

**REVIEW REPORT**

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

We have reviewed the accompanying interim balance sheet of **Arab National Bank** (the Bank) as of September 30, 2007, and the related statements of income for the three-month and nine-month periods ended September 30, 2007, and the statements of changes in shareholders' equity and cash flows for the nine-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.

**Review Scope**

Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

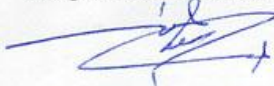
We conducted our review in accordance with generally accepted standards in Saudi Arabia applicable to review engagements and with International Standard on Review Engagements 2410. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible 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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Ramadan 25, 1428  
October 7, 2007

ARAB NATIONAL BANK – Saudi Joint Stock Company  
BALANCE SHEET

As at	Notes	September 30, 2007 (Unaudited) SAR'000	December 31, 2006 (Audited) SAR'000	September 30, 2006 (Unaudited) SAR'000
<b>ASSETS</b>				
Cash and balances with SAMA		3,288,305	3,216,007	2,884,076
Due from banks and other financial institutions		2,535,843	4,633,337	2,542,425
Investments, net	4	19,297,599	18,291,558	17,326,380
Investment in associate	5	200,000	-	-
Loans and advances, net		57,786,355	49,747,224	48,485,234
Other real estate		155,855	155,127	154,648
Property and equipment, net		752,169	586,251	536,728
Other assets		1,615,715	1,405,879	1,269,123
<b>Total assets</b>		<b>85,631,841</b>	<b>78,035,383</b>	<b>73,198,614</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Liabilities</b>				
Due to banks and other financial institutions		3,810,731	3,098,603	3,996,826
Customer deposits		66,164,614	61,773,494	58,395,285
Other liabilities		2,525,068	1,995,648	1,933,817
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>75,687,913</b>	<b>70,055,245</b>	<b>65,638,428</b>
<b>Shareholders' equity</b>				
Share capital	10	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		7,989	19,841	129,299
Retained earnings		2,235,939	260,297	1,650,887
<b>Total shareholders' equity</b>		<b>9,943,928</b>	<b>7,980,138</b>	<b>7,560,186</b>
<b>Total liabilities and shareholders' equity</b>		<b>85,631,841</b>	<b>78,035,383</b>	<b>73,198,614</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  
 (Unaudited)

	<u>For the three months ended</u>		<u>For the nine months ended</u>		
	<u>Note</u>	<u>September 30, 2007 SAR'000</u>	<u>September 30, 2006 SAR'000</u>	<u>September 30, 2007 SAR'000</u>	<u>September 30, 2006 SAR'000</u>
Special commission income		1,366,576	1,191,526	3,984,852	3,337,768
Special commission expense		634,112	553,005	1,836,253	1,502,692
Net special commission income		732,464	638,521	2,148,599	1,835,076
Fees from banking services, net		184,631	212,435	612,308	825,650
Exchange income, net		41,225	35,374	127,454	97,122
Income (loss) from FVIS financial instruments, net		(30,506)	4,810	33,526	13,275
Trading income, net		1,959	611	3,215	2,607
Dividend income		5	-	4,603	-
Gains on non - trading investments, net		33,557	857	122,086	98,370
Other operating income		9,483	37,226	23,771	54,532
<b>Total operating income</b>		<b>972,818</b>	<b>929,834</b>	<b>3,075,562</b>	<b>2,926,632</b>
Salaries and employee related expenses		208,061	195,036	611,470	554,415
Rent and premises related expenses		27,468	20,996	74,752	57,948
Depreciation and amortization		31,806	21,914	86,069	61,244
Other general and administrative expenses		93,602	89,755	273,942	229,523
Provision for credit losses		4,001	11,046	53,687	78,562
<b>Total operating expenses</b>		<b>364,938</b>	<b>338,747</b>	<b>1,099,920</b>	<b>981,692</b>
<b>Net income for the period</b>		<b>607,880</b>	<b>591,087</b>	<b>1,975,642</b>	<b>1,944,940</b>
Basic and diluted earnings per share for the period (in SAR)	10	1.34	1.30	4.34	4.27

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 nine months ended September 30, 2007 and 2006  
(Unaudited)

