

ARAB NATIONAL BANK

Annual Report 2021



العربي
anb

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

In the name of Allah, the Most Merciful, the Most Kind



The Custodian Of The Two Holy Mosques

King Salman Bin Abdulaziz Al Saud



HRH Crown Prince, Deputy Prime Minister, Minister of Defense

Prince Mohammad Bin Salman Bin Abdulaziz Al Saud



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Chairman's Statement

On behalf of the Board members of Arab National Bank, I would like to present you with the Bank's annual report and closing accounts for the fiscal year ended December 31, 2021.

By the end of 2020, the global economy began to gradually recover from the consequences of the Corona pandemic, and continued this trend during 2021 to register growth of 5.9%, while the Saudi economy in turn achieved a remarkable recovery recorded growth during the year of 2.9%, compared to negative growth of 2.3% in 2020, as prudent fiscal policies adopted by the Ministry of Finance and the Central Bank of Saudi Arabia mitigated the economic and social impacts of the pandemic and supported economic recovery paths.

During 2021, the Bank continued to work to overcome the challenges that emerged in the wake of the pandemic, taking advantage of its accumulated expertise and ability to adapt to variables by enhancing operational efficiency and employing innovative ideas, with the aim of stimulating profitability rates and maximizing returns and added value, reflecting positively on the Bank's customers and shareholders.



Salah Rashed Al-Rashed
Chairman of the Board

The Saudi economy has grown by

2021 **+2.9 %**

2020 **-2.3 %**

net Income SAR **2,177** million
in 2021

+5.04 % growth
in 2021

The Bank's strategic direction has been to promote integration among all sectors of the Bank and its leaders, in an effort to create opportunities for growth, while in 2021 saw the appointment of the first second-ranking board member and Saudi CEO of The National Arab Bank, represented by Mr. Obaid bin Abdullah al-Rasheed, for his extensive experience and leadership skills, having previously served as Executive Vice President of the Bank.

The bank's new executive management has been to accelerate digital transformation, product development and harness banking channels to be more in line with the rapid developments in the banking industry, making that priority a focal point and starting towards resuming growth as hoped, with the Bank achieving net income after zakat and income tax of SAR 2,177 million for 2021, an increase of 5.04% over the previous year.

This has been achieved in a dynamic market, where new competition from the growing financial technologies sector has helped to consolidate our drive towards promoting innovation and investment in technology, particularly our digital platforms, which have accelerated our progress in 2020, with the full certainty that investment in both technologies and human capital is the cornerstone of any future success.

In addition to delivering on our promises to our customers, we are also aware of the responsibility and greater role that financial sector institutions play in contributing to the ambitious goals of Vision 2030, by supporting the development of the national economy, diversifying its sources of income, promoting public-private partnership, encouraging the growth of SMEs, stimulating savings, and facilitating the process of citizen ownership of homes.

It is also not possible to talk about the vital role of the Bank in the banking and economic aspect, independent of its responsibilities and its community and development contributions, as one of its priorities, given its close association with its values, which are an integral part of its banking activity, where the Bank continues to adopt more initiatives that reflect its affiliation with the nation, and its constructive role in supporting the process of renaissance and sustainable development witnessed by the Kingdom on more than one level, to the homeland of well-being sought by our wise leadership, dearest by God.

In conclusion, I would like to thank, on behalf of myself and on behalf of the Bank's Board of Directors, the governor of the Central Bank of Saudi Arabia, Sama, and the Head of the Financial Market Authority for their continued support and prudent management to enable the kingdom's financial and banking institutions to move forward towards excellence and efficiency, and their efforts in developing the financial and banking environment. Saudi Arabia.

Finally, I would like to pay tribute to the efforts of the Board of Directors of The National Arab Bank and the achievements of our colleagues at all levels, where we draw our deep optimism for the future from their commitment, dedication to work and valuable contributions.

Managing Director's Statement

2021 was the year when growth returned to the global economy, following the contraction that resulted from the coronavirus pandemic in 2020.

ANB was well placed to take advantage of this return to more positive trading conditions. We have a core base of customers who trust us with their finances, an established culture of innovation, and an experienced and skilled team. This team has been central to the success of ANB in 2021, helping propel the Bank back into profitability.

Many of our actions over the past 12 months have been focused on creating the conditions to secure this growth. Since starting as the new Managing Director and Chief Executive Officer, early in 2021, my priority has been on creating new structures and processes to increase efficiency and delivery for our customers. The business-wide changes we have implemented are now enhancing our competitiveness in an increasingly dynamic financial services sector and supporting our expansion into new markets.

We have continued to invest in this area by creating a new business group focused on digital transformation and leading the digital business strategy to speed up business processes, reduce cost and reduce risk, with more than 80 processes were automated, streamlining more than 2.8 million transactions and saving 75,000 operational manhours.



Obaid Abdullah Alrasheed
Managing Director (CEO)

More than

80

processes were automated

Streamlining more than

2.8

million transactions

Saving

75,000

operational manhours

Another key element of our transformation is digitalization because of its significant impact and added value to customers and shareholders alike. For instance, we have launched a new TeleMoney app for remittance services and introduced Saudi Arabia's first-ever fully digital loan application for SMEs.

Such initiatives are a part of our wider strategy to develop world-class digital platforms to enable our customers to access our products and services wherever and whenever they want. As part of our ongoing efforts to strengthen our digital platforms, ANB Mobile has been developed and relaunched to establish high standards of quality and service around the clock, enabling the Bank to win the Global Finance Magazine's prize for the **"Best Mobile Banking App-2021"** in the Kingdom of Saudi Arabia.

To enhance its presence as an active partner for business sectors of all categories and to contribute to the goals of Vision 2030, the Bank has concluded several framework agreements, including a cooperation agreement with the Tourism Development Fund to finance tourism projects and promote investments in this sector, and a new agreement with **"Munsha'at"** to provide low-profit financing solutions for SMEs wishing to acquire privilege rights.

In this context, ANB concluded a partnership agreement with the Real Estate Development Fund (REDF) to enable real estate developers to develop housing projects that meet the needs of the beneficiaries of the **"Sakani"** program, as

Saudization Rate

95 %

Saudi Female Employees

22 %

well as a partnership agreement with the Social Development Bank (SDB) to offer customers' savings accounts to their **"Zood"** savings program. The initiative is aimed to encourage a large number of middle- and low-income families to start saving.

During the year 2021, the Bank continued to attract talent and increase the Saudization rate to reach 95% of the total number of employees. Of these, 22% are Saudi female employees. In addition, there has been an update on the bank's HR policies and procedures, which includes restructuring benefits and allowances to align with industry best practices.

I am proud of the way the entire ANB team has stepped forward in 2021. I want to formally express my gratitude and appreciation to colleagues from across the entire bank for continuing to place our customers at the center of all that we do. I am also grateful for the wisdom and support of the board for providing strategic insight and guidance throughout the year.

Wishing you all good health and continued success.



— Directors' Report .

To: The Shareholders of Arab National Bank

The Board of Directors (the Board) is pleased to submit Arab National Bank's Annual Report for the financial year ended December 31, 2021.

Introduction

Arab National Bank (the Bank), a Saudi Joint Stock Company, was incorporated pursuant to Royal Decree No. M/38 dated Rajab 18, 1399H (corresponding to June 13, 1979G). The Bank's Head Office is located in Riyadh and it operates through 131 branches and 85 remittance centers in the Kingdom of Saudi Arabia (the Kingdom) and one branch in London, UK. The Bank provides a full range of banking and financial services to its retail and corporate customers.

Financial Results

Net profit after zakat and income tax attributable to equity holders of the Bank for the year 2021 amounted to SAR 2,177 million compared to SAR 2,072 million last year, an increase of 5.0%. Earnings per share amounted to SAR 1.45 compared to SAR 1.38 in 2020.

Net special commission income decreased by 4.0% to reach SAR 4,672 million compared to SAR 4,869 million in the previous year, while fees and commission income decreased by 11.0% to reach SAR 489 million from SAR 550 million in 2020. This resulted in total operating income decreasing by 1.0% from SAR 5,824 million in 2020 to SAR 5,765 million in the current financial year.

Operating expenses before provisions totalled SAR 2,201 million compared to SAR 2,047 million in 2020, an increase of 7.6%. The Bank continued to adopt conservative risk management policies to ensure it has adequate provision coverage. Provision charge for credit losses amounted to SAR 1,031 million compared to SAR 1,282 million in 2020 resulting in a non-performing loans coverage ratio of 142% as at December 31, 2021.

The Bank's loan portfolio amounted at year-end to SAR 126,674 million compared to SAR 113,363 million in 2020, an increase of 11.7%; while its investment portfolio increased to SAR 44,168 million from SAR 43,775 million in 2020, an increase of 0.9%.

Total assets and customer deposits as at December 31, 2021 amounted to SAR 192,502 million and SAR 135,714 million, respectively.

Equity attributable to equity holders of the Bank was SAR 31,101 million compared to SAR 29,734 million in 2020, an increase of 4.6%.

Financial Highlights

Net income after zakat and income tax attributable to equity holders of the Bank (SAR millions)



Equity attributable to equity holders of the Bank (SAR millions)



Loans and advances, net (SAR millions)



Customers' deposits (SAR millions)



■ Financial Highlights

	SAR Million				
	2021	2020	2019	2018	2017
Loans and advances, net	126,674	113,363	118,837	121,038	114,543
Investments, net	44,168	43,775	38,038	27,857	32,321
Customers' deposits	135,714	129,352	142,129	142,056	136,048
Equity attributable to equity holders of the Bank	31,101	29,734	28,308	26,520	24,370
Total assets	192,502	180,396	183,442	178,355	171,702
Total liabilities	161,374	150,630	155,099	151,798	146,636
Total operating income	5,765	5,824	6,733	6,535	6,378
Total operating expenses	3,236	3,317	3,192	3,236	3,375
Net income before zakat and income tax attributable to equity holders of the Bank	2,627	2,575	3,552	3,310	3,027
Net income after zakat and income tax attributable to equity holders of the Bank	2,177	2,072	3,023	3,969	2,377*

(*) The net income for 2017 has been adjusted to match the presentation of the following years, to reflect the impact of zakat and income tax on the consolidated income statement.

■ Geographical Analysis of Revenues

The Group's revenues are earned mainly through its activities in the Kingdom and are distributed as follows:

	SAR '000
Central Region*	4,040,014
Western Region	1,019,519
Eastern Region	704,985
Total	5,764,518

(*) Includes London branch revenues (not disclosed separately due to being immaterial to the Bank as a whole).

Subsidiaries and Associates

■ Arab National Investment Company (ANBI)

The Bank established a wholly owned subsidiary, ANBI, a Saudi closed joint stock company, registered in the Kingdom under commercial registration No. 1010239908 issued on Shawal 26, 1428H (corresponding to November 7, 2007G). The subsidiary's authorized and issued capital is SAR 1,000 million (100 million shares), and its objective is to 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 (CMA). The subsidiary commenced operations on Muharram 3, 1429H (corresponding to January 12, 2008G). On Muharram 19, 1436H (corresponding to November 12, 2014G), the subsidiary changed its legal structure from a limited liability company to a closed joint stock company. The objective of the subsidiary was amended and approved by the CMA on Muharram 28, 1437H (corresponding to November 10, 2015G) through a resolution number S/1/6/14832/15 to include dealing as a principal activity. The objective of the subsidiary was further amended on Sha'ban 26, 1437H (corresponding to June 2, 2016G) to provide loans to the subsidiary's customers to trade in financial papers as per the Saudi Central Bank's circular No. 371000014867 dated 5/2/1437H, and the CMA's circular No. S/6/16287/15 dated 10/3/1437H.

■ Arabian Heavy Equipment Leasing Company (AHEL)

A 87.5% owned subsidiary incorporated in the Kingdom of Saudi Arabia as a Saudi closed joint stock company under commercial registration

No. 1010267489 issued in Riyadh on Jumada I 15, 1430H (corresponding to May 10, 2009G). The company's authorized and fully paid up capital amounts to SAR 300 million representing 30 million shares of SAR 10 each as of December 31, 2021. The company is engaged in the leasing of heavy equipment and operates in compliance with Shari'ah principles. On May 6, 2014 the Bank increased its ownership percentage in this subsidiary from 62.5% to 87.5%.

■ Saudi Home Loan Company (SHL)

A 40% owned associate incorporated in the Kingdom of Saudi Arabia as a Saudi closed joint stock company under commercial registration No. 1010241934. SHL's authorized and fully paid share capital amounts to SAR 1,000 million representing 100 million shares of SAR 10 each as of December 31, 2021. The company started its operations during the fourth quarter of 2007 and the Bank's share in the company is equity accounted. The company's activities is to finance the purchase of real estate products that are fully Shari'ah compliant.

■ ANB Insurance Agency

A wholly owned subsidiary incorporated in the Kingdom of Saudi Arabia during 2013 as a limited liability company under commercial registration No. 1010396423 issued in Riyadh dated Muharram 28, 1435H (corresponding to December 1, 2013G). The company's capital amounts to SAR 500,000 consisting of 50,000 parts at a nominal value of SAR 10 per part as of December 31, 2021. The agency obtained its license from the Saudi Central Bank to start its activities in insurance agency and related

■ **ANB Insurance Agency (Continued)**

business on Jumada I 5, 1435H (corresponding to March 6, 2014G). The company acted as a sole agent for its principal, MetLife-AIG-ANB Cooperative Insurance Company.

In reference to Article No (75) of the Insurance Company Control Law, the company requested to seize its operations on Dhul Qadah 28, 1441H (corresponding to July 19, 2020G). The request was approved by the Saudi Central Bank at Rabih Al-Akhar 4, 1442H (corresponding to November 19, 2020G). The same was communicated to the Ministry of Commerce. The Company is currently in the process of completing the closure procedures with the related regulatory bodies.

■ **Al-Manzil Al-Mubarak Real Estate Financing Ltd.**

A wholly owned subsidiary, registered in the Kingdom of Saudi Arabia as a limited liability company under commercial registration no. 1010199647 issued in Riyadh dated Jumada I 18, 1425H (corresponding to July 6, 2004G). The company's capital amounts to SAR 1 million consisting of 10,000 parts (at a nominal value of SAR 100 per part) as at December 31, 2021. The subsidiary is engaged in the purchase of lands and real estates and invest them through sale or rent in favour of the company, maintenance and management of owners and others' assets as guarantee, sale and purchase of real estates for financing purposes as per the Saudi Central Bank's approval No. 361000109161 dated 10/8/1436H.

■ **ANBI Business Gate Fund**

The Bank owned indirectly 25.47% of ANBI Business Gate Fund (the Fund), which is a closed-ended private placement real estate

investment fund launched on August 25, 2014 for a period of 5 years starting from date of closure of first offering on January 11, 2015. CMA has been informed of the offering of the Fund through letter number 8/14/411 dated Shawwal 9, 1435H (corresponding to August 5, 2014G). The Fund's activity is to acquire real estate assets, an income generating real estate property located in the city of Riyadh, out of which the Fund will receive rental and hotel operating income over the Fund term. The Fund's total shareholding reached SAR 950 million divided to 950,000 units and each unit value is SAR 1,000. The Bank's share is equity accounted.

The Fund's tenor was extended for a period of six months ending on July 13, 2020 in accordance with the Fund's Board resolution dated December 10, 2019 which was later approved by the unitholders on December 11, 2019.

On June 21, 2020, the Fund's Board approved to extend the Fund's tenor for additional six months ending on December 31, 2020 which was later approved by the unitholders on July 17, 2020.

