



**Deloitte & Touche
Bakr Abulkhair & Co.
Deloitte.**

REVIEW REPORT

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

We have reviewed the accompanying interim consolidated balance sheet of Arab National Bank (the "Bank") and its subsidiary as of 30 September 2008, and the related consolidated statement of income for the three-month and nine-month periods ended 30 September 2008 and the consolidated statements of changes in shareholders' equity and cash flows for the nine-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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ARAB NATIONAL BANK – Saudi Joint Stock Company
CONSOLIDATED BALANCE SHEET

As at	September 30, 2008 (Unaudited) SAR'000	December 31, 2007 (Audited) SAR'000	September 30, 2007 (Unaudited) SAR'000
Note			
ASSETS			
Cash and balances with SAMA	10,719,505	8,228,376	3,288,305
Due from banks and other financial institutions	5,298,449	1,293,967	2,535,843
Investments, net	4 21,856,473	21,024,805	19,297,599
Loans and advances, net	74,549,301	61,121,911	57,786,355
Investment in associate	200,000	200,000	200,000
Other real estate	103,440	155,855	155,855
Property and equipment, net	924,851	773,664	752,169
Other assets	2,031,067	1,668,983	1,615,715
Total assets	115,683,086	94,467,561	85,631,841
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Due to banks and other financial institutions	10,778,693	4,447,174	3,810,731
Customers' deposits	88,555,463	73,692,139	66,164,614
Other liabilities	2,325,506	2,616,151	2,525,068
Term loan	-	1,312,500	1,312,500
Debt securities in issue	1,875,000	1,875,000	1,875,000
Total liabilities	103,534,662	83,942,964	75,687,913
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	(256,623)	171,618	7,989
Retained earnings	2,139,047	86,979	2,235,939
Total shareholders' equity	12,148,424	10,524,597	9,943,928
Total liabilities and shareholders' equity	115,683,086	94,467,561	85,631,841

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 nine months ended</u>	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
<i>Note</i>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>
Special commission income	1,399,693	1,366,576	4,113,520	3,984,852
Special commission expense	574,268	634,112	1,557,887	1,836,253
Net special commission income	825,425	732,464	2,555,633	2,148,599
Fees from banking services, net	266,673	184,631	667,125	612,308
Exchange income, net	68,465	41,225	188,318	127,454
(Loss) Income from FVIS financial instruments, net	(777)	(30,506)	(13,528)	33,526
Trading income, net	11,020	1,959	12,615	3,215
(Loss) Gains and impairment of non -trading investments, net	(183,934)	33,557	(286,856)	122,086
Other operating income	55,951	9,488	144,261	28,374
Total operating income	1,042,823	972,818	3,267,568	3,075,562
Salaries and employee related expenses	232,402	208,061	677,913	611,470
Rent and premises related expenses	31,745	27,468	91,175	74,752
Depreciation and amortization	40,664	31,806	113,923	86,069
Other general and administrative expenses	101,123	93,602	285,199	273,942
Provision for credit losses, net	9,168	4,001	47,290	53,687
Total operating expenses	415,102	364,938	1,215,500	1,099,920
Net income for the period	627,721	607,880	2,052,068	1,975,642
Basic and fully diluted earnings (in SAR per share)	9	0.96	0.93	3.16
				3.04

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 nine months ended September 30, 2008 and 2007
(Unaudited)

	Note	Share capital SAR' 000	Statutory reserve SAR' 000	General reserve SAR' 000	Other reserves SAR' 000	Retained earnings SAR' 000	Total SAR' 000
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					(5,742)	-	(5,742)
Net changes in fair values of available for sale investments					(247,826)	-	(247,826)
Transfers to consolidated statement of income					(174,673)	-	(174,673)
Net expenses recognized directly in equity					(428,241)	-	(428,241)
Net income for the period					-	2,052,068	2,052,068
Total recognized (expenses) income for the period					(428,241)	2,052,068	1,623,827
Bonus share issue	9	1,950,000	-	(1,950,000)	-	-	-
Balance at end of the period		6,500,000	3,766,000	-	(256,623)	2,139,047	12,148,424
2007							
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 (expenses) income for the period					(11,852)	1,975,642	1,963,790
Bonus share issue	9	1,300,000	-	(1,300,000)	-	-	-
Balance at end of the period		4,550,000	3,150,000	-	7,989	2,235,939	9,943,928

