



REVIEW REPORT

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

We have reviewed the accompanying interim consolidated statement of financial position of Arab National Bank (the "Bank") and its subsidiary as at June 30, 2009, and the related interim consolidated statements of income and comprehensive income for the three-month and six-month periods then ended, the related interim consolidated statements of changes in equity and cash flows for the six-month period then ended, and the notes from (1) to (10) for the six-month period then ended. We have not reviewed note (11) "Basel II Pillar 3 Disclosures", which is not required to be within the scope of our review.

Management's Responsibility for the Interim Condensed 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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Rajab 29, 1430H
July 22, 2009

ARAB NATIONAL BANK – Saudi Joint Stock Company
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at	Note	June 30, 2009 (Unaudited) SAR'000	December 31, 2008 (Audited) SAR'000	June 30, 2008 (Unaudited) SAR'000
ASSETS				
Cash and balances with SAMA		7,772,566	12,050,836	11,863,054
Due from banks and other financial institutions		4,452,347	2,747,396	3,319,454
Investments, net	4	27,563,958	28,227,796	22,291,861
Loans and advances, net		71,170,277	74,661,610	69,882,715
Investment in associate		271,794	193,048	200,000
Other real estate		103,808	103,440	104,590
Property and equipment, net		1,107,049	934,851	869,003
Other assets		2,640,865	2,388,165	1,799,219
Total assets		115,082,664	121,307,142	110,329,896
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Due to banks and other financial institutions		12,010,467	10,509,073	8,893,088
Customers' deposits		85,231,518	92,743,453	84,914,695
Other liabilities		2,949,381	3,508,318	2,898,655
Debt securities in issue		1,687,500	1,875,000	1,875,000
Total liabilities		101,878,866	108,635,844	98,581,438
Shareholders' equity				
Share capital	9	6,500,000	6,500,000	6,500,000
Statutory reserve		4,390,000	4,390,000	3,766,000
Other reserves		(343,983)	(85,782)	(28,868)
Retained earnings		2,657,781	1,217,080	1,511,326
Proposed dividend		-	650,000	-
Total shareholders' equity		13,203,798	12,671,298	11,748,458
Total liabilities and shareholders' equity		115,082,664	121,307,142	110,329,896

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
(Unaudited)

	<u>For the three months ended</u>		<u>For the six months ended</u>	
	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>June 30, 2009</u>	<u>June 30, 2008</u>
<i>Note</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
Special commission income	1,094,955	1,298,188	2,359,429	2,713,826
Special commission expense	201,067	443,142	553,242	983,618
Net special commission income	893,888	855,046	1,806,187	1,730,208
Fees from banking services, net	164,462	196,491	320,277	400,452
Exchange income, net	58,676	66,033	119,522	119,853
Loss from FVIS financial instruments, net	(879)	(9,776)	(15,631)	(12,751)
Trading income, net	2,879	871	8,281	1,595
(Loss) gains and impairment of non -trading investments, net	(73)	51,070	21,592	(102,922)
Dividend income	5,961	2,008	8,212	2,008
Other operating income	86,842	17,393	100,345	86,302
Total operating income	1,211,756	1,179,136	2,368,785	2,224,745
Salaries and employee related expenses	235,755	227,289	471,442	445,511
Rent and premises related expenses	29,854	31,801	59,351	59,430
Depreciation and amortization	46,977	38,177	91,375	73,259
Other general and administrative expenses	79,247	106,582	176,045	184,076
Provision for credit losses, net	73,897	23,125	128,617	38,122
Total operating expenses	465,730	426,974	926,830	800,398
Net operating income	746,026	752,162	1,441,955	1,424,347
Share in losses of an associate	154	-	1,254	-
Net income for the period	745,872	752,162	1,440,701	1,424,347
Basic and fully diluted earnings (in SAR per share)	9 1.15	1.16	2.22	2.19

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 COMPREHENSIVE INCOME
(Unaudited)

	<u>For the three months ended</u>		<u>For the six months ended</u>	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
	<u>SAR, 000</u>	<u>SAR, 000</u>	<u>SAR, 000</u>	<u>SAR, 000</u>
Profit for the period	<u>745,872</u>	<u>752,162</u>	<u>1,440,701</u>	<u>1,424,347</u>
Other comprehensive income:				
Net changes on available for sale financial assets	30,269	36,188	(101,502)	(88,349)
Net changes on cash flow hedges	(439)	(32,503)	(116,360)	(9,406)
Total comprehensive income for the period	<u><u>775,702</u></u>	<u><u>755,847</u></u>	<u><u>1,222,839</u></u>	<u><u>1,326,592</u></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 six months ended June 30, 2009 and 2008
(Unaudited)