To ensure going concern of the Fund, the Fund's Board approved to extend the Fund's tenor for an additional five years ending on December 31, 2025, which was later approved by the unitholders.

On 26 May 2021, the Fund's total shareholding has been reduced by an amount of SAR 375 million to reach SAR 575 million, instead of SAR 950 million, divided to SAR 950,000 units and each unit is SAR 605.

End of May 2021, the Bank sold half of the Group's share in the Fund. Consequently, the Bank's indirect ownership became 12.74% in the Fund instead of 25.47%. The Bank still has significant influence over the Fund; thus, the Bank's share remained equity accounted.

■ Sara Second Real Estate Investment Fund

The Bank owns directly and indirectly 31.9% of Sara Second Real Estate Investment Fund (the Fund), which is a closed-ended, Sharia-compliant, private real estate fund established in the Kingdom of Saudi Arabia and launched on May 22, 2020 for a period of 12 years. CMA has been informed of the offering of the Fund on June 4, 2020. The Fund's activity is to acquire the Sara Village Residential Compound, an income generating real estate property located in Al Khobar, out of which the Fund will receive rental income over the Fund term. The Fund's total shareholding reached SAR 1,368 million divided to 136.8 million units of SAR 10 each. The Bank's share in the Fund is equity accounted.

It is to be noted that the above mentioned subsidiaries and associates' primary business is conducted in the Kingdom of Saudi Arabia.

■ ANB Global Markets Limited

The Bank established on Jumada I 3, 1438H (corresponding to January 31, 2017G) ANB Global Markets Limited, as a limited liability company registered in the Cayman Islands. The Bank has 100% ownership. The company's capital amounts to USD 50 thousand consisting of 50 thousand parts (at a nominal value of USD (1) per part). The objective of ANB Global Markets Limited is trading in derivatives and Repo activities on behalf of the Bank.



Dividend Distribution Policy

The rules governing the Bank's dividend distribution are as follows:

1. In accordance with the Saudi Central Bank's requirements, a minimum of 25% of the Bank's annual net income is required to be transferred to a statutory reserve until such reserve equals the Bank's paid up capital;
2. The Board periodically reviews and analyzes the Bank's financial position, capital adequacy and growth projections. Accordingly, it proposes to the General Assembly whether to distribute dividends or not;
3. If the General Assembly decides to distribute a dividend, it will be distributed to shareholders in proportion to their shareholdings held at the eligibility date as per the dividend announcement;
4. The Board may also decide to distribute an interim dividend based on the Bank's financial situation; and
5. Non-distributed earnings are transferred to the next year or to the general reserve.

The Board proposed to distribute 2021 net income as follows:

	SAR '000
2021 net income – after zakat and income tax	2,176,591
Retained earnings from previous years	5,570,045
Total	7,746,636
Distributed as follows:	
Transferred to statutory reserve	(545,000)
Total dividend distribution – interim & proposed (53.1% out of 2021 net income)	(1,155,102)
Retained earnings for 2021	6,046,534

Future Strategic Plans

The future strategic plans are based on prioritizing the digital transformation, business growth while maintaining balance between Retail and Wholesale banking along with focus on selective business opportunities to achieve the expected returns as per approved plans.

The Bank aims to become a major participant in providing services and products that are considered essential element in implementing the digital transformation program and become the first employer of choice in the financial sector. The strategy is closely aligned with the prevailing economic environment and the goals and objectives included in the Kingdom's vision (2030) are essential indicators to the development of the Bank's strategy which focuses on the following:

- The Strategy aims to give priority to the digital transformation and recognizes that technology changes continue at an ever increasing pace, significantly impacting the Bank and its customers. A Digital Transformation Program has been initiated to reflect the dynamics of the market and the increasingly sophisticated expectations of customers. The Strategy also recognizes the challenges that technology brings for fraudulent and criminal activity and endeavors to ensure that the best technical controls are in place.
- The demographics of the Kingdom of Saudi Arabia with such a young population means that the provision of affordable housing is a key focus area for Government. The Bank has completed gearing itself to provide the new services and products to support such ambitious plans. The housing portfolio is currently undergoing rapid growth.
- In support of the growth of Micro, Small and Medium Enterprises (MSME), the Bank is expanding its footprint, and range of products and services provided, via dedicated Centers. These centers provide customized solutions covering financing, transaction banking and account services.
- The initiatives put forward within the Kingdom's Vision 2030 are expected to provide significant opportunities over the mid-term to finance a number of large projects. The tourism, entertainment and rural development sectors will have a significant portion thereof, where the Bank strives to increase its competitive abilities to benefit from such opportunities to achieve its expected returns.
- The Bank also endeavors to benefit from the digital platforms to provide saving products and instruments for all segments. The Youth segment will have a considerable opportunity in this regard, where the Bank will provide customized services to this segment through designed programs covering a wide range of services that meet their financial requirements.

■ Principal activities

For management purposes the Group is organized into the following major operating segments:

Retail banking	Deposits, credit facilities and investment products for individuals, and the Bank's London branch;
Corporate banking	Loans and advances, deposits and other credit products for corporate and institutional customers, small to medium sized businesses.
Treasury banking	Manages the Bank's trading and investment portfolios and its funding, liquidity, currency and commission rate risks;
Investment and brokerage services	Investment management services and asset management activities related to dealing, managing, arranging, advising and custody of securities; and
Other	Includes income on capital and unallocated costs and assets and liabilities of Head Office and other supporting departments.

Transactions between business segments are reported in accordance with the Group's transfer pricing system. The basis for determining the intersegment operating income/ (expenses) for the current year are consistent with the basis used for December 31, 2020. Segment assets and liabilities mainly comprise operating assets and liabilities.

The Group's primary business is conducted in the Kingdom of Saudi Arabia with one international branch in London, UK. However, the total assets, liabilities, commitments and results of operations of this branch are not material to the Group's overall consolidated financial statements.

■ Principal activities (Continued)

The Group's total assets and liabilities as at December 31, 2021 and its total operating income, expenses and net income for the year then ended, by operating segments, are as follows:

	2021 – SAR (000)					
	Retail banking	Corporate banking	Treasury	Investment and brokerage services	Other	Total
Total assets	45,239,488	85,226,879	59,869,788	556,218	1,609,286	192,501,659
Investments in associates	–	–	–	359,162	796,493	1,155,655
Total liabilities	70,009,290	71,041,265	19,092,044	90,973	1,140,350	161,373,922
Operating income from external customers	2,254,268	2,667,195	674,429	177,925	(9,299)	5,764,518
Intersegment operating income/(expense)	(282,805)	(720,940)	902,897	–	100,848	–
Total operating income Of which:	1,971,463	1,946,255	1,577,326	177,925	91,549	5,764,518
Net special commission income	1,824,546	1,583,945	1,112,480	37,146	113,915	4,672,032
Fees and commission income, net	57,339	358,208	3,100	124,596	(54,130)	489,113
Allowance charges for expected credit losses (ECL) and other provisions, net	172,764	857,742	–	–	–	1,030,506
Impairment charges for other financial assets, net	–	–	3,991	–	–	3,991
Depreciation and amortization	165,429	9,112	962	4,049	30,800	210,352
Total operating expenses	1,503,086	1,502,516	96,731	83,305	50,253	3,235,891
Share in earnings of associates, net	–	–	–	59,910	33,030	92,940
Net income before zakat and income tax	468,377	443,739	1,480,595	154,530	74,326	2,621,567

Micro, Small & Medium Enterprises (MSMEs)

MSME relationships are managed at ANB by dedicated business units catering for the financial services requirements of (i) micro & small enterprises and (ii) medium sized businesses. This bifurcation is necessary because of the different client coverage, credit underwriting and risk management / control models required for these two segments. In view of the importance of the sector, a work team has been allocated for small and micro enterprises whose annual sales do not exceed SAR 40 million, and another team specialized in the medium-sized enterprises' sector that operates within the framework of sales ranging from 40 to 200 million Saudi Riyals. This specialization in relationship management comes from the bank's keenness to cover and meet all the needs of these enterprises in view of their sizes and growth requirements.

Establishing a meaningful presence in the MSME segment is a key strategic priority and to this end, the Bank over the past four years expanded its distribution footprint by establishing 11 dedicated MSME centers across the Kingdom covering 8 cities. ANB offers its clients a range of facilities including borrowing services that include Short & Medium Term Loans, and non-borrowing services such as Trade Services, Account Services, Internet Banking, Utility Bill Payment, Payroll Services and POS Merchant. For the Micro and Small sub-segments, Bank offers customized solutions via Product Programs to cover a wide range of financing requirements along with competitive price range.

ANB is one of the leading participants of the Kafalah program, under the umbrella of Monshaat (Government's SME Authority) in participating with their developmental programs

through launching new finance programs and awareness initiatives. In addition, Arab National Bank is the first Bank launching an electronic service that allow micro and small enterprises to apply for facilities through the Bank's electronic gate, obtain the necessary approvals and sign the contracts electronically.

The Bank envisages growth in 2022 to be challenging with increasing competition amongst Financial Institutions in the MSME segment. The Bank will continue to focus on selective industry and geographic segments and endeavor to provide innovative and relevant research based financial services solutions to the selected segments. Technology requirements including digital solutions will be a key enabler in this regard.

Building bench strength and knowledge pool is another key dependency in our strategic plan. We plan to increase our staff strength in 2022 to cater for the growing business volumes. Training needs are identified at the start of the year based on competency gaps. Individuals are then assigned to appropriate external and internal programs.

The Bank is committed to play its part in facilitating the Government's initiatives to increase the GDP participation of the MSME segment by introducing new research based product propositions that meet the borrowing and non-borrowing financial servicing needs of the segment.

ANB also remains committed to support the Kafalah program, partake in initiatives to promote and develop the MSME segment as identified by Monshaat and other Government institutions.

Micro, Small & Medium Enterprises (MSMEs) (Continued)

The year on year growth in the MSME business, as reported periodically to the Saudi Central Bank is highlighted as follows:

■ Quantitative Disclosures

Details	As at 31 December 2021				As at 31 December 2020			
	Micro	Small	Medium	Total	Micro	Small	Medium	Total
Loans to MSMEs – on balance sheet (SAR millions)	261	3,735	10,660	14,656	131	2,668	10,019	12,818
Loans to MSMEs – off balance sheet (SAR millions)	82	685	2,304	3,071	59	759	2,197	3,015
On balance sheet loans to MSMEs as a percentage of total on balance sheet loans	0.20%	2.88%	8.21%	11.29%	0.11%	2.27%	8.54%	10.92%
Off balance sheet loans to MSMEs as a percentage of total off balance sheet loans	0.32%	2.66%	8.96%	11.94%	0.23%	2.90%	8.41%	11.54%
Number of loans (on and off balance sheet)	1,512	5,931	2,677	10,120	1,088	5,804	4,702	11,594
Number of customers (on and off balance sheet)	171	651	700	1,522	375	1,519	749	2,643
Number of loans guaranteed by Kafalah program (on and off balance sheet)	875	1,721	105	2,701	343	1,140	93	1,576
Amount of loans guaranteed by Kafalah program (on and off balance sheet) – (SAR millions)	295	1,336	451	2,082	131	851	281	1,263

Risks encountered or that could potentially be encountered by the Bank

Risk Management

ANB's Risk Management Group (RMG) provides an independent and centralized risk management function to ensure that best balance between risk and return is achieved in line with the Bank's strategic objectives. RMG is also responsible for implementing the Basel Accord's capital adequacy rules and other related requirements. RMG performs a critical role in ensuring that our activities are prudent and reflect the dynamic nature of current and emerging risk factors.

The Bank is exposed to the following main risks:

■ Credit Risk

Credit risk is the risk that a customer or counter-party may not settle an obligation for full value, either when due or at any time thereafter. This risk arises from the potential that a customer or counter-party is either unwilling to perform an obligation or its ability to perform such an obligation is impaired, resulting in an economic loss to the Bank. The Bank is exposed to credit risk when its business units extend credit to various counterparties.

Established Credit Risk policies and procedures provide control over credit risk portfolios through periodic assessment of the credit worthiness of obligors, quantifying maximum permissible exposure to specific obligor and continuous monitoring of individual exposures and portfolios.

■ Market Risk

Market risk is the risk that value of the Bank's on- and off-balance sheet positions will be adversely affected by movements in market rates or prices. Major market risk factors that the Bank is exposed to include Interest Rates (IR), Foreign Exchange (FX) rates and equity prices, which exist in both the trading book and the banking book, and could result in losses to earnings and capital.

The last two years have highlighted the importance of having rigorous and robust approaches to identifying and managing emerging risks within the operating environment.

Liquidity risk could be of two types: funding liquidity risk and market liquidity risk. The former is the risk that the Bank will not be able to efficiently meet both, expected and unexpected, current and future cash flows and collateral needs without affecting either daily operations or the financial position of the Bank. The latter refers to the risk that the Bank cannot easily liquidate some or all of its holdings of liquid asset reserves without suffering a significant haircut due to inadequate market depth or market disruption.

Market risk is managed by effectively implementing Board-approved limits for interest rate risk, FX risk and investment portfolio. The Board has also set number of limits for liquidity risk to ensure that adequate level of high quality liquid assets are maintained to meet Bank's obligations under normal and stressed conditions.

■ Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

■ Operational Risk (Continued)

Operational risks are inherent in Bank's products, activities, processes and systems. The Bank continually strives to reduce operational risks to acceptable levels.

Operational risks are managed through established risk management policies and procedures including a wide range of sources of operational risk such as business continuity, information security, technology risk, regulatory risk and fraud risk.

■ Regulatory and Reputation Risk

Reputational risk is the risk arising from adverse perception of the image of Arab National Bank on the part of customers, counterparties, shareholders, investors and /or regulators and supervisory authorities. It is also the potential risk that negative publicity, whether true or not, would cause a decline in the customer base, entail additional costs, affect Bank's brand value and/or result in revenue reductions.

The regulatory risks are related to imposing penalties by regulatory and supervisory authorities resulting from non-compliance to related regulations and instructions and

resulting violations. Risks are managed mainly by the Bank's Compliance and Anti-Money Laundering Group as an independent body, which is assigned to evaluate such risks and formulate the controls' framework to mitigate such risks.

■ Digital Transformation Risk

The technology landscape has evolved in recent years due to the bank's focus on delivery of services through digital channels, process automation, customers migration to online channels and increasing role of data analytics in management decision making and regulatory reporting.

Digital transformation has triggered new risks including but not limited to 3rd party risk, emerging technologies risk, Fintech risk, data privacy risk, cloud computing risk, etc.

Mitigation of these risks is managed by multiple control functions within Risk Management Group e.g. Technology Risk, Information Security Risk, Business Continuity and Operational Risk departments.

Corporate Governance in the Kingdom of Saudi Arabia

The Bank implements all the mandatory Corporate Governance rules issued by CMA. The following table stipulates the non-implemented provisions with justification:

SN.	Article No.	Justification
1	Article No. 39	Guiding Article, however, partially implemented
2	Article No. 41	Guiding Article, however, partially implemented
3	Article No. 78	Guiding Article, however, partially implemented
4	Article No. 85	Guiding Article, however, partially implemented
5	Article No. 88	Guiding Article, however, partially implemented
6	Article No. 89 – paragraph 3	Guiding paragraph
7	Article No. 95	Guiding Article

Governance Message

Rational governance, along with adherence to the rules and regulations in force, represents an essential element directing ANB activities and operations. The Bank has instilled the rational management culture which ensured adherence to honesty and integrity, whereas the Board leads by example and management strives to have full commitment to regulations to the letter and spirit.

