Financial Statements (continued)
For the three months ended March 31, 2008 and 2007
(SAR'000)

6. Credit related commitments and contingencies

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

	March 31, 2008 (Unaudited)	December 31, 2007 (Audited)	March 31, 2007 (Unaudited)
Letters of credit	5,913,542	5,245,467	4,959,540
Letters of guarantee	12,336,331	11,620,501	9,857,915
Acceptances	2,274,135	1,785,059	1,848,041
Irrevocable commitments to extend credit	1,709,162	1,435,166	1,544,075
Other	369,804	369,804	383,954
Total	22,602,974	20,455,997	18,593,525

7. Cash and cash equivalents

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

	March 31, 2008 (Unaudited)	December 31, 2007 (Audited)	March 31, 2007 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	6,792,388	5,062,605	2,333,746
Due from banks and other financial institutions maturing within 3 months of the acquisition date	2,347,697	398,054	4,793,250
Total	9,140,085	5,460,659	7,126,996

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 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 Bank and its subsidiary are organized into the following major business segments:

Retail banking

Deposit, credit and investment products for individuals, in addition to Investment management services and asset management activities related to dealing, managing, arranging, advising and custody of securities.

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.

ARAB NATIONAL BANK – Saudi Joint Stock Company
Notes To The Interim Condensed Consolidated Financial Statements (continued)
For the three months ended March 31, 2008 and 2007
(SAR'000)

8. Business segments (continued)

The Bank's total consolidated assets and liabilities as at March 31, 2008 and 2007, its total consolidated operating income, expenses and net income and other related information for the three month periods then ended, by business segments, being the primary reporting segments, are as follows:

	March 31, 2008 (Unaudited)			
	Retail banking	Corporate banking	Treasury banking	Total
Total assets	25,400,733	44,484,435	34,078,986	103,964,154
Total liabilities	34,370,005	47,156,023	11,352,071	92,878,099
Total operating income	738,626	334,941	(27,958)	1,045,609
Provision for credit losses, net	68,414	(53,417)	-	14,997
Impairment of other financial assets	-	-	163,279	163,279
Depreciation	30,258	3,033	1,791	35,082
Total operating expenses	356,670	(3,481)	20,235	373,424
Net income for the period	381,956	338,422	(48,193)	672,185

	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
Provision for credit losses, net	21,564	(3,032)	-	18,532
Depreciation	22,971	1,919	814	25,704
Total operating expenses	305,109	37,391	9,251	351,751
Net income for the period	322,628	161,535	158,720	642,883

9. Share capital and earnings per share

During the period ended March 31, 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 March 31, 2008, the Bank has 650 million shares issued and outstanding. Furthermore, 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.

Basic and diluted earnings per share for the periods ended March 31, 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.

ARAB NATIONAL BANK – Saudi Joint Stock Company
Notes To The Interim Condensed Consolidated Financial Statements (continued)
For the three months ended March 31, 2008 and 2007
(SAR'000)

10. Capital Adequacy

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank'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 Bank.

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	14.19	11.04

11. COMPARATIVE FIGURES

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