	Note	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
2009								
Balance at beginning of the period		6,500,000	4,390,000	-	(85,782)	1,217,080	650,000	12,671,298
Net changes in fair values of cash flow hedges					(116,360)	-	-	(116,360)
Net changes in fair values of available for sale investments					(101,502)	-	-	(101,502)
Transfers to consolidated statement of income					(40,339)	-	-	(40,339)
Net expenses recognized directly in equity					(258,201)	-	-	(258,201)
Net income for the period					-	1,440,701	-	1,440,701
Total recognized income (expenses) for the period					(258,201)	1,440,701	-	1,182,500
2008 final dividend		-	-	-	-	-	(650,000)	(650,000)
Balance at end of the period		6,500,000	4,390,000	-	(343,983)	2,657,781	-	13,203,798
2008								
Balance at beginning of the period		4,550,000	3,766,000	1,950,000	171,618	86,979	-	10,524,597
Net changes in fair values of cash flow hedges					(9,406)	-	-	(9,406)
Net changes in fair values of available for sale investments					(88,349)	-	-	(88,349)
Transfers to statement of income					(102,731)	-	-	(102,731)
Net expenses recognized directly in equity					(200,486)	-	-	(200,486)
Net income for the period					-	1,424,347	-	1,424,347
Total recognized income (expenses) for the period					(200,486)	1,424,347	-	1,223,861
Bonus share issue	9	1,950,000	-	(1,950,000)	-	-	-	-
Balance at end of the period		6,500,000	3,766,000	-	(28,868)	1,511,326	-	11,748,458

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 six months ended
(Unaudited)

	<u>June 30, 2009</u> <u>SAR'000</u>	<u>June 30, 2008</u> <u>SAR'000</u>
<u>OPERATING ACTIVITIES</u>	<u>Note</u>	
Net income for the period	1,440,701	1,424,347
Adjustments to reconcile net income to net cash from operating activities:		
Accretion of discounts on non-trading investments, net	(124,321)	(87,076)
(Gains) losses on non-trading investments, net	(22,846)	102,922
Depreciation and amortization	91,375	73,259
Losses (gains) on disposal of property and equipment, net	336	(58,013)
Gains from early retirement of debt securities	(55,988)	-
Share in losses of an associate	1,254	-
Provision for credit losses, net	128,617	38,122
	<u>1,459,128</u>	<u>1,493,561</u>
Net (increase) decrease in operating assets:		
Statutory deposit with SAMA	(167,277)	(2,287,918)
Due from banks and other financial institutions maturing after ninety days of the acquisition date	(116,250)	5,912
Loans and advances	3,287,758	(8,816,522)
Other real estate	(368)	51,265
Other assets	(751,625)	35,713
Net increase (decrease) in operating liabilities:		
Due to banks and other financial institutions	1,501,394	4,445,914
Customers' deposits	(7,511,935)	11,223,227
Other liabilities	(112,560)	211,834
	<u>(2,411,735)</u>	<u>6,362,986</u>
Net cash (used in) from operating activities		
<u>INVESTING ACTIVITIES</u>		
Proceeds from sales of and matured non-trading investments	14,577,451	11,655,915
Purchase of non-trading investments	(13,905,394)	(13,146,597)
Investment in associate	(80,000)	-
Purchase of property and equipment	(268,881)	(177,029)
Proceeds from sale of property and equipment	4,972	66,444
	<u>328,148</u>	<u>(1,601,267)</u>
Net cash from (used in) investing activities		
<u>FINANCING ACTIVITIES</u>		
Term loan	-	(1,312,500)
Early retirement of debt securities	(131,512)	-
Dividends paid	(641,746)	(71,060)
Net cash used in financing activities	<u>(773,258)</u>	<u>(1,383,560)</u>
(Decrease) increase in cash and cash equivalents	(2,856,845)	3,378,159
Cash and cash equivalents at the beginning of the period	<u>10,711,944</u>	<u>5,460,659</u>
Cash and cash equivalents at the end of the period	<u>7,855,099</u>	<u>8,838,818</u>
Special commission received during the period	2,514,383	2,780,829
Special commission paid during the period	(823,819)	(983,178)
<u>Supplemental non cash information</u>		
Net changes in fair value	<u>(217,862)</u>	<u>(97,755)</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 six months ended June 30, 2009 and 2008
(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 139 branches (2008: 125 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).

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, 2008.

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 interim financial statements of "Arab National Bank" and its subsidiary, ANB Invest collectively referred to as (the Group). 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 six months ended June 30, 2009 and 2008
(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 interim 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, 2008.

4. Investments, net

Investment securities are classified as follows:

	June 30, 2009 (Unaudited)	December 31, 2008 (Audited)	June 30, 2008 (Unaudited)
Held at fair value through income statement (FVIS)	241,981	349,952	1,017,499
Available for sale	18,238,885	9,714,254	5,439,160
Held to maturity	424,089	3,417,895	6,359,746
Other investments held at amortized cost, net	8,659,003	14,745,695	9,475,456
Total	27,563,958	28,227,796	22,291,861

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.

