

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 September 30, 2006 and the related statements of income for the three month and nine-month periods ended September 30, 2006, and the statements of changes in shareholders' equity and cash flows for the nine-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



Abdullah A. Baeshen
Certified Public Accountant
Registration No. 66



Deloitte & Touche Bakr Abulhair & Co.

P.O. Box 213
Riyadh 11411
Kingdom of Saudi Arabia



Bakr A. Abulhair
Certified Public Accountant
Registration No. 101



12 Ramadan 1427H
(October 4, 2006)

**ARAB NATIONAL BANK – Saudi Joint Stock Company
BALANCE SHEET**

As at	Note	September 30, 2006 (Unaudited) SAR'000	December 31, 2005 (Audited) SAR'000	September 30, 2005 (Unaudited) SAR'000
ASSETS				
Cash and balances with SAMA		2,884,076	2,495,186	2,290,645
Due from banks and other financial institutions		2,542,425	3,933,675	3,028,605
Investments, net	2	17,326,380	20,422,650	20,942,337
Loans and advances, net		48,485,234	38,778,556	36,322,620
Other real estate		154,648	158,865	158,602
Fixed assets, net		536,728	418,108	410,026
Other assets		1,269,123	1,285,039	1,180,191
Total assets		<u>73,198,614</u>	<u>67,492,079</u>	<u>64,333,026</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Due to banks and other financial institutions		3,996,826	8,376,934	9,285,176
Customer deposits		58,395,285	48,832,464	46,007,442
Other liabilities		1,933,817	2,633,502	1,813,043
Term loan		1,312,500	1,312,500	1,312,500
Total liabilities		<u>65,638,428</u>	<u>61,155,400</u>	<u>58,418,161</u>
SHAREHOLDERS' EQUITY				
Share capital	8	3,250,000	2,500,000	2,500,000
Statutory reserve		2,500,000	2,500,000	2,000,000
General reserve		30,000	780,000	50,000
Other reserves		129,299	217,690	211,648
Retained earnings		1,650,887	64,242	1,153,217
Proposed dividend		-	274,747	-
Total shareholders' equity		<u>7,560,186</u>	<u>6,336,679</u>	<u>5,914,865</u>
Total liabilities and shareholders' equity		<u>73,198,614</u>	<u>67,492,079</u>	<u>64,333,026</u>

The accompanying notes 1 to 9 form an integral part of these interim condensed financial statements.

ARAB NATIONAL BANK – Saudi Joint Stock Company
STATEMENT OF INCOME
(Unaudited)

	For the three months ended		For the nine months ended	
	September 30, 2006	September 30, 2005	September 30, 2006	September 30, 2005
Note	SAR'000	SAR'000	SAR'000	SAR'000
Special commission income	1,191,526	888,402	3,337,768	2,448,563
Special commission expense	553,005	318,167	1,502,692	812,765
Net special commission income	638,521	570,235	1,835,076	1,635,798
Fees from banking services, net	212,435	170,291	825,650	493,477
Exchange income	35,374	30,872	97,122	81,845
Income from FVIS Financial Instruments, net	4,810	-	13,275	-
Trading income, net	611	4,122	2,607	10,602
Dividend income	-	-	-	2,396
Gains on non - trading investments, net	857	9,159	98,370	87,332
Other operating income	37,226	8,569	54,532	28,187
Total operating income	929,834	793,248	2,926,632	2,339,637
Salaries and employee related expenses	195,036	162,505	554,415	480,070
Rent and premises related expenses	20,996	16,559	57,948	47,216
Depreciation and amortization	21,914	19,156	61,244	55,562
Other general and administrative expenses	89,755	60,747	229,509	190,919
Provision for credit losses	11,046	14,009	78,562	153,824
Other operating expenses	-	-	14	186
Total operating expenses	338,747	272,976	981,692	927,777
Net income for the period	591,087	520,272	1,944,940	1,411,860
Earnings per share for the period (Expressed in SAR per share)	8	1.60	5.98	4.34

The accompanying notes 1 to 9 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 nine months ended September 30, 2006 and 2005
(Unaudited)

	<u>Note</u>	<u>Share capital SAR'000</u>	<u>Statutory reserve SAR'000</u>	<u>General reserve SAR'000</u>	<u>Other reserves SAR'000</u>	<u>Retained earnings SAR'000</u>	<u>Proposed dividend SAR'000</u>	<u>Total SAR'000</u>
2006								
Balance January 1		2,500,000	2,500,000	780,000	217,690	64,242	274,747	6,336,679
Bonus share issue	8	750,000	-	(750,000)	-	-	-	-
Net income for the period		-	-	-	-	1,944,940	-	1,944,940
2005 final dividend paid		-	-	-	-	-	(274,747)	(274,747)
Interim gross dividend	9	-	-	-	-	(358,295)	-	(358,295)
Net changes in fair value and cash flow hedges		-	-	-	(88,391)	-	-	(88,391)
Balance at September 30		3,250,000	2,500,000	30,000	129,299	1,650,887	-	7,560,186
2005								
Balance at January 1, as restated		2,000,000	2,000,000	550,000	226,759	17,659	175,202	4,969,620
Bonus share issue	8	500,000	-	(500,000)	-	-	-	-
Net income for the period		-	-	-	-	1,411,860	-	1,411,860
2004 final dividend paid		-	-	-	-	-	(175,202)	(175,202)
Interim gross dividend	9	-	-	-	-	(272,941)	-	(272,941)
Net changes in fair value and cash flow hedges		-	-	-	(15,111)	(3,361)	-	(18,472)
Balance at September 30		2,500,000	2,000,000	50,000	211,648	1,153,217	-	5,914,865