The Bank's philosophy is based on following the best practice of corporate governance, in addition to adherence to the regulatory stipulations of all the countries of its operations. Further, the Bank adheres to the Corporate Governance Regulations issued by the Saudi Central Bank and the Capital Market Authority, in addition to the Companies law issued by the Ministry of Commerce in the Kingdom of Saudi Arabia.

Sukuk

On October 21, 2020 the Bank issued USD 750 million 10 year subordinated Tier II capital (Sukuk) callable in 5 years and carry a special commission rate of 3.326%.

Share Capital

As at December 31, 2021, the authorized and fully paid share capital of the Bank consists of 1,500 million shares of SAR 10 each. **The ownership of the Bank's share capital is as follows:**

Saudi shareholders: 60%

Arab Bank PLC – Jordan: 40%

Board of Directors

The Bank's management represented by the chairman and members of the Board is keen to deliver sustainable long-term value to shareholders. Implementation of the strategy set by the Board is delegated to the Managing Director, who is supported by the Executive Committee (that comprise mainly of board members) as well as Board Committees.

The Board consists of ten members. Six represent Saudi shareholders and are elected at the Shareholders' General Assembly Meeting for a term of three years, and Arab Bank PLC appointed the remaining four members. All directors can be reappointed. The nominated Board members should possess professional skills, financial expertise, suitable qualifications and personal qualities. Further, the Board member should be of good reputation, integrity, competency, accountability and ability to carry out his duties and responsibilities as a Board member. It is essential that prior to his appointment, the nominated Board member should complete the Fitness Form issued by the Saudi Central Bank where the Bank obtains no-objection letter from the Saudi Central Bank to assure his fitness and integrity.

The Board has a clearly documented schedule of meetings and an agenda of key discussion points that include the agreement of strategy, budgets, major capital expenditures, policies covering treasury, credit and other business units, the annual internal audit plan and authority levels for expenditure as well as proposing dividend distribution and approving appointment of general managers and head of internal audit. All Directors have full and timely access to relevant information through the Board Secretary. They may also opt for independent professional advice where needed to discharge their responsibilities.

Board of Directors

(Continued)

The Board ensures that the Bank's organization structure is effectively established to manage its business. This structure includes appropriate delegation of authority and accountability taking into account acceptable levels of risks. This is documented in the Bank's high level control framework which is reviewed by the Board annually.

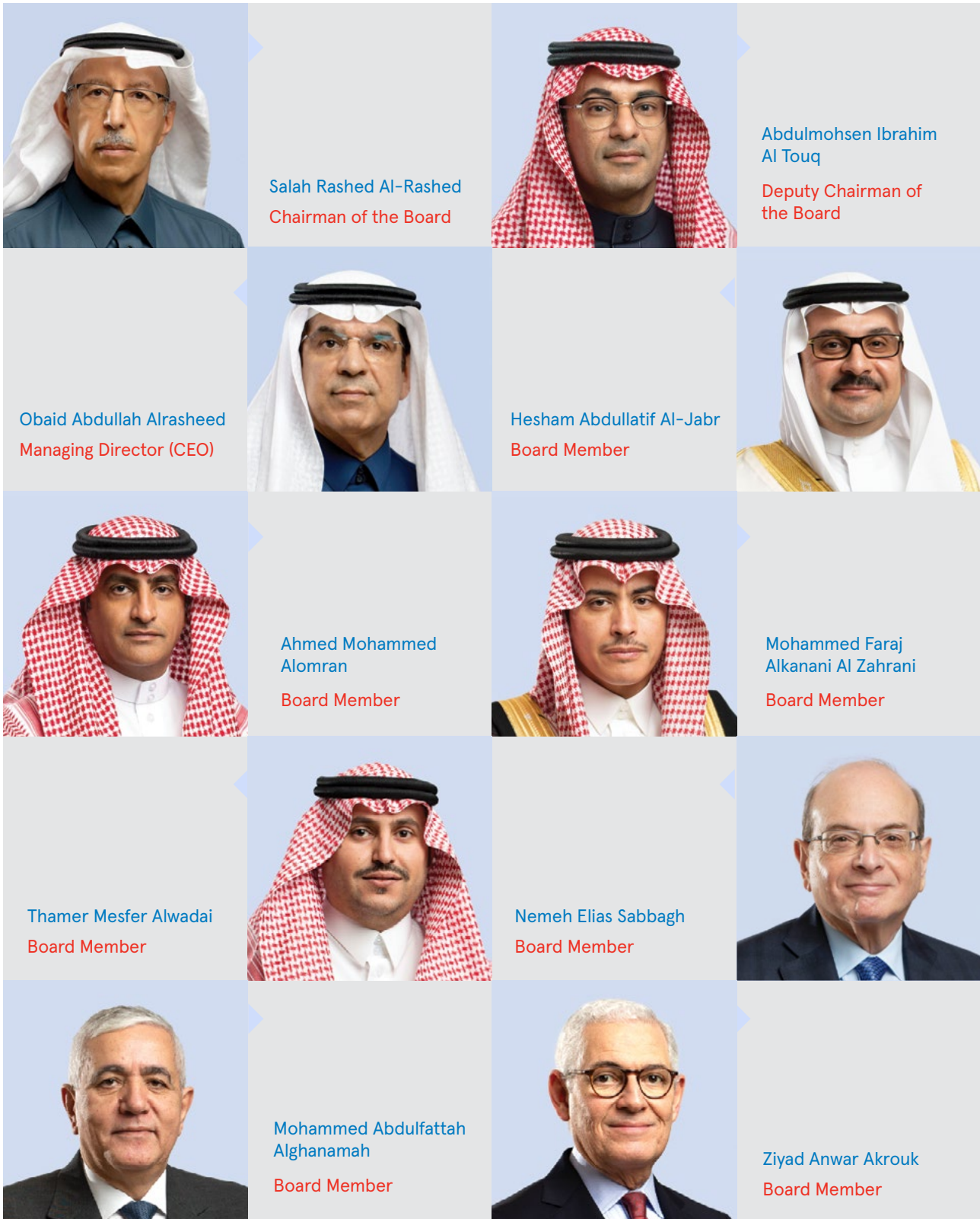
Board members as at December 31, 2021 that were appointed by Arab Bank PLC were Messrs. Mohammed Abdulfattah Alghanamah, Ziad Anwar Akrouk, Nemeh Elias Sabbagh** and Obaid Abdullah Alrasheed* (Managing Director).

As at December 31, 2021, the Board consisted of the following members:

	Name	Position
1	Salah Rashed Al-Rashed	Chairman of the Board (non-executive)
2	Abdulmohsen Ibrahim Al Touq	Deputy Chairman of the Board (independent)
3	Obaid Abdullah Alrasheed*	Managing Director (executive)
4	Hesham Abdullatif Aljabr	Board member (non-executive)
5	Ahmed Mohammed Abdulkader Alomran	Board member (non-executive)
6	Mohammed Faraj Ali Alkanani Alzahrani	Board member (independent)
7	Thamer Mesfer Alwadaï	Board member (independent)
8	Nemeh Elias Sabbagh**	Board member (non-executive)
9	Mohammed Abdulfattah Alghanamah	Board member (non-executive)
10	Ziyad Anwar Akrouk	Board member (non-executive)

(*) Dr. Robert Maroun Eid – the Managing Director submitted his resignation from his position in the Board with effect from 2/2/2021 for personal reasons, and the Board decided to accept his resignation and appointed Mr. Obaid Abdullah Alrasheed (Deputy Managing Director) as Managing Director and Chief Executive Officer for the Bank with effect from 1/2/2021, and no-objection was obtained from the Saudi Central Bank in this regard.

(**) On 24/8/2021, Mr. Nemeh Elias Sabbagh was appointed (non-executive member) to replace Dr. Bassem Ibrahim Awadallah (non-executive member) whose membership ended on 06/05/2021 for the current Board session ending on 31/03/2023, and a no-objection was obtained from the Saudi Central Bank in this regard.



Following is a brief description of qualifications and experiences of the Board members and Board Committees and senior executives:

a – Brief description of the Board members and Board Committees members' qualifications and experiences

Member	Position	Academic Qualifications	Practical experience
Mr. Salah Rashed Al-Rashed(*)	<ul style="list-style-type: none"> – Chairman of the Board – Chairman of the Executive Committee – Member of the Nomination and Compensation Committee 	Bachelor degree of Engineering from Washington University	Executive manager and partner at Rashid Abdulrahman Al-Rashid and Sons Co. He has a wide and extensive experience in finance, business, management, commercial and industrial investment. He was a member of the Consulting Authority of the Supreme Economic Council, Board member for the Chamber of Commerce & Industry, a member of the Finance Committee and a Chairman of the Investment Committee. Also, he was the chairman and member of many joint stock and limited liability companies.
Mr. Abdulmohsen Ibrahim Al Touq	<ul style="list-style-type: none"> – Deputy Chairman of the Board – Member of the Executive Committee – Member of the Risk Committee – Member of the Strategy Committee 	Bachelor degree of Business Administration from King Saud University	Chief Executive Officer of Al Touq company, has long experience in management, real estate investment, energy, communication and financial services. Member of Young Presidents Organization (YPO) and the Youth Business Leaders Organization (YAL), and he is a Board member in a number of leading corporations in the Kingdom and abroad.
Mr. Hesham Abdullatif Aljabr	<ul style="list-style-type: none"> – Board member – Member of the Executive Committee – Member of the Strategy Committee 	Management and Human Sciences/ (Secondary)	Has extensive experience in management and investment, and a Board member at Aljabr Holding Co. and Nattily Company for Furniture and Internal Design and CEO for KIA Co. Further, he was a member of the Gulf Commercial Bank, the United Company for Gas Transportation and the Advanced Electronic Tools Co. Ltd. He is also a member of the Saudi Chinese Business Council and the Saudi Chinese Friendship Society. He is experienced in finance and investment and attended many courses in marketing, sales and finance and attended a symposiums in governance.

a – Brief description of the Board members and Board Committees members' qualifications and experiences (Continued)

Member	Position	Academic Qualifications	Practical experience
Dr. Mohammed Faraj Alkanani Alzahrani	<ul style="list-style-type: none"> – Board member – Chairman of the Nomination and Compensation Committee – Member of the Risk Committee – Member of the Strategy Committee 	<p>PHD in Financial Sciences – Statistics from Oklahoma University in 2006</p> <p>Bachelor degree in Financial Sciences from King Fahad University for Petroleum and Minerals,</p> <p>Masters degree in Financial Sciences from Colorado University in Denver USA, and</p> <p>Chartered Financial Analyst (CFA)</p>	<p>Founding partner and CEO for the Development Alliance, with different leading roles, supervisor of the endowment of King Fahad University for Petroleum and Minerals, Board member for a number of listed and non-listed companies, provides consultations and training for Aramco, Bin Laden group, Al Rajhi endowment and the General Presidency of the Two Holly Mosques endowments, experienced in mergers and acquisitions for private companies. He was the Dean of the Business Administration in King Fahad University for Petroleum and Minerals and worked in the executive and non-executive education.</p>
Mr. Thamer Mesfer Alwadai	<ul style="list-style-type: none"> – Board member – Member of the Nomination and Compensation Committee – Chairman of the Audit Committee 	<p>Bachelor degree in Business Administration from Imam Mohammed Bin Saud University,</p> <p>Masters degree in Business Administration from Yamamah University, and Accounting Diploma from the Institute of Public Administration</p>	<p>He occupied several positions: Assistant general manager, quality and control manager, and Board member in MetLife-AIG-ANB for Cooperative Insurance, Head of Internal Audit in Saudi Customs Authority, Head of Internal Audit program in SAMBA group, Internal Audit Assistant Manager in Al-Inma bank, and Authorised Officer for fraud and financial crimes in Al-Awwal bank. Currently, he is the Internal Audit executive manager in Human Resources Development Fund, head of Audit and Risks Committee in the National Center for Waste Management and a member of the Audit Committee in Sawaid Company.</p>
Mr. Ahmed Mohammed Abdulkader Alomran (representing the General Organization for Social Insurance)	<ul style="list-style-type: none"> – Board member – Member of the Risk Committee 	<p>Bachelor degree in Information Systems from King Saud University,</p> <p>Masters degree in Computer Science from Florida Institute for Technology in USA</p>	<p>Currently, he is the assistant governor for information technology in the General Organization for Social Insurance. He was the general manager of infrastructure for Information Technology, managed the infrastructure for network and communication, information security and systems and operations department from 2001 to 2011 in the General Organization for Social Insurance. Also, he was a Board member in SAMBA, the Saudi Group for Industrial Investment, Saudi Cement Company, Saudi Communications Company and Takaful Holding Company. He participated in many conferences and symposiums at the local and international levels.</p>

a – Brief description of the Board members and Board Committees members' qualifications and experiences (Continued)

Member	Position	Academic Qualifications	Practical experience
Mr. Nemeh Elias Sabbagh (**)	- Board member	<p>Masters degree in International Economy and Middle East Studies and International Law from Johns Hopkins University</p> <p>Masters degree in Financial Sciences from Chicago University</p> <p>Bachelor degree in Economics and French language from Ostin University</p>	<p>He is currently the CEO for Arab Bank PLC, Jordan and he was the CEO of Bank Med in Lebanon from 2006 to 2009, CEO of Arab National Bank from 1998 to 2005, and General Manager for the International Banking Group at National Bank of Kuwait. Furthermore, he worked with Kuwait Industrial Bank and International Bank in 1973. He was the Chairman of the Board at Europe Arab Bank PLC, Board member of the Banks' Association in Jordan, Chairman of the Board of the Jordanian Capital and Investment Fund, Deputy Chairman of the Jordanian Co. for Payments and Clearing and a Participating President for the American University Trustee Council in Beirut. He obtained several awards including Strong CEOs in the Middle East award in 2021, Arab Bankers' Association award in London, Outstanding Contributions award in the Banking Sector in 2018, Outstanding Contributions award in 2017, Notable Contributions award in the Financial Services Sector, and the Arab Banking Figure award in 2014.</p>
Mr. Mohammed Abdulfattah Alghanamah	<p>- Board member</p> <p>- Member of the Executive Committee</p> <p>- Chairman of the Risk Committee</p>	<p>Bachelor degree in Mathematics from King Saud University</p> <p>Diploma in Programming</p>	<p>Board member of Arab National Bank representing Arab Bank PLC – Jordan, has a long experience in banking business. He is currently the head of the Credit department in Arab Bank PLC – Jordan.</p>
Mr. Ziyad Anwar Akrouk	<p>- Board member</p> <p>- Chairman of the Strategy Committee</p> <p>- Member of the Risk Committee</p>	<p>Masters in Business Administration: Finance from Syracuse University in New York, USA</p> <p>Bachelor of Science Degree with Honors, in Civil Engineering from University of Leeds in the United Kingdom</p>	<p>Currently he is the Head of Group Risk Management at Arab Bank PLC – Jordan. Also, he was the Chief Executive Officer for each of Arab Bank PLC – United Kingdom, Citibank – Kuwait, Citibank – Jordan, and other leadership positions, in addition to being Board member for each of Europe Arab Bank PLC – United Kingdom, Arab Bankers Association – United Kingdom, British Bankers Association – United Kingdom, Association of Foreign Banks – United Kingdom, and Association of Banks in Jordan.</p>

a – Brief description of the Board members and Board Committees members' qualifications and experiences (Continued)

Member	Position	Academic Qualifications	Practical experience
Mr. Obaid Abdullah Alrasheed (***)	<ul style="list-style-type: none"> – Managing Director – Chief Executive Officer – Member of the Executive Committee – Member of the Strategy Committee 	Bachelor degree in Business Administration from Saint Jose University in California, USA	Currently, he is the Managing Director and CEO of Arab National Bank, has wide experience of over 27 years in Retail Banking, Private Banking, Public Sector , Medium and Small Enterprises, Customer care and Complaints Resolving. He is also heading some Management Committees at Arab National Bank including: Executive Committee, High Credit Committee, Assets and Liabilities Committee and Micro, Small & Medium Enterprises Committee (MSMEs). Furthermore, he is a Board member in each of Saudi Home Loans (an associate company), Saudi Chemical Company and Doctor Sulaiman Alhabib for Medical Services Holding Group. He was also the Chairman of the Board of the Arabian Heavy Equipment Leasing Company (a subsidiary).