	June 30, 2009 (Unaudited)			December 31, 2008 (Audited)			June 30, 2008 (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	210,458	191,121	12,766,595	227,232	212,671	10,774,222	125,168	117,424	12,733,087
Forward foreign exchange contracts	512,970	488,367	24,956,744	753,513	694,110	29,844,601	238,007	193,488	23,891,170
Currency options	7,576	6,943	268,544	15,612	14,096	505,838	722	1,413	115,125
Derivatives held as fair value hedges:									
Commission rate swaps	-	168,370	4,809,889	853	251,539	8,499,718	24,820	65,655	6,377,083
Derivatives held as cash flow hedges:									
Commission rate swaps	10,180	-	440,000	126,540	-	1,748,000	7,531	6,191	1,331,000
Total	741,184	854,801	43,241,772	1,123,750	1,172,416	51,372,379	396,248	384,171	44,447,465

ARAB NATIONAL BANK – Saudi Joint Stock Company
Notes To The Interim Condensed Consolidated Financial Statements (continued)
For the six months ended June 30, 2009 and 2008
(SAR'000)

6. Credit related commitments and contingencies

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

	June 30, 2009 (Unaudited)	December 31, 2008 (Audited)	June 30, 2008 (Unaudited)
Letters of credit	4,541,157	4,302,906	7,128,692
Letters of guarantee	14,357,874	14,869,102	14,268,930
Acceptances	1,665,798	2,236,259	2,320,762
Irrevocable commitments to extend credit	2,417,999	2,796,315	1,865,446
Other	292,047	320,636	358,055
Total	23,274,875	24,525,218	25,941,885

7. Cash and cash equivalents

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

	June 30, 2009 (Unaudited)	December 31, 2008 (Audited)	June 30, 2008 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	3,706,502	8,152,048	6,409,365
Due from banks and other financial institutions maturing within ninety days of the acquisition date	4,148,597	2,559,896	2,429,453
Total	7,855,099	10,711,944	8,838,818

8. Business segments

The Group'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 Group's overall interim 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 Group 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.

Investment and brokerage services

Investment management services and asset management activities related to dealing, managing, arranging, advising and custody of securities.

ARAB NATIONAL BANK – Saudi Joint Stock Company
Notes To The Interim Condensed Consolidated Financial Statements (continued)
For the six months ended June 30, 2009 and 2008
(SAR'000)

8. Business segments (continued)

Other

Includes income on capital and unallocated costs, assets and liabilities pertaining to the Head office and other supporting departments.

The Group's total consolidated assets and liabilities as at June 30, 2009 and 2008, its total consolidated operating income, expenses and net income and other related information for the six month periods then ended, by business segments, as reported to senior management, are as follows:

June 30, 2009 (Unaudited)						
	Retail banking	Corporate banking	Treasury banking	Investment and brokerage services	Other	Total
Total assets	25,398,346	50,061,374	37,947,252	276,427	1,399,265	115,082,664
Total liabilities	39,447,191	48,341,714	13,948,175	25,665	116,121	101,878,866
Total operating income	1,112,006	630,287	334,304	82,231	209,957	2,368,785
Total operating expenses	589,078	255,237	39,653	42,016	846	926,830
Share in losses of an associate	-	-	-	-	1,254	1,254
Net income for the period	522,928	375,050	294,651	40,215	207,857	1,440,701
Provision for credit losses, net	(24,705)	148,548	-	-	4,774	128,617
Impairment of other financial assets	-	-	18,750	-	-	18,750
Depreciation	48,522	914	517	4,224	37,198	91,375
June 30, 2008 (Unaudited)						
	Retail banking	Corporate banking	Treasury banking	Investment and brokerage services	Other	Total
Total assets	26,350,530	47,446,543	35,289,369	19,175	1,224,279	110,329,896
Total liabilities	36,970,009	51,209,103	10,080,703	48,991	272,632	98,581,438
Total operating income	1,242,110	515,898	135,096	109,221	222,420	2,224,745
Total operating expenses	713,530	(15,879)	42,076	56,564	4,107	800,398
Net income for the period	528,580	531,777	93,020	52,657	218,313	1,424,347
Provision for credit losses, net	157,020	(118,898)	-	-	-	38,122
Impairment of other financial assets	-	-	205,654	-	-	205,654
Depreciation	36,496	679	396	3,227	32,461	73,259

ARAB NATIONAL BANK – Saudi Joint Stock Company
Notes To The Interim Condensed Consolidated Financial Statements (continued)
For the six months ended June 30, 2009 and 2008
(SAR'000)

9. Share capital and earnings per share

At June 30, 2009, the Bank has 650 million shares issued and outstanding. Furthermore, during the period ended June 30, 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.

Basic and diluted earnings per share for the periods ended June 30, 2009 and 2008 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.

10. Capital Adequacy

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

Capital Adequacy Ratios				
Particulars	Total capital ratio	Tier 1 capital ratio	Total capital ratio	Tier 1 capital ratio
	%	%	%	%
	2009		2008	
Top consolidated level	15.04	11.67	13.66	10.04

11. BASEL II PILLAR 3 DISCLOSURES

Under Basel II pillar 3, certain quantitative disclosures are required, and these disclosures will be made available on the Bank's website www.anb.com.sa as required by the Saudi Arabian Monetary Agency. Such disclosures are not subject to review or audit by the external auditors.