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 nine months ended
(Unaudited)

	Sept 30, 2008	Sept 30, 2007
	SAR'000	SAR'000
<u>OPERATING ACTIVITIES</u>	<u>Note</u>	
Net income for the period	2,052,068	1,975,642
Adjustments to reconcile net income to net cash from operating activities:		
Accretion of discounts on non-trading investments, net	(161,654)	(14,268)
Losses (gains) on non-trading investments, net	174,673	(122,086)
Depreciation and amortization	113,923	86,069
Gains on disposal of property and equipment, net	(58,226)	(264)
Provision for credit losses, net	47,290	53,687
	<u>2,168,074</u>	<u>1,978,780</u>
Net (increase) decrease in operating assets:		
Statutory deposit with SAMA	(2,415,149)	(307,590)
Due from banks and other financial institutions maturing after ninety days of the acquisition date	308,101	(530,794)
Loans and advances	(13,507,190)	(8,083,586)
Other real estate	52,415	(728)
Other assets	31,571	(167,489)
Net increase (decrease) in operating liabilities:		
Due to banks and other financial institutions	6,331,519	712,128
Customers' deposits	14,863,995	4,390,779
Other liabilities	(523,945)	467,733
	<u>7,309,391</u>	<u>(1,540,767)</u>
Net cash from (used in) operating activities		
<u>INVESTING ACTIVITIES</u>		
Proceeds from sales of and matured non-trading investments	20,631,075	3,252,585
Purchase of non-trading investments	(21,961,396)	(4,120,708)
Investment in associate	-	(200,000)
Purchase of property and equipment	(273,570)	(252,672)
Proceeds from sale of property and equipment	66,685	951
	<u>(1,537,206)</u>	<u>(1,319,844)</u>
Net cash used in investing activities		
<u>FINANCING ACTIVITIES</u>		
Term loan	(1,312,500)	-
Dividends paid	(71,122)	(2,969)
Net cash used in financing activities	<u>(1,383,622)</u>	<u>(2,969)</u>
Increase (decrease) in cash and cash equivalents	4,388,563	(2,863,580)
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>9,849,222</u>	<u>2,860,363</u>
Special commission received during the period	4,010,999	3,813,674
Special commission paid during the period	<u>(2,802,156)</u>	<u>(1,829,947)</u>
<u>Supplemental non cash information</u>		
Net changes in fair value	<u>(253,568)</u>	<u>110,234</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 nine months ended September 30, 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, the Bank started consolidating the financial statements of the above mentioned subsidiary effective 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, 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 interim consolidated financial statements of the Bank and its subsidiary 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 when necessary to align them with the Bank's financial statements.

Subsidiaries are all entities controlled by the Bank. Control exists when 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 nine months ended September 30, 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 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, 2007.

4. Investments, net

Investment securities are classified as follows:

	September 30, 2008 (Unaudited)	December 31, 2007 (Audited)	September 30, 2007 (Unaudited)
Held at fair value through income statement (FVIS)	778,980	1,076,941	1,209,263
Available for sale	4,300,438	6,132,341	5,800,930
Held to maturity	6,391,232	2,429,532	430,946
Other investments held at amortized cost, net	10,385,823	11,385,991	11,856,460
Total	21,856,473	21,024,805	19,297,599

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 Group's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor to market risk.