<u>2007</u>	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
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 values of cash flow hedges					13,832	-	-	13,832
Net changes in fair values of available for sale investments					96,402	-	-	96,402
Transfers to statement of income					(122,086)	-	-	(122,086)
Net expenses recognized directly in equity					(11,852)	-	-	(11,852)
Net income for the period					-	1,975,642	-	1,975,642
Total recognized income (expenses) for the period					(11,852)	1,975,642	-	1,963,790
Bonus share issue	10	1,300,000	-	(1,300,000)	-	-	-	
Balance at the end of the period		4,550,000	3,150,000	-	7,989	2,235,939	-	9,943,928
<u>2006</u>								
Balance at beginning of the period		2,500,000	2,500,000	780,000	217,690	64,242	274,747	6,336,679
Net changes in fair values of cash flow hedges					(123)	-	-	(123)
Net changes in fair values of available for sale investments					10,102	-	-	10,102
Transfers to statement of income					(98,370)	-	-	(98,370)
Net expense recognized directly in equity					(88,391)	-	-	(88,391)
Net income for the period					-	1,944,940	-	1,944,940
Total recognized income (expense) for the period					(88,391)	1,944,940	-	1,856,549
Bonus share issue	10	750,000	-	(750,000)	-	-	-	-
2005 final dividend paid		-	-	-	-	-	(274,747)	(274,747)
Interim gross dividend		-	-	-	-	(358,295)	-	(358,295)
Balance at the end of the period		3,250,000	2,500,000	30,000	129,299	1,650,887	-	7,560,186

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 nine months ended  
 (Unaudited)

	September 30, 2007 SAR'000	September 30, 2006 SAR'000
<b><u>OPERATING ACTIVITIES</u></b>	<u>Note</u>	
Net income for the period	1,975,642	1,944,940
Adjustments to reconcile net income to net cash used in operating activities		
Accretion of discounts on non-trading investments, net	(14,268)	(12,271)
Gains on non-trading investments, net	(122,086)	(98,370)
Depreciation and amortization	86,069	61,244
Gains on disposal of property and equipment, net	(264)	(30,445)
Provision for credit losses	53,687	78,562
	<u>1,978,780</u>	<u>1,943,660</u>
Net (increase) decrease in operating assets:		
Statutory deposit with SAMA	(307,590)	(298,694)
Due from banks and other financial institutions maturing after ninety days	(530,794)	-
Loans and advances	(8,083,586)	(9,759,237)
Other real estate	(728)	4,217
Other assets	(167,489)	136,722
Net increase (decrease) in operating liabilities:		
Due to banks and other financial institutions	712,128	(4,380,108)
Customer deposits	4,390,779	9,566,098
Other liabilities	467,733	(874,263)
Net cash used in operating activities	<u>(1,540,767)</u>	<u>(3,661,605)</u>
<b><u>INVESTING ACTIVITIES</u></b>		
Proceeds from sales of and matured non-trading investments	3,252,585	4,441,610
Purchase of non-trading investments	(4,120,708)	(1,316,415)
Investment in associate	(200,000)	-
Purchase of property and equipment	(252,672)	(198,355)
Proceeds from sale of property and equipment	951	48,936
Net cash (used in) from investing activities	<u>(1,319,844)</u>	<u>2,975,776</u>
<b><u>FINANCING ACTIVITIES</u></b>		
Dividends paid	(2,969)	(615,225)
Net cash used in financing activities	<u>(2,969)</u>	<u>(615,225)</u>
Decrease in cash and cash equivalents	(2,863,580)	(1,301,054)
Cash and cash equivalents at the beginning of the period	<u>5,723,943</u>	<u>4,638,190</u>
Cash and cash equivalents at the end of the period	8 <u>2,860,363</u>	<u>3,337,136</u>
Special commission received during the period	3,813,674	3,271,647
Special commission paid during the period	(1,829,947)	(1,358,981)
<b><u>Supplemental non cash information</u></b>		
Net changes in fair value	<u>110,234</u>	<u>9,979</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 nine months ended September 30, 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 123 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 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 new regulatory requirements in Saudi Arabia, all banks are required to spin-off the asset management, brokerage and advisory services into new entities to be licensed by the Capital Market Authority (CMA).

In connection with the above, the bank has obtained the required license from the CMA. The actual transfer of the activities/operations is expected to take place during 2008.