(*) Mr. Salah Rashed Al-Rashed was appointed as the Chairman of the Executive Committee with effect from 11/2/2021.

(**) On 24/8/2021, Mr. Nemeh Elias Sabbagh was appointed (non-executive member) to replace Dr. Bassem Ibrahim Awadallah (non-executive member), whose membership ended on 06/05/2021 for the current Board session ending on 31/03/2023, and no-objection was obtained from the Saudi Central Bank in this regard.

(***) Dr. Robert Maroun Eid, the Managing Director, submitted his resignation to the Board with effect from 2/2/2021 for personal reasons, and the Board has accepted the resignation and appointed Mr. Obaid Abdullah Alrasheed (Deputy CEO) as the Managing Director and CEO of the Bank with effect from 1/2/2021; and no objection was obtained from the Saudi Central Bank in this regard. Further, Mr. Nizar Altwaijri was appointed as Deputy CEO with effect from 1/2/2021.

b – Brief Description of the Audit Committee members' qualifications and experiences

Member	Academic Qualifications	Practical experience
Mr. Thamer Mesfer Alwada'i	<p>Bachelor degree in Business Administration from Imam Mohammed Bin Saud University,</p> <p>Masters degree in Business Administration from Yamamah University, and</p> <p>Accounting Diploma from the Institute of Public Administration</p>	<p>He occupied several positions: Assistant general manager, quality and control manager and Board member in MetLife-AIG-ANB for Cooperative Insurance, member of the Audit Committee and Head of Internal Audit in Saudi Customs Authority, Head of Internal Audit program in SAMBA Group, Internal Audit Assistant Manager in Al-Inma Bank, and Authorised Officer for Fraud and Financial Crimes in Al-Awwal Bank. Currently, he is the Internal Audit Executive Manager in Human Resources Development Fund, Head of the Audit and Risk Committee in the National Center for Waste Management and member of the Audit Committee in each of Takamol Holding Co. and Sawaid Company.</p>
Mr. Khaled M. Saad Albawardi	<p>Bachelor degree in Industrial Management from King Fahad University for Petroleum and Minerals</p>	<p>Has a long experience in management, investment and trade. He was Deputy Chairman of the Board of the Chamber of Commerce and Industry in Eastern Region, and was a Chairman and Board member for many joint stock companies, committees and social events; in addition to being currently the Chief Executive Officer of Al Bawardi Group and a board member of the Ports General Authority and member for a number of committees and councils for the Eastern Region Amara. He occupied several boards of directors positions, such as being the Board member of the Civil Aviation Authority and Railways Public Authority, member of the Consultation Council for the Minister of Labor, Board member for the General Organization for Social Insurance (GOSI), member of the Investment Committee of GOSI, Board member for the Basic Chemical Industries Co. and Board member of the Arab Company for Paper Manufacturing.</p>
Mr. Abdulaziz Abdulmohsen Bin Hassan	<p>Bachelor degree in Law from King Saud University</p>	<p>Currently, he is a Board member in Al Faisaliah Holding Group and Tadawul, Chairman of Al Alamiya for Cooperative Insurance, and was a member of the Consultations Committee in Capital Market Authority, Managing Director for Saudi Arabian Credit Suisse and Managing Director / CEO for Rana for Investment and the Arab Company for Business and Financial Papers. Further, he worked in the Treasury department at SAMBA Group from 1994 to 2006. He worked also for Riyadh Bank in Treasury Department from 1992 to 1994 and was Deputy CEO and Head of Treasury Department for Muscat Bank from 2006 to 2008.</p>

c - Brief Description of the Senior Executives qualifications and experiences

Name	Current Position	Academic Qualifications	Practical experience
Mr. Nizar Al Twaijri	<ul style="list-style-type: none"> - Deputy Managing Director - Board member at Al Arabi Heavy Equipment & Lease Co. 	<p>Bachelor degree in Computer Information Systems from King Saud University</p> <p>Masters degree in Business Administration from University of Maine, USA.</p>	Nizar is the Deputy Managing Director at Arab National Bank. He has an experience of over 20 years in Corporate Banking in ANB. As a member in both Senior Credit Committee & Assets and Liabilities Committee, he contributed significantly in managing the Bank's credit risks. Nizar also oversees the Strategic Investments Unit in addition to his contribution to achieve the strategic objectives of subsidiaries' businesses as a member in their Boards of Directors.
Mr. Aiedh Al Zahrani	<ul style="list-style-type: none"> - Chief Operating Officer (COO) 	<p>Bachelor Degree in Information Systems from King Saud University</p> <p>Holds many specialized certificates including: Six Sigma Black and Green Belt, and TOGAF Architecture</p>	He is the Chief Operating Officer (COO) at Arab National Bank. Before joining ANB, he held a number of positions at Riyadh Bank including Chief Information Officer and Deputy Vice President of Banking Solutions support. He has over 22 years of experience in the delivery of strategic solutions through technology integration. He is a member of various committees at ANB including but not limited to: Information Steering Committee, Management Executive Committee, Enterprise Risk Committee, etc.
Mr. Kamal A. Khodr	<ul style="list-style-type: none"> - Head of Risk Management 	<p>Bachelor degree in Accounting & Business Administration from Richmond University London, UK</p> <p>Masters degree with concentration in Finance from Liverpool University, UK</p> <p>Executive Leadership Program, Harvard Business School</p>	Has diversified banking experience of over 25 years in Risk Management and Corporate banking. He is the Chief Risk Officer at ANB. Before joining ANB, he held senior positions at Banque Saudi Fransi and Alawwal Bank. He is a member of key management committees at ANB (Risk Committee, Operation Risk Committee and ALCO, etc), in addition to various other committees.
Mrs. Latifa Al Sabhan	<ul style="list-style-type: none"> - Chief Financial Officer - Member at Arab National Investment Company Audit Committee 	<p>Bachelor degree in Accounting & Business Administration from University of Kansas, USA</p> <p>Certified Public Accountant certificate (CPA), from Illinois, USA</p>	Has a vast experience with over 20 years in the banking business. Latifa has experience in external and internal reporting, budgeting, strategic planning and expense control. She is also a member of key management committees at ANB (Market Risk Policy Committee, ALCO, etc.), and participated in the implementation of numerous banking systems.

Four regular Board meetings were held during 2021 and were attended as follows:

Date	Attendance record	No. of Attendees
March 30, 2021	Salah Rashed Al-Rashed, Obaid Abdullah Alrasheed, Abdulmohsen Ibrahim Al Touq, Hesham Abdullatif Al-Jabr, Ahmed Mohammed Alomran, Mohammed Faraj Alkanani Alzahrani, Thamer Mesfer Alwadai, Mohammed Abdulfattah Alghanamah, and Ziyad Anwar Akrouk.	9
June 22, 2021	Salah Rashed Al-Rashed, Obaid Abdullah Alrasheed, Abdulmohsen Ibrahim Al Touq, Hesham Abdullatif Al-Jabr, Ahmed Mohammed Alomran, Mohammed Faraj Alkanani Alzahrani, Thamer Mesfer Alwadai, Mohammed Abdulfattah Alghanamah, and Ziyad Anwar Akrouk.	9
September 21, 2021	Salah Rashed Al-Rashed, Obaid Abdullah Alrasheed, Abdulmohsen Ibrahim Al Touq, Hesham Abdullatif Al-Jabr, Ahmed Mohammed Alomran, Mohammed Faraj Alkanani Alzahrani, Thamer Mesfer Alwadai, Nemeh Elias Sabbagh, Mohammed Abdulfattah Alghanamah, and Ziyad Anwar Akrouk.	10
December 21, 2021	Salah Rashed Al-Rashed, Obaid Abdullah Alrasheed, Abdulmohsen Ibrahim Al Touq, Hesham Abdullatif Al-Jabr, Ahmed Mohammed Alomran, Mohammed Faraj Alkanani Alzahrani, Thamer Mesfer Alwadai, Nemeh Elias Sabbagh, Mohammed Abdulfattah Alghanamah, and Ziyad Anwar Akrouk.	10

An Ordinary General Assembly meeting was held on March 30, 2021 and following are the names of the Board members who attended this meeting:

- | | |
|---------------------------------------------------------------------------|------------------------------------------------------------------|
| 1. Mr. Salah Rashed Al-Rashed
Chairman of the Board | 6. Dr. Mohammed Faraj Alkanani Al Zahrani
Board Member |
| 2. Mr. Abdulmohsen Ibrahim Al Touq
Deputy Chairman of the Board | 7. Mr. Thamer Mesfer Alwadai
Board Member |
| 3. Mr. Obaid Abdullah Alrasheed
Managing Director (CEO) | 8. Mr. Bassem Ibrahim Awadallah
Board Member |
| 4. Mr. Hesham Abdullatif Al-Jabr
Board Member | 9. Mr. Mohammed Abdulfattah Alghanamah
Board Member |
| 5. Mr. Ahmed Mohammed Alomran
Board Member | 10. Mr. Ziyad Anwar Akrouk
Board Member |

Directors with Board Membership or Managerial Positions in other companies inside or outside the Kingdom

Directors who were board members or managers in other companies inside or outside the Kingdom as at December 31, 2021 were as follows:

Director	Board membership in companies or managers in other companies (inside / outside the Kingdom)
Mr. Salah Rashed Al-Rashed	<ol style="list-style-type: none"> 1. Riyadh Cement Company 2. Tech Investment Company 3. Saudi Services for Electro Mechanic Works 4. Central Warehouse Co. 5. Care & Science Medical Co. 6. Al-Rashid Trading & Contracting Co. 7. Al-Rashid Abetong Company 8. Gulf Complex Co. 9. Al-Rashid & Al-Omran Co. 10. Arabian Industries Company 11. Rashed Abdulrahman Alrashed & Sons Company 12. Al Yamama Medical Company 13. Gulf Applications Company 14. Supply Solutions for Information Technology Co. 15. Development Company for Investment, Real Estate and Tourism 16. Al Yamama Investment and Installment Company 17. Financial Union House Company 18. Malaz Financial Company 19. Initiatives Information & Communication Company 20. Malath for Real Estate Investment and Installment Company 21. Muraba' Towers for Development and Real Estate Investment Co. 22. Mr. Salah Rashed Al-Rashed and Sons Co. 23. Abana Enterprises Group Co. 24. Al-Yamamah Marble and Granite Company 25. Porcelain Pipe Company 26. Al Awael Investment Holding Company 27. Rashid Development Company (Rashidco)

Directors with Board Membership or Managerial Positions in other companies inside or outside the Kingdom (Continued)

Director	Board membership in companies or managers in other companies (inside / outside the Kingdom)
Mr. Abdulmohsen Ibrahim Al Touq	<ol style="list-style-type: none"> 1. Al-Touq Company Ltd. 2. Dar Al-Tamleek Company 3. Saudi Networkers Services Company Ltd. 4. Steel Products Co. Ltd. 5. Bayader Countryside Communication systems
Mr. Hesham Abdullatif Aljabr	<ol style="list-style-type: none"> 1. Walaa Insurance Co. 2. Al Jabr Holding Company 3. Gulf Carton Factory Co. 4. Canned Beverages Factory Co. 5. Haier and Aljabr Saudi Electronics Trading Co. 6. Nama Almostaqbal Real Estate Co. 7. Al Jabr Home Appliances Co. 8. Khuta Alkhair Co. 9. Einas Trading Co.
Mr. Ahmed Mohamed Ben Abdulkader Al Omran	<ol style="list-style-type: none"> 1. Pioneer Investments Co. 2. Saudi Telecommunication Company (STC) 3. Takamol Holding Company 4. Mudad Business Information Technology Company 5. Masdar Company for Data Solutions 6. Hassana Investment Co.
Dr. Mohammed Faraj Alkanani Alzahrani	<ol style="list-style-type: none"> 1. Leejam Sports Company 2. Saudi Real Estate Refinancing Company 3. Dahran Techno Valley Holding Company 4. Dahran Valley For Business Services Co. 5. Business Park Complex Company 6. Development Alliance Co.
Mr. Thamer Mesfer Alwadai	<ol style="list-style-type: none"> 1. Human Resources Development Fund
Mr. Obaid Abdullah Alrasheed	<ol style="list-style-type: none"> 1. Saudi Home Loans (SHL) 2. Saudi Chemical Co. 3. Doctor Sulaiman Al Habib Holding Company for Medical Services

Directors with Board Membership or Managerial Positions in other companies inside or outside the Kingdom (Continued)

Director	Board membership in companies or managers in other companies (inside / outside the Kingdom)
Mr. Nemeh Elias Sabbagh	<ol style="list-style-type: none"> 1. Arab Bank PLC (Jordan) 2. Europe Arab Bank – London 3. Jordon Company for Payments and Clearing Systems 4. Jordan Capital and Investment Fund Company
Mr. Mohammed Abdulfattah Alghanamah	<ol style="list-style-type: none"> 1. Arab Bank PLC (Jordan) 2. Arab Bank PLC (Syria) 3. International Islamic Arab Bank (Jordan) 4. AB Invest (Jordan) 5. Arab National Leasing Company (Jordan) 6. T- Bank (Turkey) 7. Oman Arab Bank (Oman)
Mr. Ziyad Anwar Akrouk	<ol style="list-style-type: none"> 1. Arab Bank PLC (Jordan) 2. Jordanian Mortgage Refinancing Company (Jordan) 3. Al Nisr Alarabi Insurance Company (Jordan)

Audit Committee Members:

Member	Board membership in companies or managers in other companies (inside / outside the Kingdom)
Mr. Thamer Mesfer Alwadai	1. Human Resources Development Fund
Mr. Khaled Mohammed Albawardi	1. Attken Steel Engineering Factory 2. Attken International Company LLC 3. Khaled M. Albawardi Holding Group 4. International Transports & Warehousing Co. Ltd. 5. Saudi Development & Export Services Co. Ltd. 6. Eastern Gate Logistics Services Co. Ltd. 7. Abdulrahman Albawardi Holding Group 8. Almasader Alinshaeah Altijariya Company (LLC) 9. Ishraq for Development Co. (Deputy Chairman of the Board)
Mr. Abdulaziz Abdulmohsen Bin Hassan	1. The International Compny for Cooperative Insurance 2. Al Faisaliah Holding Group 3. Saudi Fransi Capital

■ Principal Board Committees

The Board formed a number of committees, following are the main committees with their own specific terms of reference, functions and current members.

Executive Committee

The Executive Committee consists of the Chairman of the Board (Chairman) and four other board members, among them the Managing Director elected among the Board members. The Executive Committee meets on average once a month and acts as a general management committee with authority delegated to it by the Board. This Committee is responsible for implementing Bank policy, monitoring business performance, and approving large capital expenditure projects.