The accompanying notes 1 to 9 form an integral part of these interim condensed financial statements.

ARAB NATIONAL BANK – Saudi Joint Stock Company
STATEMENT OF CASH FLOWS
For the nine months ended
(Unaudited)

	September 30, 2006	September 30,
	SAR'000	SAR'000
<u>OPERATING ACTIVITIES</u>		
Net income for the period	1,944,940	1,411,860
Adjustments to reconcile net income to net cash (used in) from operating activities		
Accretion of discounts on non - trading investments, net	(12,271)	(13,281)
Gains on non - trading investments, net	(98,370)	(87,332)
Depreciation and amortization	61,244	55,562
Gains on disposal of fixed assets, net	(30,445)	(2,665)
Provision for credit losses	78,562	153,824
	1,943,660	1,517,968
Net (increase) decrease in operating assets:		
Statutory deposit with SAMA	(298,694)	(181,163)
Investments held for trading	-	(7,722)
Loans and advances	(9,759,237)	(7,923,837)
Other real estate	4,217	33,297
Other assets	136,722	(122,015)
Net increase (decrease) in operating liabilities:		
Due to banks and other financial institutions	(4,380,108)	(535,651)
Customer deposits	9,566,098	(311,339)
Other liabilities	(874,263)	(285,987)
Net cash used in operating activities	(3,661,605)	(7,816,449)
<u>INVESTING ACTIVITIES</u>		
Proceeds from sales of and matured non trading investments	4,441,610	5,929,224
Purchase of non - trading investments	(1,316,415)	(5,563,612)
Purchase of fixed assets	(198,355)	(91,174)
Proceeds from sales of fixed assets	48,936	10,664
Net cash from investing activities	2,975,776	285,102
<u>FINANCING ACTIVITIES</u>		
Dividends paid	(615,225)	(436,395)
Term loan	-	1,312,500
Net cash (used in) from financing activities	(615,225)	876,105
Decrease in cash and cash equivalents	(1,301,054)	(6,655,242)
Cash and cash equivalents at the beginning of the period	4,638,190	10,187,697
Cash and cash equivalents at the end of the period	6 3,337,136	3,532,455
<u>Supplemental non cash information</u>		
Net changes in fair value and cash flow hedges	(88,391)	(18,472)

The accompanying notes 1 to 9 form an integral part of these interim condensed financial statements.

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these interim condensed financial statements are set out below:

a) Basis of preparation

The Bank prepares these interim condensed financial statements in accordance with the accounting standards for financial institutions promulgated by the Saudi Arabian Monetary Agency (SAMA) and International Financial Reporting Standards (IFRS). 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.

These interim condensed financial statements are prepared under the historical cost convention except for the measurement at fair value of derivatives, financial assets and liabilities held for trading, available for sale and fair value through Income Statement (FVIS). In addition, assets or liabilities that are hedged in a fair value hedging relationship are carried at fair value to the extent of the risk being hedged.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. Such estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances.

The Interim condensed financial statements are expressed in Saudi Arabian Riyals (SAR) and are rounded off to the nearest thousand.

Except for the changes explained in note 1(b) below, 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 December 31, 2005.

All Shariah approved (or non-interest based) banking products are accounted for using IFRS and are in conformity with the accounting policies used in the preparation of the Bank's annual financial statements for the year ended December 31, 2005

b) Change in accounting policies

The bank has implemented the amendments to International Accounting Standard (IAS) 39 Financial Instruments: Recognition and Measurement – The Fair Value Option – effective January 1, 2006 with retrospective effect, wherever applicable. Following this amendment, the revised IAS 39 requires that the use of the FVIS classification be restricted and shall be used only as permitted by the IAS.

Upon the introduction of these changes, the Bank was not required to reclassify any of its assets and liabilities.

2. Investments, net

Investment securities are classified as follows:

	September 30, 2006 (Unaudited)	December 31, 2005 (Audited)	September 30, 2005 (Unaudited)
Held at FVIS	545,434	307,159	206,781
Available for sale	4,773,449	5,145,865	5,428,451
Held at amortised cost, other	11,572,635	13,970,649	14,209,154
Held to maturity	434,862	998,977	1,097,951
Total	17,326,380	20,422,650	20,942,337

ARAB NATIONAL BANK – Saudi Joint Stock Company
Notes to the Interim Condensed Financial Statements (continued)
For the nine months ended September 30, 2006 and 2005
(SAR'000)

3. Euro Medium Term Notes

In its meeting held on 13 June, 2006, the ordinary General Assembly approved the issuance of Euro Medium Term Notes (EMTN) and authorized the Board of Directors to take all the necessary actions. The Bank is in the process of completing the issue

4. 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.