	September 30, 2008 (Unaudited)			December 31, 2007 (Audited)			September 30, 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	146,516	127,405	11,688,458	79,050	68,532	9,405,475	45,504	40,691	7,013,511
Commission rate futures	-	-	-	-	-	-	-	-	26,640
Forward foreign exchange contracts	392,722	342,173	23,460,972	110,198	77,116	13,117,870	108,191	74,732	20,986,623
Currency options	1,823	2,079	223,583	8,089	8,624	1,072,269	4,201	4,164	724,076
Derivatives held as fair value hedges:									
Commission rate swaps	63,931	69,132	7,290,788	8,696	74,991	3,716,314	12,721	48,097	5,864,653
Derivatives held as cash flow hedges:									
Commission rate swaps	11,784	6,780	1,577,000	10,746	-	689,000	9,759	2,626	2,243,000
Total	616,776	547,569	44,240,801	216,779	229,263	28,000,928	180,376	170,310	36,858,503

ARAB NATIONAL BANK – Saudi Joint Stock Company
Notes To The Interim Condensed Consolidated Financial Statements (continued)
For the nine months ended September 30, 2008 and 2007
(SAR'000)

6. Credit related commitments and contingencies

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

	September 30, 2008 (Unaudited)	December 31, 2007 (Audited)	September 30, 2007 (Unaudited)
Letters of credit	6,696,305	5,245,467	5,014,730
Letters of guarantee	15,609,168	11,620,501	10,821,302
Acceptances	2,616,712	1,785,059	1,950,005
Irrevocable commitments to extend credit	1,619,590	1,435,166	1,275,838
Other	347,405	369,804	376,157
Total	26,889,180	20,455,997	19,438,032

7. Cash and cash equivalents

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

	September 30, 2008 (Unaudited)	December 31, 2007 (Audited)	September 30, 2007 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	5,138,585	5,062,605	892,814
Due from banks and other financial institutions maturing within ninety days of the acquisition date	4,710,637	398,054	1,967,549
Total	9,849,222	5,460,659	2,860,363

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.

Investment and brokerage services

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

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 nine months ended September 30, 2008 and 2007
(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 September 30, 2008 and 2007, its total consolidated operating income, expenses and net income and other related information for the nine month periods then ended, by business segments, being the primary reporting segments, are as follows:

September 30, 2008 (Unaudited)						
	Retail banking	Corporate banking	Treasury banking	Investment and brokerage services	Other	Total
Total assets	26,924,758	51,712,361	35,636,403	43,528	1,366,036	115,683,086
Total liabilities	34,501,989	55,758,103	11,603,562	1,292,585	378,423	103,534,662
Total operating income	1,919,899	774,178	49,380	146,044	378,067	3,267,568
Total operating expenses	1,002,463	64,248	65,523	77,654	5,612	1,215,500
Net income for the period	917,436	709,930	(16,143)	68,390	372,455	2,052,068
Provision for credit losses, net	142,817	(95,527)	-	-	-	47,290
Impairment of other financial assets	-	-	461,529	-	-	461,529
Depreciation	56,917	1,035	598	5,322	50,051	113,923
September 30, 2007 (Unaudited)						
	Retail banking	Corporate banking	Treasury banking	Investment and brokerage services	Other	Total
Total assets	23,936,913	37,199,936	23,307,306	608,348	579,338	85,631,841
Total liabilities	30,886,963	37,305,013	7,107,235	166,211	222,491	75,687,913
Total operating income	1,649,858	553,075	406,562	206,065	260,002	3,075,562
Total operating expenses	906,054	104,364	40,987	45,185	3,330	1,099,920
Net income for the period	743,804	448,711	365,575	160,880	256,672	1,975,642
Provision for credit losses, net	91,759	(38,072)	-	-	-	53,687
Depreciation	43,993	913	633	2,836	37,694	86,069

ARAB NATIONAL BANK – Saudi Joint Stock Company
Notes To The Interim Condensed Consolidated Financial Statements (continued)
For the nine months ended September 30, 2008 and 2007
(SAR'000)

9. Share capital and earnings per share

During the period ended September 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. Consequently at September 30, 2008, the Bank has 650 million shares issued and outstanding. Furthermore, 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.

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

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 Banks.

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	13.42	9.39

11. COMPARATIVE FIGURES

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