

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 June 2004, the related statements of income for the three month and six month periods ended 30 June 2004, and the statements of changes in shareholders' equity and cash flows for the six 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.

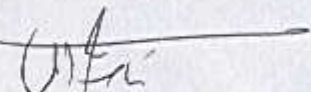
Based on our review, we are not aware of any material modifications that should be made to the accompanying interim condensed financial statements for them to be in conformity with Accounting Standards for Financial Institutions issued by the Saudi Arabian Monetary Agency and with International Financial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

Ernst & Young
P.O. Box 2732
Riyadh 11461
Kingdom of Saudi Arabia



Abdulaziz A. Al-Sowailim
Certified Public Accountant
Registration No. 277

Deloitte & Touche
Bakr Abulkhair & Co.
P.O. Box 213
Riyadh 11411
Kingdom of Saudi Arabia



Nasser M. Al-Sagga
Certified Public Accountant
Registration No. 322

18 Jumada Awal 1425H
(6 July 2004)



**ARAB NATIONAL BANK
BALANCE SHEET**

As at	30 June 2004 (Unaudited) SAR'000	31 December 2003 (Audited) SAR'000	30 June 2003 (Unaudited) SAR'000
Note	Note	Note	Note
ASSETS			
Cash and balances with SAMA	2,118,095	1,677,826	1,593,875
Due from banks and other financial institutions	2,833,469	4,194,690	2,881,979
Investments, net	2 21,574,495	21,481,119	21,360,785
Loans and advances, net	24,459,874	20,172,233	17,546,912
Other real estate	193,940	201,297	191,878
Fixed assets, net	358,333	323,084	322,465
Other assets	993,547	1,150,641	973,233
Total assets	52,531,753	49,200,890	44,871,127
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Due to banks and other financial institutions	8,387,187	9,108,569	7,554,279
Customer deposits	37,834,260	33,722,994	31,457,011
Other liabilities	1,979,883	2,391,986	1,851,001
Total liabilities	48,201,330	45,223,549	40,862,291
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	178,712	170,728	175,824
Retained earnings	351,711	6,613	383,012
Total shareholders' equity	4,330,423	3,977,341	4,008,836
Total liabilities and shareholders' equity	52,531,753	49,200,890	44,871,127

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		Six months ended	
	30 June 2004	30 June 2003	30 June 2004	30 June 2003
	SAR'000	SAR'000	SAR'000	SAR'000
Special commission income	569,905	482,460	1,122,006	976,900
Special commission expense	113,394	116,539	229,752	238,831
Net special commission income	456,511	365,921	892,254	738,069
Fees from banking services, net	122,360	69,779	212,597	119,699
Exchange income	23,197	25,458	46,976	48,722
Trading income, net	3,193	57	3,601	(211)
Gains on investments, net	899	505	4,506	640
Other operating income	1,391	1,918	2,605	3,734
Total operating income	607,551	463,638	1,162,539	910,653
Salaries and employee related expenses	140,256	122,486	271,436	242,789
Rent and premises related expenses	12,903	12,653	25,048	23,573
Depreciation and amortization	15,448	15,960	31,279	31,797
Other general and administrative expenses	65,312	49,825	118,521	98,475
Provision for possible credit losses	70,256	70,907	131,352	136,698
Other operating expenses	1	57	9,252	57
Total operating expenses	304,176	271,888	586,888	533,389
Net income for the period	303,375	191,750	575,651	377,264
Earnings per share for the period (in SAR)	7.58	4.79	14.39	9.43

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 six months ended 30 June 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					575,651	575,651
Interim gross dividend (note 8)					(214,830)	(214,830)
Net changes in fair value and cash flow hedges				7,984	(15,723)	(7,739)
Balance at the end of the period	<u>2,000,000</u>	<u>1,800,000</u>	<u>-</u>	<u>178,712</u>	<u>351,711</u>	<u>4,330,423</u>
For the six months ended 30 June 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	-	-	-	-	377,264	377,264
Net changes in fair value and cash flow hedges	-	-	-	83,270	-	83,270
Balance at the end of the period	<u>1,800,000</u>	<u>1,650,000</u>	<u>-</u>	<u>175,824</u>	<u>383,012</u>	<u>4,008,836</u>