During 2021, the Executive Committee comprised of the following Board members:

1. Mr. Salah Rashed Al-Rashed* (Chairman)
2. Mr. Obaid Abdullah Alrasheed**
3. Mr. Abdul Mohsen Ibrahim Al Touq
4. Mr. Hesham Abdullatif Al-Jabr
5. Mr. Mohammed Abdulfattah Alghanamah

Executive Committee (Continued)

The Executive Committee held (15) meetings during 2021, following is the attendance record for these meetings:

#	Date	Attendance record	No. of attendees
1.	19/1/2021	Robert Maroun Eid(*), Salah Rashed Al-Rashed, Abdulmohsen Ibrahim Al Touq, Hesham Abdullatif Al-Jabr	4
2.	9/2/2021	Salah Rashed Al-Rashed, Abdulmohsen Ibrahim Al Touq, Hesham Abdullatif Al-Jabr, Mohammed Abdulfattah Alghanamah	4
3.	23/2/2021	Salah Rashed Al-Rashed, Obaid Abdullah Alrasheed, Abdulmohsen Ibrahim Al Touq, Hesham Abdullatif Al-Jabr, Mohammed Abdulfattah Alghanamah	5
4.	9/3/2021	Salah Rashed Al-Rashed, Obaid Abdullah Alrasheed, Abdulmohsen Ibrahim Al Touq, Hesham Abdullatif Al-Jabr, Mohammed Abdulfattah Alghanamah	5
5.	30/3/2021	Salah Rashed Al-Rashed, Obaid Abdullah Alrasheed, Abdulmohsen Ibrahim Al Touq, Hesham Abdullatif Al-Jabr, Mohammed Abdulfattah Alghanamah	5
6.	20/4/2021	Salah Rashed Al-Rashed, Obaid Abdullah Alrasheed, Abdulmohsen Ibrahim Al Touq, Hesham Abdullatif Al-Jabr, Mohammed Abdulfattah Alghanamah	5
7.	25/5/2021	Salah Rashed Al-Rashed, Obaid Abdullah Alrasheed, Abdulmohsen Ibrahim Al Touq, Hesham Abdullatif Al-Jabr, Mohammed Abdulfattah Alghanamah	5
8.	22/6/2021	Salah Rashed Al-Rashed, Obaid Abdullah Alrasheed, Abdulmohsen Ibrahim Al Touq, Hesham Abdullatif Al-Jabr, Mohammed Abdulfattah Alghanamah	5
9.	13/7/2021	Salah Rashed Al-Rashed, Obaid Abdullah Alrasheed, Abdulmohsen Ibrahim Al Touq, Hesham Abdullatif Al-Jabr, Mohammed Abdulfattah Alghanamah	5
10.	10/8/2021	Salah Rashed Al-Rashed, Obaid Abdullah Alrasheed, Abdulmohsen Ibrahim Al Touq, Hesham Abdullatif Al-Jabr, Mohammed Abdulfattah Alghanamah	5
11.	21/9/2021	Salah Rashed Al-Rashed, Obaid Abdullah Alrasheed, Abdulmohsen Ibrahim Al Touq, Hesham Abdullatif Al-Jabr, Mohammed Abdulfattah Alghanamah	5
12.	19/10/2021	Salah Rashed Al-Rashed, Obaid Abdullah Alrasheed, Abdulmohsen Ibrahim Al Touq, Hesham Abdullatif Al-Jabr, Mohammed Abdulfattah Alghanamah	5
13.	16/11/2021	Salah Rashed Al-Rashed, Obaid Abdullah Alrasheed, Abdulmohsen Ibrahim Al Touq, Hesham Abdullatif Al-Jabr, Mohammed Abdulfattah Alghanamah	5
14.	15/12/2021	Salah Rashed Al-Rashed, Obaid Abdullah Alrasheed, Abdulmohsen Ibrahim Al Touq, Hesham Abdullatif Al-Jabr, Mohammed Abdulfattah Alghanamah	5
15.	21/12/2021	Salah Rashed Al-Rashed, Obaid Abdullah Alrasheed, Abdulmohsen Ibrahim Al Touq, Hesham Abdullatif Al-Jabr, Mohammed Abdulfattah Alghanamah	5

(*) Mr. Salah Rashed Al-Rashed was appointed Head of the Executive Committee with effect from 11/2/2021 to replace Dr. Robert Eid, who submitted his resignation with effect from 2/2/2021.

(**) Dr. Robert Maroun Eid – the Managing Director submitted his resignation from his position in the Board with effect from 2/2/2021 for personal reasons, and the Board decided to accept his resignation and appointed Mr. Obaid Abdullah Alrasheed (Deputy MD) as Managing Director and CEO of the Bank with effect from 1/2/2021, and no-objection was obtained from the Saudi Central Bank in this regard.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee was formed in 2010 from three non-executive members. It is currently comprised of the following Board members:

- | | | |
|------------------------------------------------------------------------------------|----------------------------------------------------------------|-------------------------------------------------------------|
| 1. Dr. Mohammed Faraj Alkanani Al Zahrani
(Chairman- Independent member) | 2. Mr. Salah Rashed Al-Rashed
(Non-executive member) | 3. Mr. Thamer Mesfer Alwadaï
(Independent member) |
|------------------------------------------------------------------------------------|----------------------------------------------------------------|-------------------------------------------------------------|

The Committee has the authority to review and recommend to the Board for its approval amendments to the Bank's compensation policy and practices and submit related recommendations to the Board for its approval. The Committee also reviews the level and composition of remuneration of key executives and recommends a risk adjusted bonus pool to the Board / Executive committee for approval. Further, the Committee determines the skills and capabilities required to reinforce the Board's performance, and the Board authorizes the Committee to review the Board's structure and to evaluate its performance whenever is needed. The Committee also ensures availability of adequate time to enable the member to perform his duties and responsibilities in addition to the

individual contribution based on an approved mechanism to identify strengths and weaknesses and propose remedial actions and submit the appropriate recommendations to the Board to achieve the Bank's interests. The Committee's functions also include nomination to Board membership and to nominate senior executives through studying their qualifications and submit related recommendations to the Board.

At its meeting on March 27, 2011, the Extraordinary General Assembly endorsed the selection rules of the Nomination and Remuneration Committee's members, the Committee's method of work and the Committee members' remuneration as advised by the Board.

The Nomination and Remuneration Committee held (4) meetings during 2021, following is the attendance record for these meetings:

#	Date	Attendance record	No. of attendees
1	9/2/2021	Mohammed Faraj Alkanani Al Zahrani, Salah Rashed Al-Rashed, Thamer Mesfer Alwadaï	3
2	15/3/2021	Mohammed Faraj Alkanani Al Zahrani, Salah Rashed Al-Rashed, Thamer Mesfer Alwadaï	3
3	22/6/2021	Mohammed Faraj Alkanani Al Zahrani, Salah Rashed Al-Rashed, Thamer Mesfer Alwadaï	3
4	14/12/2021	Mohammed Faraj Alkanani Al Zahrani, Salah Rashed Al-Rashed, Thamer Mesfer Alwadaï	3

Audit Committee

In its meeting held on 30/3/2020, the Extraordinary General Assembly formed an Audit Committee, based on a recommendation from the Board, comprising of the following Board members:

1. **Mr. Thamer Mesfer Alwadaï**
(Chairman / Independent Board member)
2. **Mr. Khaled Mohammed Albawardi**
(Independent member from outside the Board)
3. **Mr. Abdulaziz Abdulmohsen Bin Hassan**
(Independent member from outside the Board)

The Committee meets regularly with the Managing Director, Chief Financial Officer, Head of Internal Audit, Head of Compliance and Anti-Money Laundering Group, Head of Risk Management Group, External Auditors and other members of the management team as may be required for discussions and deliberations. The Committee discusses also its annual report with the Board at the end of the year. The Audit Committee assists the Board in reviewing the effectiveness of the Bank's internal control processes, ensures accuracy and correctness of the Bank's financial statements, closing accounts and adherence to the regulatory requirements and accounting

standards. The Audit Committee also approves the annual review plans of the Internal Audit Division and the Compliance and Anti-Money Laundering Group, assesses the results of their work and ensures the existence of control processes that ensure proper implementation of the Bank's procedures. The Committee studies the risk group reports, discuss them with concerned officials and make relevant recommendations.

It provides a direct channel between the external auditors and the Board, ensures the external audit is conducted in a thorough and effective manner and that the reports by the external auditors are properly actioned. The Committee recommends the appointment of external auditors and reviews their audit plans and the results of the work performed. The Bank complies with the Rules and Guidelines for Banks in Saudi Arabia for Organizing Audit Committees issued by the Saudi Central Bank.

The Audit Committee held (10) meetings during 2021, following is the attendance record for these meetings:

#	Date	Attendance record	No. of attendees
1	7/2/2021	Thamer Mesfer Alwadaï, Khaled Mohammed Albawardi, Abdulaziz Abdulmohsen Bin Hassan	3
2	21/2/2021	Thamer Mesfer Alwadaï, Khaled Mohammed Albawardi, Abdulaziz Abdulmohsen Bin Hassan	3
3	21/3/2021	Thamer Mesfer Alwadaï, Khaled Mohammed Albawardi, Abdulaziz Abdulmohsen Bin Hassan	3
4	11/4/2021	Thamer Mesfer Alwadaï, Khaled Mohammed Albawardi, Abdulaziz Abdulmohsen Bin Hassan	3
5	26/4/2021	Thamer Mesfer Alwadaï, Abdulaziz Abdulmohsen Bin Hassan	2
6	2/8/2021	Thamer Mesfer Alwadaï, Khaled Mohammed Albawardi, Abdulaziz Abdulmohsen Bin Hassan	3
7	9/8/2021	Thamer Mesfer Alwadaï, Khaled Mohammed Albawardi, Abdulaziz Abdulmohsen Bin Hassan	3
8	19/10/2021	Thamer Mesfer Alwadaï, Khaled Mohammed Albawardi, Abdulaziz Abdulmohsen Bin Hassan	3
9	15/11/2021	Thamer Mesfer Alwadaï, Khaled Mohammed Albawardi, Abdulaziz Abdulmohsen Bin Hassan	3
10	19/12/2021	Thamer Mesfer Alwadaï, Khaled Mohammed Albawardi, Abdulaziz Abdulmohsen Bin Hassan	3

Strategy Committee

The Board formed a strategy committee comprised of the following Board members:

1. Mr. Ziyad Anwar Akrouk (Chairman of the Committee)
2. Mr. Abdulmohsen Ibrahim Al Touq
3. Mr. Obaid Abdullah Alrasheed(*)
4. Mr. Hesham Abdullatif Al-Jabr
5. Dr. Mohammed Faraj Alkanani Alzahrani

The Strategy Committee is responsible for the strategic matters in general and with the monitoring of the Strategy Plan implementation in particular.

The Strategy Committee oversees the strategic planning process on behalf of the Board and ensures development, coordination, communication and integration of the Bank's strategic plan and its consistency with current conditions with consideration to the future expectations. The Committee sets forth the process of strategy implementation and monitoring.

Also the strategy committee, in coordination with the Managing Director, ensures that accountabilities, decision making parameters and information channels exist for effective implementation of the Bank's strategy.

The Strategy Committee held one meeting in 2021, dated March 15, 2021; and following is the attendance record for this meeting:

Date	Attendance record	No. of attendees
15/3/2021	Ziyad Anwar Akrouk, Obaid Abdullah Alrasheed, Abdulmohsen Ibrahim Al Touq , Hesham Abdullatif Al-Jabr, Mohammed Faraj Alkanani Alzahrani	5

(*) Mr. Obaid Abdullah Alrasheed (Managing Director and CEO) was appointed as member in the Strategy Committee with effect from the date the no-objection was obtained from the Saudi Central Bank on 11/2/2021, to replace Dr. Robert Maroun Eid, who resigned from his position on 2/2/2021.

Risk Committee

The Board formed a risk committee consisting of the following Board members:

1. Mr. Mohammed Abdulfattah Alghanamah (Chairman of the Committee)
2. Mr. Abdulmohsen Ibrahim Al Touq
3. Mr. Ahmed Mohammed Alomran
4. Dr. Mohammed Faraj Alkanani Alzahrani
5. Mr. Ziyad Anwar Akrouk.

Roles and responsibilities of the Committee include developing a risk strategy in line with the Bank's nature and size of activities showing the Bank's risk appetite. The committee ensures the strategy implementation and update based on internal and external developments for Board approval, ensuring that the Bank has an effective risk management framework for the identification, measurement, monitoring and control of the various risks to which the Bank is exposed, e.g. credit, market liquidity and operational risks.

The Risk Committee held (3) meetings during 2021, following is the attendance record for these meetings:

#	Date	Attendance record	No. of attendees
1	22/6/2021	Mohammed Abdulfattah Alghanamah, Abdulmohsen Ibrahim Al Touq, Ziyad Anwar Akrouk, Ahmed Mohammed Alomran, Mohammed Faraj Alkanani Alzahrani	5
2	21/9/2021	Mohammed Abdulfattah Alghanamah, Abdulmohsen Ibrahim Al Touq, Ziyad Anwar Akrouk, Ahmed Mohammed Alomran, Mohammed Faraj Alkanani Alzahrani	5
3	20/12/2021	Mohammed Abdulfattah Alghanamah, Abdulmohsen Ibrahim Al Touq, Ahmed Mohammed Alomran, Mohammed Faraj Alkanani Alzahrani , Ziyad Anwar Akrouk	5

Interests of Board Members, Senior Executives, their wives and children

1. Major Shareholders

Name	At beginning of year January 1, 2021		Change during the year		At end of year December 31, 2021	
	Number of shares	Ownership %	Number of shares	Change	Number of shares	Ownership %
Arab Bank PLC	600,000,000	40.00	-	-	600,000,000	40.00
General Organization for Social Insurance (GOSI)▲	171,865,966	11.45	6,301,555	3.67	178,167,521	11.87
Rashed Abdul Rahman Al-Rashed and Sons Co.	149,528,145	9.97	-	-	149,528,145	9.97
Al-Jabr Investment and Real Estate Co.	84,813,142	5.66	-	-	84,813,142	5.66

(▲) The total shares of the General Organization for Social Insurance includes the shares of Hassanah Investment Company (63,696,043 shares) which are wholly owned by the General Organization for Social Insurance.

2. Board Members, Senior Executives, their wives and children

Name	At beginning of year January 1, 2021		Change during the year		At end of year December 31, 2021	
	Number of shares	Ownership %	Number of shares	Change	Number of shares	Ownership %
Salah Rashed Al- Rashed	10,000	0.0006	- 4,000	- 40.00	6,000	0.0004
Abdulmohsen Ibrahim Al-Touq	300	0.00002	-	-	300	0.00002
Hesham Abdullatif Al-Jabr	18,021	0.0012	-	-	18,021	0.0012
Obaid Abdullah Alrasheed	92,750	0.0061	-	-	92,750	0.0061

Note: Board member shares include those held by wives and children.