**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.

ARAB NATIONAL BANK – Saudi Joint Stock Company  
Notes To The Interim Condensed Financial Statements (continued)  
For the nine months ended September 30, 2007 and 2006  
(SAR'000)

4. Investments, net

Investment securities are classified as follows:

	September 30, 2007 (Unaudited)	December 31, 2006 (Audited)	September 30, 2006 (Unaudited)
Held as fair value through income statement (FVIS)	1,209,263	599,403	545,434
Available for sale	5,800,930	4,887,240	4,773,449
Held to maturity	430,946	433,875	434,862
Other investments held at amortized cost, net	11,856,460	12,371,040	11,572,635
Total	19,297,599	18,291,558	17,326,380

5. Investment in Associate

The Bank is participating in the process of setting up an associated company "Saudi Home Loans Company". The Bank's share will be 40% of the company's total capital of SAR 2 billion. The SAR 200 million represents 25% of the Bank's share of the capital of the associate.

6. 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, 2007 (Unaudited)			December 31, 2006 (Audited)			September 30, 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	45,504	40,691	7,013,511	33,258	28,303	5,746,681	18,378	13,697	5,704,255
Commission rate future	-	-	26,640	-	-	-	-	-	-
Forward foreign exchange contracts	108,191	74,732	21,175,891	99,446	59,582	20,823,621	94,943	50,313	17,823,807
Currency options	4,201	4,164	724,076	8,131	7,826	814,443	21,714	20,877	891,953
Other				-	-	-	1,057	1,057	100,000
Derivatives held as fair value hedges:									
Commission rate swaps	12,721	48,097	6,287,548	10,389	41,320	6,625,146	10,311	47,024	7,234,350
Derivatives held as cash flow hedges:									
Commission rate swaps	9,759	2,626	2,243,000	552	7,251	2,317,500	398	8,165	857,500
Total	180,376	170,310	37,470,666	151,776	144,282	36,327,391	146,801	141,133	32,611,865

ARAB NATIONAL BANK – Saudi Joint Stock Company  
Notes To The Interim Condensed Financial Statements (continued)  
For the nine months ended September 30, 2007 and 2006  
(SAR'000)

7. Credit related commitments and contingencies

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

	September 30, 2007 (Unaudited)	December 31, 2006 (Audited)	September 30, 2006 (Unaudited)
Letters of credit	5,014,730	5,087,840	4,272,694
Letters of guarantee	10,821,302	8,177,009	6,581,063
Acceptances	1,950,005	1,356,579	1,159,953
Irrevocable commitments to extend credit	1,275,838	1,572,416	2,305,437
Other	376,157	391,567	400,929
<b>Total</b>	<b>19,438,032</b>	<b>16,585,411</b>	<b>14,720,076</b>

8. Cash and cash equivalents

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

	September 30, 2007 (Unaudited)	December 31, 2006 (Audited)	September 30, 2006 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	892,814	1,128,106	794,711
Due from banks and other financial institutions maturing within ninety days	1,967,549	4,595,837	2,542,425
<b>Total</b>	<b>2,860,363</b>	<b>5,723,943</b>	<b>3,337,136</b>

9. 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.



ARAB NATIONAL BANK – Saudi Joint Stock Company  
Notes To The Interim Condensed Financial Statements (continued)  
For the nine months ended September 30, 2007 and 2006  
(SAR'000)

9. Business segments (continued)

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 September 30, 2007 and 2006, its total operating income, expenses and net income for the nine months periods then ended, by business segments, being the primary reporting segments, are as follows:

	September 30, 2007 (Unaudited)			
	Retail banking	Corporate banking	Treasury banking	Total
Total assets	24,726,419	37,485,840	23,419,582	85,631,841
Total liabilities	30,997,667	37,617,412	7,072,834	75,687,913
Total operating income	1,942,828	689,136	443,598	3,075,562
Total operating expenses	953,093	105,683	41,144	1,099,920
Net income for the period	989,735	583,453	402,454	1,975,642

	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 for the period	1,315,903	368,985	260,052	1,944,940

10. Share capital and earnings per share

During the period ended September 30, 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 September 30, 2007, the Bank has 455 million shares issued and outstanding. Furthermore, 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.

Basic and diluted earnings per share for the periods ended September 30, 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.