	September 30, 2006 (Unaudited)			December 31, 2005 (Audited)			September 30, 2005 (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	18,378	13,697	5,704,255	14,091	10,707	5,176,395	9,553	6,980	4,724,495
Commission rate futures and options	-	-	-	-	-	-	-	-	180,908
Forward foreign exchange contracts	94,943	50,313	17,823,807	124,933	65,865	13,944,716	122,365	66,039	20,939,638
Currency options	21,714	20,877	891,953	25,373	24,811	997,809	30,810	29,123	2,138,778
Other	1,057	1,057	100,000	1,662	1,662	100,000	1,462	1,462	100,000
Derivatives held as fair value hedges:									
Commission rate swaps	10,311	47,024	7,234,350	15,544	35,540	11,367,588	18,852	30,877	5,549,719
Derivatives held as cash flow hedges:									
Commission rate swaps	398	8,165	857,500	1,681	9,571	817,500	4,837	9,785	2,033,125
Total	146,801	141,133	32,611,865	183,284	148,156	32,404,008	187,879	144,266	35,666,663

5. Credit related commitments and contingencies

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

	September 30, 2006 (Unaudited)	December 31, 2005 (Audited)	September 30, 2005 (Unaudited)
Letters of credit	4,272,694	2,869,476	2,877,884
Letters of guarantee	6,581,063	5,153,598	5,087,226
Acceptances	1,159,953	1,074,943	1,127,823
Irrevocable commitments to extend credit	2,305,437	2,107,947	1,840,350
Other	400,929	439,236	456,896
Total	14,720,076	11,645,200	11,390,179

ARAB NATIONAL BANK – Saudi Joint Stock Company
Notes to the Interim Condensed Financial Statements (continued)
For the nine months ended September 30, 2006 and 2005
(SAR'000)

6. Cash and cash equivalents

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

	September 30, 2006 (Unaudited)	December 31, 2005 (Audited)	September 30, 2005 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	794,711	704,515	503,850
Due from banks and other financial institutions maturing within ninety days	2,542,425	3,933,675	3,028,605
Total	3,337,136	4,638,190	3,532,455

7. Business segments

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 and liquidity, currency, and special commission risk.

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.

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 significant in the context of the Bank's overall financial statements.

The Bank's total assets and liabilities at September 30, 2006 and 2005, its total operating income, expenses and net income for the nine month periods then ended, by business segments, are as follows:

ARAB NATIONAL BANK – Saudi Joint Stock Company
Notes to the Interim Condensed Financial Statements (continued)
For the nine months ended September 30, 2006 and 2005
(SAR'000)

7- Business segments (cont'd)

	September 30, 2006 (Unaudited)			
	Retail banking	Corporate banking	Treasury banking	Total
Total assets	23,681,295	28,302,181	21,215,138	73,198,614
Total liabilities	23,152,829	37,058,489	5,427,110	65,638,428
Total operating income	2,089,661	537,790	299,181	2,926,632
Total operating expenses	773,758	168,805	39,129	981,692
Net income	1,315,903	368,985	260,052	1,944,940

	September 30, 2005 (Unaudited)			
	Retail banking	Corporate banking	Treasury banking	Total
Total assets	18,056,289	20,997,299	25,279,438	64,333,026
Total liabilities	22,211,969	25,717,853	10,488,339	58,418,161
Total operating income	1,690,345	397,844	251,448	2,339,637
Total operating expenses	632,274	252,652	42,851	927,777
Net income	1,058,071	145,192	208,597	1,411,860

8. Share capital and earning per share

During the period ended September 30, 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. During the prior period ended September 30, 2005, 10 million shares of SAR 50 each were issued after approval by the shareholders at their extraordinary general assembly meeting held on March 13, 2005.

At September 30, 2006, the Bank has 325 million shares of SAR 10 each issued and outstanding, following a five to one share split on April 8, 2006.

Earnings per share for the periods ended September 30, 2006 and 2005 are calculated by dividing the net income for the period by 325 million shares to give a retroactive effect of change in the number of shares as a result of the share split .

9. Interim dividend, Zakat and Taxation

The Board of Directors has declared an interim gross dividend in respect of 2006 of SAR 358.3 million (2005-SAR 272.9). Zakat relating to Saudi shareholders, amounting to approximately SAR 20 million (2005-SAR 13.8 million) was deducted from their share of the dividend. This resulted in a net dividend to Saudi shareholders of SAR 1 per share (2005-SAR 1). The income tax liability of the foreign shareholder was deducted from their share of the dividends.