Bank's requests for the shareholders' register and the dates of such requests

Date of request	Reason for request	No. of requests
3/1/2021	File for report and control	1
14/2/2021	File for report and control	1
1/3/2021	File for report and control	1
28/3/2021	File for dividend distribution	1
28/3/2021	File for General Assembly	1
1/4/2021	File for report and control	2
3/5/2021	File for report and control	2
1/6/2021	File for report and control	1
5/7/2021	File for dividend distribution	1
1/8/2021	File for report and control	1
1/9/2021	File for report and control	1
3/10/2021	File for report and control	1
2/11/2021	File for report and control	1
2/12/2021	File for report and control	1
Total		16

Remunerations of Board Members, Related Committees and Senior Executives

The Bank adopts a remunerations policy (recommended by the Nomination and Remuneration Committee) and approved by the Board, which includes effective governance principles, remunerations and compensations standards, determines implementation scope, factors specifying remunerations amount and its distribution among the Groups and at individual level, and remunerations amount adjusted to risks. The Bank is committed to apply this policy upon payment with consideration to a number of practical facts that meet the Bank's interests, such as the Bank's achieved financial results and

extent of growth sustainability, the Bank's non-financial performance of the different business units, extent of achieving the Bank's strategic objectives, application of a system for calculation of risk adjusted income, and evaluating the performance of management executives on the Bank's long-term performance. The Bank strives to achieve the risk adjusted income on one hand, and to maintain competent staff (vulnerable for attraction) on the other hand, with consideration to last years' remunerations and to the fact that employees' contracts do not include any future guaranteed remunerations.

a – Board Members' Remunerations

The Board approves the level of the remunerations of the Chairman and Board members, in accordance with a mechanism that takes into account the Saudi Central Bank's instructions (which states maximum and minimum for the Board remunerations), with consideration to performance of each member during the year. **As per the policy stated above, the total annual remunerations paid to the Board members are detailed as follows:**

	Fixed Remunerations - 2021							Variable Remunerations - 2021					SAR '000		
	Fixed Amount	Board Meetings' Attendance Fees	Committee Meetings' Attendance Fees	In- Kind Benefits Fees	Technical, Managerial, and Consultancy Remunerations	Remunerations for the Chairman, Managing Director, or Secretary, if a Member	Total	Percentage of the Profits	Periodic Remunerations	Short-term Incentive Plans	Long-term Incentive Plans	Granted Shares	Total	Aggregate Total	Expenses' Allowances
Independent members	1,200	60	140	-	-	-	1,400	-	-	-	-	-	-	1,400	12
Non-Executive members	2,381	115	290	-	-	-	2,786	-	-	-	-	-	-	2,786	56
Executive members	401	20	75	-	-	-	496	-	-	-	-	-	-	496	-

a – Board Members' Remunerations (Continued)

Note that the remunerations for the Board Committees represent attendance fees of SAR 350 thousand for the Executive Committee, SAR 60 thousand for the Nomination and Remuneration Committee, SAR 25 thousand for the Strategy Committee and SAR 70 thousand for the Risk Committee.

b – Remunerations of Audit Committee Members

The Audit Committee comprised of three independent members including the Chairman who is a Board member and two members who are not members of the Board. The following table shows the remunerations of the Audit Committee members:

2021 – SAR '000

	Fixed remunerations other than attendance fees	Attendance fees	Total	Expenses' Allowances
Chairman of the Audit Committee (from inside the Board)	300	50	350	-
Audit Committee members (from outside the Board)	600	95	695	18
Total	900	145	1,045	18

c– Senior Executives' Remunerations

Based on recommendations of the Nomination and Remuneration Committee, the Board determines the senior executives' remunerations to be in line with the Bank's strategic objectives and to urge senior executives to achieve such objectives.

The table below shows the remunerations and benefits paid to the senior executives including the Chief Executive Officer and the Chief Financial Officer:

Fixed Remunerations due for 2021				Variable Remunerations – actually paid in 2021						SAR '000	
Salaries	Allowances	In-Kind Benefits	Total	Periodic Remunerations	Profits	Short-term Incentives	Long-term Incentives	Granted Shares	Total	End of Service Benefits	Total
14,008	4,365	560	18,933	24,238	-	-	2,775	-	27,013	1,673	47,619

Internal Control Framework

Senior Management is responsible for establishing and maintaining an adequate and effective internal control system for risk management within the bank's approved risk acceptance framework. The internal control system includes the policies, procedures and processes, which are designed under supervision of the Board to achieve the strategic objectives of the Bank and safeguard its assets.

Internal Audit Division as the third line of defense in providing an independent appraisal to the Board's Audit Committee and the management as to the effectiveness of internal controls, including conducting independent periodical reviews for the activities of the Compliance and Anti-Money Laundering Group, to ensure regulatory compliance and conformity with Bank's approved policies and procedures. All significant and material findings of Internal Audit reviews are reported to the Audit Committee of the Board through quarterly activity reports. The Audit Committee actively monitors the adequacy and effectiveness of the internal control system to ensure that identified risks are mitigated to safeguard the interest of the Bank and its stakeholders.

Concerted and integrated efforts are made by all functions of the Bank to improve the control environment at gross root level through continuous reviewing and streamlining of procedures to prevent and rectify any control deficiencies. Each function, under the supervision of the Senior Executive Management, is entrusted with the responsibility to oversee rectification of control deficiencies identified by control bodies.

The Compliance and Anti-Money Laundering Group works closely with the Risk Management Group and other control bodies in order to establish an effective control framework

through its duties and responsibilities under the programs of Compliance and Anti-Money Laundering that sets out its planned activities such as the implementation and review of specific policies and procedures, compliance risk assessment, and establishing a strong compliance culture among employees, and submit relevant reports to the Audit Committee who in turn assesses those programs and sets out relevant recommendations.

The Bank's internal control system has been designed to provide reasonable assurance to the Board, on the management of risks to achieve the Bank's strategic objectives. Internal control systems, no matter how effective is designed, it has inherent limitations, and may not prevent or detect all control deficiencies. Moreover, the projection of current evaluations of the effectiveness to future periods is subject to a limitation that controls may become inadequate due to changes in conditions or compliance with policies and procedures.

Management has adopted Internal Controls integrated framework as recommended by the Saudi Central Bank through its guidelines on Internal Controls.

Audit Committee also receives quarterly updates on the Internal Controls Gaps from Internal Audit Division of the Bank through the Audit reports that were issued. The updates include description of the internal control's gaps noted and the corrective action plans to adequately address those gaps by the Management.

Based on the results of the ongoing evaluation of internal controls carried out by the management during the year, the Management considers that the Bank's existing internal control system is adequately designed, operating effectively and monitored consistently. Nevertheless, the Management continuously endeavors to

Internal Control Framework

(Continued)

enhance and further strengthen the internal control system of the Bank.

Based on the above, the Board of Directors has duly endorsed Management's evaluation of the effectiveness of the Bank's internal control system.

Results of the Review of Internal Control Procedures' Effectiveness

Minutes of the Audit Committee meetings and results of its works in 2021 submitted to the Chairman of the Board included the main observations and recommendations to rectify them. The Committee, through its follow up of the performance of the Internal Audit Division and other related departments and being informed of the different internal controls procedures' reports in the Bank; mainly the reports of Internal Audit, Risk Management Group, Compliance and Anti-Money Laundering Group and external audit reports during 2021 as well as other reports required by the Committee from time to time in relation to the activity of some departments to look into some of the work's aspects and related results, and in light of the meetings with the Bank's Chief Executive Officer and other concerned departments' officials and its discussion with them on the contents of such reports and performance of their sectors; as well as its meetings with representatives of the external auditors and the Chief Internal Auditor during this year, whereby the meetings held totaled (10) in 2021; thus, the Committee concluded that the Bank's internal control environment reflects the effectiveness of its internal control procedures and that it is in continued improvements to meet changes in business needs and responding to future developments. Further, the Committee

concluded that other than what was indicated in the Committee's minutes and reports, the Committee is not aware of any significant comments that require disclosure.

The corrective procedures for violations (if any) are being resolved on the spot under follow up and close supervision by Internal Audit Division.

Regarding the accounting policies applied in the Bank as well as implementation of all requirements and instructions of the Saudi Central Bank and other regulatory bodies, the Committee continually discusses such policies with the heads of the concerned departments in the Bank and the external auditors, on periodical basis, as well as discussing any changes in the policies and International Financial Reporting Standards (IFRS) to ensure proper implementation and their impact on the Bank's current and future performance results and take precautionary measures through appropriate procedures.

Communication with Shareholders

Communication with shareholders is given a high priority. Extensive information about the Bank's activities is provided in the Annual Report and Interim Condensed Consolidated Financial Statements, which are posted on the Bank's website (www.anb.com.sa). Investor information is also accessible on the Bank's website. There is a regular dialogue with institutional investors through different communication channels. Inquiries from individuals on matters relating to their shareholdings and the Bank's business are welcomed and are handled in an informative and timely manner. All shareholders are encouraged to attend the Annual General Meeting to discuss the progress of the Bank.

Credit Ratings

During 2021, the Bank's credit ratings granted by prominent international credit rating agencies were as follows:

BBB+

Standard & Poor's

A2

Moody's

BBB+

Fitch Ratings

Assignment of interests by ANB Directors / Senior Executives / Shareholders

The Bank is not aware of any arrangements or agreements whereby directors, senior executives or shareholders have assigned interests or rights to dividends or any salary or compensation.

Human Resources

Total number of staff at the end of 2021 was 4,059 compared to 3,959 at the end of 2020. The Saudization ratio for the Bank and its subsidiaries at the end of 2021 was 90%.

4,059 Total number
of staff
end of 2021

Statutory Payments

Statutory payments during the year 2021 were as follows:

	SAR in Millions
Zakat attributable to Saudi shareholders	243
Income tax payable by the non-Saudi shareholders	207
GOSI	102
Withholding tax	34

ANB's Social Initiatives during the year 2021

The Bank strives to build a pioneer banking route, to be reflected on the society, and having its thump on the inclusive national development plan witnessed by the Kingdom different sectors.

Arab National Bank developed a controlled social responsibility strategy depending on a number of elements and practices that moves the charity activities from its traditional framework to a more effective system in accordance with institutional standards that are viable for measurement and enhancement, in order to direct the support towards routes leading to positive changes for the targeted segments, and to participate in achieving sustainable effect in line with the national economy and development requirements.

The Bank has set out a number of Pillars representing the main basis to select the social initiatives in line with its strategy:

- Sustainability
- Empowerment & Development
- Innovation
- Partnership
- Quality effect



ANB's Social Initiatives during the year 2021 (Continued)

The strategy leads to a number of social initiatives distributed among four main sectors as follows:

Sector	Initiatives	Initiative framework
Knowledge, awareness and cultural initiatives	Establishing a study lab in Madak academy in Madinah	The Bank guaranteed to establish a study lab to provide a quality educational environment for more than 1000 male and female students in areas of Robotics, Artificial Intelligence and Augmented Reality.
	My financial decisions program	The Bank organized a training course for 200 secondary and university students to support the 2030 vision in upgrading the level of financial, banking and saving awareness.
	Revival of Zubeida historical route	As a contribution from the Bank in introducing the Kingdom's history and cultural heritage, the Bank sponsored the "Revival of Zubeida historical route" initiative that took place in Hail.
Health initiatives	Endless covenant initiative	Providing equipments and medical examinations for Alzheimer's patients in partnership with the Saudi Charitable Society for Alzheimer's Patients.
	Sponsorship of Riyadh 2021 Summit for Medical Technology	Support of the Kingdom's Vision 2030 to promote the health culture.
	Internal health awareness programs	Organized a series of awareness and protective internal events including vaccination of the Bank's employees against Covid-19 and an awareness lecture on breast cancer.
Charity and volunteer initiatives	Financial donation to Ihsan platform	Provide Financial donation of one million Riyals through Ihsan platform for charitable initiatives.
	Eid clothing	Provided clothing for a wide number of needy children in different areas of the Kingdom in coordination with eight Charitable Societies.
	Insan Society	The Bank organized a visit to children of the Charitable Society for Children Welfare for Al-Udha Eid occasion, where a number of gifts and clothing were provided to the children.
	Making their life better	The Bank's male and female employees participated in a restoration initiative for a group of poor families' houses in some areas in Jeddah, in coordination with "Jeddah Eyes" Society.
	Financial support for charitable societies	The Bank provided a direct financial support to a number of charitable societies including Saudi Charitable Society for Cancer Fighting and People with Disabilities Association in AL-Ihsa.
Environmental initiatives	Making it green initiative	The Bank sponsored through voluntary participation included 50 bank employees and in coordination with Afaq Green Environment Society, to plant 5,000 seedlings for the afforestation of Roudat Um Al Shogog. This is a contribution from the Bank to support the green Saudi initiative.

Penalties and Regulatory Restrictions

The penalties charged at the Bank during the year 2021 as a result of operational activities are detailed as follows:

■ Saudi Central Bank's Penalties:

Subject of Violation	SAR '000			
	Current Year 2021		Prior Year 2020	
	Number of Penalties	Total Amount of Penalties	Number of Penalties	Total Amount of Penalties
Violation to Saudi Central Bank's instructions	7	7,681.0	14	599.0
Violation to Saudi Central Bank's instructions related to customer protection	2	869.6	1	630.0
Violation to Saudi Central Bank's instructions related to exerting due diligence	-	-	1	115.05
Violation to Saudi Central Bank's instructions related to level of ATM / POS performance	1	50.0	-	-
Violation to Saudi Central Bank's instructions related to exerting due diligence on Anti-Money Laundering (AML) and CTF	-	-	-	-

■ Other Regulatory Penalties:

Other Regulatory Penalties.

Name	SAR '000				Subject of Violation
	Current Year 2021		Prior Year 2020		
	Number of Penalties	Total Amount of Penalties	Number of Penalties	Total Amount of Penalties	
Penalties by Municipalities and Ministry of Municipal and Rural Affairs	46	414.8	30	799.6	Violation to license requirements
Civil Defense penalties	2	62.0	-	-	Non- adherence to Safety regulations
Ministry of Interior Penalties	1	15.0	1	0.5	Passports violation
Penalties by the Royal Commission for Jubail and Yanbu	2	1.9	1	2.1	Violation to license requirements
CMA Penalties	-	-	1	30.0	-
Penalties of the Zakat, Tax and Customs Authority (ZATCA)*	-	-	-	-	-

(*) In 2020, the Bank recovered SAR 15,315 thousand out of the ZATCA penalties charged in 2019.

Protective Actions to Remedy Violations

The Bank is committed to adhere to Regulatory and Supervisory Authorities' instructions and regulations, and it has control bodies assigned to set control measures to mitigate violations and avoid its recurrence in coordination with the concerned bodies.

The Bank, promptly evaluates the violations and study the reasons thereof and set up the necessary corrective plans and follow them up with the concerned departments. **The main methods to remedy violations and avoid repetition in the future include the following:**

1. Upgrade the existing systems to introduce new technological tools.
2. Amend the related policies and procedures.
3. Introduce new controls to follow up the Bank's related businesses.
4. Awareness of employees on the related regulatory requirements.
5. Include the violations within control programs of the control departments in the Bank for follow up and to ensure implementation of the protective measures.

■ Conflicts of Interests

Following is a statement of the related parties' transactions as shown in the 2021 consolidated financial statements which include any contract in which a member of the Board or their affiliates has or had any material interest, in addition to the facilities granted to some Board members. All these facilities are governed by the Saudi Central Bank's instructions which stipulate that all facilities offered to non-banking parties should be fully guaranteed.

It is worth noting that the related party transactions are performed on an arm's length basis where no preference conditions or prices are granted for such transactions. Furthermore, the Bank did not have nor did it enter into any contract in which the Managing Director and/or the Chief Financial Officer has or had any material interest.

■ Related Party Transactions

a – The balances as at December 31, 2021 resulting from such transactions included in the consolidated financial statements are as follows:

	SAR '000
Major non-Saudi shareholder and its affiliates:	
Due from banks and other financial institutions	25,704
Due to banks and other financial institutions	511,741
Commitments and contingencies	1,267,455
Directors, key management personnel, other major shareholders and their affiliates:	
Loans and advances	7,171,980
Customers' deposits	16,774,040
Commitments and contingencies	1,951,214
Bank's mutual funds and others:	
Investments	211,231
Loans and advances	1,644,040
Customers' deposits	660,075
Associates:	
Investments in associates	1,155,655
Loans and advances	3,405,325
Customers' deposits	153,848
Commitments and contingencies	30,000

Other major shareholders represent shareholdings (excluding the non-Saudi shareholder) of more than 5% of the Bank's issued share capital.