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

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

For the six months ended 30 June

	Note	2004 SAR'000	2003 SAR'000
CASH FLOW FROM OPERATING ACTIVITIES			
Net income for the period		575,651	377,264
Adjustments to reconcile net income to net cash from (used in) operating activities			
Amortisation of premium and accretion of discounts on investments, net		(20,391)	(18,898)
Gains on investments, net		(4,506)	(640)
Depreciation and amortization		31,279	31,797
(Gains) losses on disposal of fixed assets		(53)	30
Provision for decline in value of fixed assets and other real estate		9,187	-
Provision for possible credit losses		131,352	136,698
		722,519	526,251
Net (increase) decrease in operating assets:			
Statutory deposits with SAMA		(235,544)	(141,049)
Due from banks and other financial institutions maturing after ninety days		-	(241,283)
Trading securities		(95,797)	-
Loans and advances		(4,422,636)	(1,659,484)
Other real estate		1,946	(48,983)
Other assets		(73,209)	228,133
Net increase (decrease) in operating liabilities:			
Due to banks and other financial institutions		(721,382)	(2,486,450)
Customer deposits		4,110,980	3,295,792
Other liabilities		55,542	(209,848)
		(657,581)	(736,921)
Net cash used in operating activities		(657,581)	(736,921)
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale and matured investments		841,347	1,585,928
Purchase of investments		(864,590)	(3,784,975)
Purchase of fixed assets		(84,280)	(55,748)
Proceeds from disposal of fixed assets		14,029	431
		(93,494)	(2,254,364)
Net cash used in investing activities		(93,494)	(2,254,364)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid		(405,421)	(436,582)
		(405,421)	(436,582)
Net cash used in financing activities		(405,421)	(436,582)
Decrease in cash and cash equivalents		(1,156,496)	(3,427,867)
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	3,480,560	2,772,597
<u>Supplemental non cash information</u>			
Net changes in fair value and cash flow hedges		7,984	83,270

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

ARAB NATIONAL BANK
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the six months ended 30 June 2004, 2003

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 amounts have been reclassified to conform with the current period presentation.

2. Investments, net

The analysis of investments is as follows:

SAR'000	At 30 June 2004 (Unaudited)	At 31 December 2003 (Audited)	At 30 June 2003 (Unaudited)
Held for trading	193,749	97,952	-
Available for sale	2,782,737	2,906,922	3,227,253
Originated debt	16,112,759	15,634,647	15,316,747
Held to maturity	2,485,250	2,841,598	2,816,785
Total	21,574,495	21,481,119	21,360,785

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.

SAR'000	At 30 June 2004 (Unaudited)			At 31 December 2003 (Audited)			At 30 June 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	18,384	18,628	1,411,250	37,660	37,468	2,150,750	59,910	60,161	2,275,000
Commission rate futures	-	-	141,395				-	-	187,500
Forward foreign exchange contracts	145,498	80,170	17,426,424	285,242	223,860	15,680,114	166,281	84,905	11,784,864
Currency options	47,055	41,976	7,719,480	113,678	112,749	4,926,480	63,731	62,140	6,031,707
Other	1,860	1,839	52,287	21	-	3,739	21	-	3,263
Held as fair value hedges:									
Commission rate swaps	43,263	44,063	5,632,333	2,129	84,941	4,933,365	1,753	136,362	4,721,547
Held as cash flow hedges:									
Commission rate swaps	22,494	3,555	1,418,125	38,538	-	752,500	56,846	-	752,500
Total	278,554	190,231	33,801,294	477,268	459,018	28,446,948	348,542	343,568	25,756,381

5. Credit related commitments and contingencies

The analysis of commitments and contingencies is as follows:

SAR'000	At 30 June 2004 (Unaudited)	At 31 December 2003 (Audited)	At 30 June 2003 (Unaudited)
Letters of credit	1,747,288	1,629,499	1,662,396
Letters of guarantee	6,114,889	3,594,335	3,450,836
Acceptances	973,988	843,608	436,225
Irrevocable commitments to extend credit	1,865,502	1,291,913	1,926,553
Other	523,388	552,703	680,886
Total	11,225,055	7,912,058	8,156,896

6. Cash and cash equivalents

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

SAR'000	30 June 2004 (Unaudited)	31 December 2003 (Audited)	30 June 2003 (Unaudited)
Cash and balances with SAMA excluding statutory deposits	647,091	442,366	381,901
Due from banks and other financial institutions maturing within ninety days	2,833,469	4,194,690	2,390,696
Total	3,480,560	4,637,056	2,772,597

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 June 2004 and 2003, its total operating income and expenses, and its net income for the six month periods then ended, by business segment, are as follows:

30 June 2004 (Unaudited)				
SAR'000	Retail banking	Corporate banking	Treasury banking	Total
Total assets	10,010,768	16,616,424	25,904,561	52,531,753
Total liabilities	19,464,408	2,975,637	25,761,285	48,201,330
Total operating income	808,215	219,585	134,739	1,162,539
Total operating expenses	411,346	147,339	28,203	586,888
Net income	396,869	72,246	106,536	575,651

30 June 2003 (Unaudited)				
SAR'000	Retail banking	Corporate banking	Treasury banking	Total
Total assets	5,961,547	13,833,028	25,076,552	44,871,127
Total liabilities	16,506,746	2,963,153	21,392,392	40,862,291
Total operating income	596,161	184,900	129,592	910,653
Total operating expenses	384,784	124,705	23,900	533,389
Net income	211,377	60,195	105,692	377,264

8. Interim dividend, zakat and taxation

The Board of Directors has declared 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) will be deducted from their share of the dividend. This will result in net dividend to Saudi shareholder of SAR 5 per share (2003-SAR Nil). The income tax liability of the foreign shareholder will be deducted from their share of the dividend.