■ Related Party Transactions (Continued)

		SAR '000
b) Income and expenses transactions with related parties included in the consolidated financial statements for the year ended December 31, 2021 are as follows:	Special commission income	302,392
	Special commission expenses	(118,916)
	Fees and commission income	67,476
	Gain on disposal of investment in an associate	8,019
	Share in earnings of associates, net	84,921
	Directors' remuneration	(6,917)
	Insurance contracts	(53,104)

Miscellaneous expenses for the year 2021 are detailed as follows:

			SAR ('000)
Nature of item	Duration	Related party	Amount
Rent expenses of branches and ATMs			
Al Rashed compound branch – Khobar	Annual	Al – Rashed Trade and Contracting Co. Ltd. (related party: Mr. Salah Al-Rashed – Chairman of the Board)	945
Spaces for (4) ATMs in Al Rashed compound – Khobar	Annual		188
Dhabab Branch	10 years ending on 30/4/2031	Mrs. Maha Hmoud Obaid Alrasheed (related party: wife of Mr. Obaid Alrasheed – Managing Director and Chief Executive Officer)	700
Total rent expenses of branches and ATMs			1,833
Labor expenses	As needed	Al Khaleej Training and Education Co. (related party: Mr. Salah Al-Rashid – Chairman of the Board)	21,462
Expenses for money transport	As needed	Saudi Company for Financial Support Services (Sanid) (related party: Mr. Fahad Al Kadi – Board Member in a subsidiary)	21,880
Expenses of maintenance and purchases of money counting machines	Purchase as needed	Abana Projects Company (related party: Mr. Salah Al-Rashed – Chairman of the Board)	3,282
Documenting approvals to issue bonds to order electronically	As needed	Takamul Company for Business Services (related party: Mr. Ahmed Mohammed Alomran – Board Member)	78
Total			48,535

■ Related Party Transactions (Continued)

c – The total amount of compensation paid to key management personnel during the year ended December 31, 2021 is as follows:

	SAR '000
Short-term employee benefits (Salaries and allowances)	62,385
Post-employment benefits (End of service indemnity and social security)	7,468

Key management personnel are those persons, including an executive director, having direct or indirect authority and responsibility for planning, directing and controlling the activities of the Bank.

ANB Code of Conduct

The Bank is committed to conduct its business in accordance with the highest ethical standards, relevant legislation and regulation. The Bank fully cooperates with regulators and supervisory bodies.

The Board sets the Ethics and Banking Practice Rules and encourages management and staff to act ethically and in accordance with applicable laws, rules, regulations and policies of the Bank, and in line with best practices.

The Board ensures, through senior management, that it has established through word and action the desired value-based culture and reinforces appropriate behaviour through effective awareness programs.

The Bank sets out a Code of Ethical Behaviour in order to formulate the values that guide behaviour and conduct of business across the organization.

Accounting Standards

The Bank prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants (SOCPA). The Bank also prepares its consolidated financial statements to comply with the requirements of the Banking Control Law, the Provisions of the Regulations for Companies in the Kingdom and the Bank's by-laws. There are no significant differences to the accounting standards issued by SOCPA.

External Auditors

In its meeting held on March 30, 2021 the Ordinary General Assembly appointed Messrs. Ernst & Young and KPMG Al Fozan & Partners as external auditors of the Bank for the year 2021.

Statement of Directors' Responsibilities in Relation to the Consolidated Financial Statements

The Board, to the best of its knowledge, confirms that:

- ANB has properly maintained its accounting records;
- The internal control system was properly prepared and effectively implemented;
- There is no doubt that ANB has the resources to continue in business; and
- The Bank did neither have nor entered into any contract in which any member of the Board, the Managing Director, the Chief Financial Officer or any of their associates has or had any material interest except as disclosed in this report and in note No. 37 to the consolidated financial statements disclosing related parties.

Board of Directors

February 23, 2022

CREDIT CARD
ING IT. WITH NO ANNUAL FEES



USE THE SCREEN
EXPLORE THE BRANCH



تطبيق الشروط والأحكام. معدل التنمية السنوي يبدأ من ٢٣,٨٨٪ ويصل إلى ٣٠,٩١٪
& Conditions apply. Annual percentage rate starting from 33.88% up to 53.91%

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Business Review.

1. Our Services

The central part of ANB's mission is helping individual customers to meet their financial needs, whether that is saving products, current accounts, purchasing a family home, or providing access to more specialized services.

In addition to our core retail and customer-facing services, we also offer bespoke support for High-Net-Worth individuals through our Private Banking Service, a range of Islamic financial products, and assistance for customers in the UK via our London Branch.

Throughout 2021, we have sought to develop all of these functions, embracing new technologies to provide seamless customer journeys for our customers. We have also continued to review our service lines, innovating to develop bespoke banking products that meet the needs of a new generation of users.

■ Retail

Retail banking continues to grow its customer base by focusing on affluent and upper mass segment and using innovative product features, multiple distribution channels, and process reengineering.

ANB has over 243 premises across Saudi Arabia. These include 131 branches, 11 sales centers, 85 remittance centers, 11 SME centers, and 5 corporate branches. It also has 1,200 ATMs and 28,500 point-of-sale terminals. The physical presence of the Bank is complemented by the ever-increasing self-service capabilities for more convenient banking: online & mobile banking, ATMs, ITMs, digital branches, and enabling 24x7 banking.

Growing the Bank's digital offering is a priority for the bank. ANB customers can now access online account opening, enrollment to electronic services, account and investments management, loans, debit and credit cards, and insurance products through our leading digital platforms.

Our journey towards digital transformation has gained momentum with more products and services being introduced. As a result, ANB won the International Global Finance Magazine's prize for the "Best Mobile Banking App-2021" in the Kingdom of Saudi Arabia.



■ Retail (Continued)

ANB is working to improve the savings habit in the Kingdom. It has partnered with the Social Development Bank to develop innovative product features to help customers to save more. We also introduced our new “U Account” aimed specifically at the 15–23-year-old segment. This enables younger customers to take control of their finances at an early age and start to save for their futures.

The Bank has also participated in the Real Estate Development Fund and Ministry of Housing run programs.

Delivering superior customer experience continues to be a strong growth pillar for the Bank. The Customer Experience Department is dedicated to enhancing the bank’s service culture by optimizing efficiencies and adopting an agile approach to improve service quality.

Service-measuring methodology continues to be a fundamental tool in defining and guiding action plans to deliver a positive, meaningful experience across all touchpoints. The Bank is also moving to real-time measurement of the net promoter score (NPS), which will facilitate effective customer-centric business decision-making.



Wide spread



243

Premises across
Saudi Arabia



131

Branches



11

Sales Centers



85

Remittance centers



11

SME centers



1,200

ATMs



5

Corporate branches



28,500

Point-of-sale
terminals

■ Private Banking

ANB's Private Bank is focused on providing bespoke banking and investment products to meet the specific needs of High-Net-Worth clients.

At the center of our approach is a focus on building a strategic and enduring relationships with High-Net-Worth clients. This is the responsibility of our team of dedicated and highly skilled Relationship Managers. This team is focused on understanding individual client needs and offering a sophisticated suite of wealth management products and services that respond to those specific needs. This individual approach to account ownership builds a level of trust and knowledge that makes us better placed to meet the needs of Private Bank clients.

During 2021, we continued to grow our High-Net-Worth client base, maintain a healthy loan portfolio and provide clients with investment opportunities.

This function has always been important to ANB. In times of economic challenge, it becomes even more so, as it is largely resilient to changing market conditions. Moving forward, we will continue to identify and support High-Net-Worth clients and invest in developing the strong, trusted relationships that are required to fulfill their needs.

■ London

ANB's London Branch gives the Bank profile and visibility in one of the world's largest and most important financial centers. The London Branch is also there to support the needs of our customers with private or business interests in the UK.

ANB has maintained its presence in London for over 30 years, offering our full range of products and services to ANB customers who are resident in, or visiting, the UK. The London Branch has particular expertise in Private Banking, Trade



Finance, Corporate Banking, and Treasury. It also specializes in supporting our customers active in the UK residential and commercial Real Estate sectors. These are increasingly important areas of focus for Saudi investors who are active in the UK.

In line with the wider digitalization ambitions of ANB as a business, in 2021 we further developed the online and mobile services for our London customers that were initially introduced in 2020. Putting measures in place to support this channel shift in how customers access our products and services has helped the London Branch remain profitable despite the COVID pandemic and all of the continuing restrictions imposed on banks and businesses in the UK.

■ Islamic Banking

A core part of the Bank's offer is to provide financial products and services that meet the requirements of our customers. The Islamic Banking Department is responsible for the provision of Islamic banking services, providing advice and support across all of our business segments to ensure that Islamic banking is mainstreamed in every element of our core work.

(Continued)



Branches now are only providing
Shariah Compliant products and
services to customers.

This year we have seen an increase in the range of Shariah Compliant products and services that ANB offers to meet the changing needs of its customers. We also achieved the key milestone of 100% Shariah Compliant Branch Network. This means that all of ANB's 131 branches now are only providing Shariah Compliant products and services to customers.

Overseeing this strand of work is the Bank's Shariah Committee, which forms a key part of our governance framework. This Committee plays a critical role in providing visibility, leadership, and expertise to this critical area of our activity. We are currently in the process of extending the membership of this Committee to ensure that it has the range of expertise we require as the Bank develops new digital products to meet the changing needs and expectations of our customers. This will help guarantee that, as the Bank's service offer evolves, Shariah compliant products and services will remain a central part of our ongoing customer offer.

2. A Bank for Business

Saudi Arabia's future prosperity and success will be driven by the development of a diverse, and growing business sector. Providing a wide range of financial products and solutions to cater to business needs is a critical part of the Bank's mission, which aims at contributing to sustainable economic growth and delivering on the Kingdom's Vision 2030.

■ Corporate

The Corporate Bank focuses on providing responsive and tailored services to ANB's corporate customer base to facilitate their ongoing success. These large corporates add enormous value to the wider economy. Our operational approach invests in the capacity, expertise, and skills of our team to enable them to develop strong and enduring relationships with our corporate partners. This agility and flexibility were particularly important in 2021 when many corporates had to deal with the ongoing challenges of the pandemic. We helped our corporate partners meet these challenges with a range of measures including flexible payment programs and loan structures to ease their cash flow.

As the economy continued to recover in 2021, this has created opportunities for the Bank to consolidate its position in active areas. It has also allowed us to achieve loan book growth through penetrating new sectors including tourism and oil services.

We delivered this growth whilst also ensuring that we met enhanced risk assessment standards. This demonstrated the Bank's resilience to adapt to changes in the operating environment and to sustain growth under challenging market conditions.

The Bank also maintains a leading position in project and structured financing in the Kingdom, offering a range of related services including project and infrastructure finance, privatization projects finance, acquisition finance, asset-backed lending, and syndicated loan agency services. **With an experienced team of industry experts, the Bank has structured and led financings for several marquee projects and transactions in the Kingdom. These include:**

- Playing a leading role in a multi-billion refinancing for the first airport developed on a Public-Private-Partnership (PPP) basis in the Kingdom.

(Continued)

- Structuring and underwriting the financing for the first real estate PPP project in the Kingdom.
- Structuring and underwriting a multi-billion financing arrangement for a novel sale and leaseback transaction for a major chemical company in the Kingdom.
- Sole global coordinator for a multi-billion finance raise by a leading telecom operator in the Kingdom.

Consistent with other areas within ANB, 2021 has also seen the Corporate Bank move forward with the digitalization of our products and services to better meet the changing needs and expectations of corporate customers. This has included work to make our transaction processes more efficient to provide a seamless customer experience.

■ Commercial

ANB's Commercial Division focuses on providing financial services to middle-market organizations with annual revenues ranging from SAR 40 million to SAR 500 million. This middle market is an increasingly important driver of economic growth and development in Saudi Arabia. It is also part of the business sector that was particularly impacted by the coronavirus pandemic and required bespoke solutions to support commercial customers as the economy started its recovery.

To deliver for our commercial customers we have prioritized placing relationships at the heart of everything we do. Activities are increasingly delivered through digital platforms, but we have also continued to focus on developing our face-to-face services throughout 2021 through our three Regional Offices in Riyadh, Jeddah, and Khobar. We regard this direct contact with customers as absolutely critical in helping us to develop personal trusted relationships and to build in-depth knowledge of our customers' businesses and the financial solutions they require.

Our primary priority during 2021 was to maintain the level and standard of service that our customers expect. Despite the challenges caused by the pandemic and the disruptions to our normal working patterns, this was something that we achieved. Indeed, not only did commercial maintain the same levels of service, but it also expanded, adding new clients.

Our activities were aligned with and contributed to the support packages that were put in place by the Saudi Central Bank (SAMA) to support the Kingdom's commercial sector. Working within this framework, the Bank was able to support businesses that were dealing with the negative impact of the pandemic on business-critical issues, such as cash flow and supply chains.

■ Small and Medium Enterprises (SMEs)

SMEs are a strategically important element of the Saudi Arabian business community. This is reflected in the key prominence SMEs are given in Vision 2030. We also know that SMEs face particular challenges as they grow, and require tailored products and support to provide the financial springboard for their future success.

The strategic importance of SMEs to the wider economy is why the Bank has set out its ambition to become a leading provider of financial services to this market segment.

This has led to some notable achievements during 2021, particularly in the number and range of businesses we are supporting through key government schemes, such as Kafalah and Monshaat Funding Platform.

The Bank is now the leading supporter of clients financed through the recently established Monshaat funding platform. We have been designated as best partner in 2021 and ranked 2nd place for the number of businesses financed under the Kafalah program and 3rd place for the total amount financed for businesses through that same program.

(Continued)

We have also launched new products for SMEs developing a franchise and a fully digitalized platform for all SME lending. Our online lending product is the first of its kind in the Kingdom, allowing SMEs to manage the entire loan application process online. In addition to that, customers now can open current accounts through the bank's website without the need to visit the branch.

This demonstrates the ongoing level of commitment we have to support SMEs, helping them to grow and perform their critical role within the Kingdom's economy. As we move forward into 2022, providing the financial infrastructure to help SMEs develop and grow will continue to be a central element of our overall business strategy.

■ Treasury

The ANB Treasury function plays a business-critical role in maintaining liquidity and provides a suite of cutting-edge products and services to corporate & retail customers, major fund providers, and local and foreign banks.

Prudent management of liquidity helped balance the Bank's cash reserves with the obligations that it has to customers and regulators. In 2021, the Bank drew upon the experience and expertise of our Treasury staff to ensure that all internal and external liquidity requirements were fulfilled.

During the year, the Bank has also further enhanced its enviable reputation as a provider of market-leading Treasury solutions including products such as foreign exchange and derivatives for hedging solutions. This was achieved within a challenging operating environment, as the regional and global economy continued to recover from the profound shocks of 2020.

In 2021, ongoing economic uncertainty impacted on sales levels for some Treasury products, particularly those focused on foreign exchange and derivatives. However, in general, Treasury performance was strong, driven by prudent

investment decisions along with proactive management of the interest rate exposures.

■ Strategic Investments

Saudi Home Loans (SHL)

Saudi Home Loans continues to be a leader in developing home finance products that help increase access to homeownership in line with the ambitions set out in the Kingdom's Vision 2030.

In 2021 we maintained performance, achieving a net profit of 105 Million SAR (unaudited). By year-end, the loan book was more than SAR 4.15 billion SAR. This finance supported the purchase of 6910 homes.

SHL also obtained the required Regulatory approvals that will lead to a planned public floatation in 2022, the stock is planned to be listed on the Tadawul Main Market Exchange.

Al Arabi Heavy Equipment Leasing (AHEL)

AHEL is ANB's crane and heavy equipment leasing subsidiary. In 2021, the key focus of our business activity was on responding to the challenging business environment within which the construction sector operates. This difficult operating environment restricted growth opportunities, with increased competition in the marketplace and the continuing impact of the COVID-19 pandemic on the construction and contracting sectors.

However, in the second half of the year, financial results started to improve. This followed the recruitment of a new management team to lead the business forward. This provides a solid foundation for AHEL as we move into 2022.

ANB Invest

ANB Invest is the investment subsidiary of the Bank and provides a suite of investment management and advisory services for the Bank's clients in Saudi Arabia and beyond. Our service



(Continued)

offering includes Shariah-compliant investment advice (asset management, real estate advisory, alternative investments), brokerage, margin financing, and investment banking.

ANB Invest aims to become one of the leading investment banks in Saudi Arabia. In 2021, with the full support of the Bank, ANB Invest continued to develop its expertise, product offering, and systems to enhance the breadth and quality of services for its clients.

Over the last 12 months, the global economy's return to normalcy and growth provided a positive macro backdrop for our investment activities. This growth environment, combined with continued low returns from traditional banking products, led to an increase in the scale and reach of our investment activities.

By the end of 2021, our client base included more than 330,000 investors who placed their trust in our insight, knowledge, and professionalism.

Our market share in brokerage also grew during the year, moving us from 12th position at the beginning of the year to 8th position by September 2021.

ANB Invest also launched two new private funds in 2021. Both these funds experienced high levels of demand, with subscription requests for one of the funds exceeding 400% of the equity capital raised. ANB Invest also partially exited from one of its real estate investments, recording a strong return of 30%, delivering value to investors and shareholders.

In 2021, ANB Invest also secured several investment banking mandates, including an international USD Sukuk issuance, an IPO on the Main Market and one on the Parallel Market, a Rights Issue, and two M&A transactions. We believe that these transactions, which will be completed over the coming months, will demonstrate our capital market strengths to internal and external stakeholders.

3. Our People

At ANB, our biggest asset is the skilled and experienced team we have assembled and the deep knowledge that they have of our customer segments and their specific needs. Our business and our reputation have been established on the strength and quality of the relationships that we have with our business and retail customers.

Creating and maintaining those relationships requires the right people within the business. This means that attracting and retaining the skills that we need to serve our customers is an important foundation for everything we do.

During 2021, ANB's Human Resources function has been working to provide the best employee experience and value proposition in the sector, delivering an expanded range of employee engagement activities to increase workforce morale.

Ultimately, our ambition is to ensure that ANB is widely recognized as a truly Great Place to Work. We want to attract and retain the best talent, and that requires a focus on providing the very best employee experience.

To deliver this, in 2021, we worked with an external partner to carry out a comprehensive employee satisfaction survey. This confidential survey was designed to help us understand what makes ANB a great place to work and what would make it better.

Supported by the survey findings, we have looked at every stage of an employee's journey with ANB and worked to strengthen and enhance it. This has included improving our career development program for those at an earlier stage in their careers and expanding our talent development program to identify and support those with the skills and aptitude to make a greater contribution to the business.

We have also carried out an organization-wide salary streamlining exercise covering most of our employees as well as developing our non-financial recognition programs like Kafu and Magsarat, which provide recognition and reward staff in a range of different ways.

During 2021, ANB also increased its efforts to provide opportunities and development for Saudi nationals, to achieve higher Saudization levels across the business, particularly in leadership roles. Our current staffing complement is 3,832, of whom 3,632 are Saudi nationals and 832 are women.

All of these steps are a critical part of achieving the vision that we have to become a Great Place to Work.



3,832

The number of bank employees



3,632

Saudi employees



832

Saudi female employees

4. Our Technology

At ANB, we are dedicated to providing high-quality financial products and services to our customer base. We are achieving this by developing and implementing modern, robust, and effective business systems and processes that underpin every aspect of our delivery.

In 2021, we continued to invest in transformation across the business to provide a platform to drive operational efficiencies and deliver our wider corporate strategy and objectives. We remained focused on recruiting, retaining, and developing a skilled staff, and providing them with the e-systems and support they require to serve our customers and stakeholders.

■ IT and Digital Transformation

Digitalization is a key pillar of our wider corporate strategy and one that benefits customers through an improved banking experience and shareholders through delivering organizational efficiencies.

In 2020, there was an acceleration of our digital transformation as a direct response to the Coronavirus pandemic. This provided a solid foundation in 2021 for us to continue to reach further and develop a wider range of platforms and products to reach new customer segments such as younger consumers. In 2021, the increased enablement of technology and remote account opening boosted conversion rates and sales and created new revenue streams for the Bank.

During 2021, ANB has improved the digital offering to further enhance service to our customers. We launched a new retail banking app, which **Global Finance** named as the year's "**Best Mobile Banking App**", alongside a new TeleMoney application for remittances and a new digital SME suite of products.

We also implemented some structural changes to the way we work, establishing a new business group, to provide leadership and coordination for all of our digital activity.

The benefits are being felt not just by customers but by the Bank itself. Technology is no longer simply about customer-facing products. Across all of our activities, technology now plays a significant role, in driving operational efficiencies and creating new approaches to gathering, analyzing, and using customer data.

For instance, in 2021, new digital ways of working helped reduce the costs of administration by restructuring back-office processes to provide better support to front-line teams.

Over 80 processes were automated, streamlining more than 2.8 million transactions and saving 75,000 operational manhours, increasing efficiency and driving competitiveness.

Technology is also increasingly being utilized to support and strengthen decision-making across a range of functions as well as to automate vital processes ranging from transaction management to Anti Money Laundering.

However, we are always ambitious to learn and improve. ANB's aspiration is ultimately to be a leader in digital finance and to provide a best-in-class digital experience for our customers.

As we move into 2022, we are committed to remaining focused on developing sector-leading products that provide our full range of services as well as continuing to transform the Bank's internal processes to drive further operational efficiencies.

5. Our Structures

■ Compliance and Anti Money Laundering (AML) Group

At the heart of all of ANB's activities are good governance and compliance. We are committed to the highest ethical standards of honesty, transparency, and integrity and to obeying the laws, rules, and regulations of legislative bodies and financial regulators in all territories where we operate with a Board policy of zero-tolerance for breaches.

The key responsibility for overseeing the management of non-compliance risks resides with the Bank's Board of Directors, advised by the Audit Committee while the Senior Management is responsible for the effective management of the bank's non-compliance risk and observing the Board-approved compliance policy. To support the Board, Audit Committee, and Management in fulfilling their responsibilities, the Compliance and Anti-Money Laundering Group assists in identifying and assessing the non-compliance risks and developing plans to manage them. It also provides advice on compliance matters and monitors activities relating to SAMA and regulatory affairs.

The Group plays an important role in establishing a safer business environment by preventing financial crimes (such as Fraud, Corruption, Money Laundering & Terrorism Financing, and Commercial Concealment), safeguarding the bank assets, license, reputation, and maintaining a good relationship with regulators.

A key area of focus in 2021 was building an organizational culture of compliance and ethical awareness amongst all staff members. At the core of the businesses and operations activities, the bank continuously reviews and enhances its methodologies, policies, procedures, and product programs. It also implements adequate internal and mitigating controls to

manage emerging non-compliance risks, and adopts Compliance, Anti-Money Laundering and Counter Terrorism Financing, and Fraud Programs to align with applicable rules and regulations, considering the best practices and changing business objectives.

These are complemented by robust compliance monitoring and a regular reporting cycle to Management, Audit Committee, and the Board. Taken together, such measures ensure regulatory compliance and conformity with the Bank's approved policies and procedures.

In 2021, the Compliance and Anti-Money Laundering and Counter Terrorism Financing Group continued to adopt increasingly sophisticated and innovative technologies to support regulatory and legislative compliance. These new approaches were incorporated within a redesigned bank compliance framework which offers a more proactive, dynamic, and effective methodology to manage the Bank's non-compliance risks and foster a culture of compliance across the businesses. These measures protect the Bank's reputation and credibility, which in turn safeguards the interests of depositors and shareholders alike.

■ Risk Management

Risk Management strives to maintain the balance between risk and return in line with the Bank's strategic objectives. During 2021, despite a challenging risk environment due to the pandemic, massive shifts to online service delivery, remote working, and increased reporting requirements, Risk Management continued to facilitate the efficient delivery of credit products to our customers.

Emerging risks from digital transformation and Fintechs were identified as the new focus areas.



■ Risk Management (Continued)

Risk management embarked on enhancing our Risk Data Mart to improve the quantitative measurement of risks across business lines and to better manage risks in data aggregation and reporting. Information Security focused on developing Agile methodologies for our security processes to facilitate digital enablement of services while improving compliance with NCA, SAMA, and CMA frameworks.

The Bank successfully maintained compliance with all new regulatory reporting requirements including SAIBOR submission, collateral management, and market data monitoring. IT infrastructure and applications were successfully stress-tested for business continuity through live activation at the DR site.

■ Credit Group

ANB offers a wide range of credit products and services to its business customers. The role of the Credit Group is to ensure that these services balance access to credit products with prudent credit management.

The Credit Group is responsible for assessing and reviewing the Bank's credit risk, supporting business units in delivering credit services to its clients, and observing best risk management practices. It works to foster a prudent credit culture throughout the business, playing an essential role in safeguarding the sustainability of long-term business growth and credit quality. Credit Group provides independent advice and guidance to business units on credit and administration matters.

In 2021, the group successfully maintained the overall quality of our credit portfolio. Additionally, Credit Group also focused on improving internal processes to ensure that everyone across the business has access to the tools and information that they require to support prudent decision-making. Credit workflow for the Bank's key committees was automated in order to improve the turnaround time of credit process. Credit Group continued to proactively identify areas of improvement while suggesting and implementing modifications in Bank's Credit Policy.

Vision 2030

Vision 2030 is the roadmap drawn up by His Royal Highness the Crown Prince, to harness the intrinsic strengths of Saudi Arabia to achieve the full social and economic potential of the Kingdom.

Central to the Vision is the need to unlock opportunities for growth and investment, open Saudi to the world, build and launch platforms for future growth, and increase citizens' quality of life.

The Kingdom's banking and finance industry has a critical role to play, both as a sector in its own right and as a facilitator that supports the actions of others. ANB accepts the deep responsibility that it has to help Saudi Arabia use its investment power to create a more diverse and sustainable economy.

In 2021, activities across all of the Bank's divisions contributed to the overall vision, aims, and objectives of Vision 2030.



We supported citizens by digitalizing our platforms, reducing the carbon footprint of our activities, and bringing technology-based solutions to a young and dynamic population to stimulate savings and investment. We also focused on helping the government achieve its aim to increase homeownership through our home loans programs and developed a suite of products targeted at helping young people to invest their savings, such as our U Account, which was launched in 2021. Alongside this, we continued to offer a wide range of Islamic banking products and services to meet the religious needs of the Kingdom's customers.

By supporting business too, we have significantly contributed to Vision 2030. Our larger corporate and commercial clients are often active in sectors that are aligned to the Vision such as real estate, manufacturing, and entertainment. For SMEs our advanced and diversified financial solutions enable businesses to develop and grow, supporting the delivery of one of the main pillars of Vision 2030.

The ANB London Branch provides a showcase for the Kingdom within one of the world's most important financial centers, supporting foreign direct investment and helping to drive wider private sector growth as the global and regional economy continues to recover.

Our structures and staffing are also aligned with the Vision. Our HR Department is providing opportunities and development for Saudi nationals that empower Saudi staff, achieve higher Saudization levels, and will help build the pipeline of talent that will lead to future leaders in the Kingdom.

Conclusion

2021 has been a year when the economy continued to recover from the disruption caused by the Coronavirus. This has meant that, at times, the operating environment has been challenging for both ourselves and our customers.

However, as a bank, ANB has continued to deliver for customers, the Kingdom, and shareholders. Despite the continuing pressure on traditional sources of banking profitability, the bank has improved profitability. We have achieved this by investing both in the people and the technology that will drive the business forward.

As we move forward into 2022, we will continue this transformational journey to manage our transition from legacy systems to new solutions. We will maintain our focus on driving efficiencies across the business and innovation to create products and services that meet the needs of new customer segments.

Our foundations to achieve this transformation are strong.

For four decades we have built a reputation as a trusted, knowledgeable, and dependable banking partner for people and businesses in Saudi Arabia. These are fundamental strengths on which we will continue to build, investing in people, structures, and systems that are essential for our long-term growth. We are proud of our tradition, but we recognize the need to continue to innovate in the way that we work, to deliver for the next generation of Saudi citizens.



Auditors Report .

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Independent Auditors' Report**To the Shareholders of Arab National Bank (A Saudi Joint Stock Company)****Report on the audit of the consolidated financial statements****Opinion**

We have audited the consolidated financial statements of Arab National Bank ("the Bank") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the consolidated financial statements, comprising significant accounting policies and other explanatory notes from 1 to 43.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "the IFRSs as endorsed in the Kingdom of Saudi Arabia").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics as endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, a description of how our audit addressed the matter is provided in that context.



KPMG Professional Services



Independent Auditors' Report To the Shareholders of Arab National Bank (A Saudi Joint Stock Company) (continued)

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p>Expected Credit Losses on loans and advances</p> <p>As at 31 December 2021, the gross loans and advances of the Group amounted to SAR 129.79 billion against which an expected credit loss ("ECL") allowance of SAR 3.11 billion was recorded.</p> <p>The determination of ECL involves significant estimation and management judgement and this has a material impact on the consolidated financial statements of the Group. Furthermore, the COVID-19 pandemic continues to pose challenges to business thus increasing the level of judgement needed to determine the ECL. The key areas of judgement and uncertainty include:</p> <ol style="list-style-type: none"> 1. Categorisation of loans into Stages 1, 2 and 3 based on the identification of: <ol style="list-style-type: none"> (a) exposures with a significant increase in credit risk ("SICR") since their origination; and (b) individually impaired / defaulted exposures. <p>In accordance with the requirements of IFRS 9, the Group measures ECL based on the credit losses expected to arise over the next twelve months ('12 month ECL'), unless there has been a significant increase in credit risk since origination or default, in which case, the allowance is based on the ECL expected to arise over the life of the loans and advances ('Lifetime ECL').</p> <p>The Group has applied additional judgement to identify and estimate the likelihood of borrowers that may have experienced SICR despite the various government support programs that resulted in deferral of instalments to certain counterparties. These deferrals were not deemed to have triggered SICR by themselves.</p> 2. Assumptions used in the ECL model for determining the probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") including but not limited to assessment of financial condition of the borrower, expected future cash flows, developing and incorporating forward looking assumptions, macroeconomic factors and the associated scenarios and expected probability weightages. 	<ul style="list-style-type: none"> ■ We updated our understanding of management's assessment of ECL allowance against loans and advances, including the Group's internal rating model, accounting policy, model methodology including any key changes made during the year. ■ We compared the Group's accounting policy for ECL allowance and the ECL methodology with the requirements of IFRS 9 <i>Financial Instruments</i>. ■ We assessed the design and implementation, and tested the operating effectiveness of the key controls (including relevant General IT controls and specific IT application controls) over: <ul style="list-style-type: none"> • the ECL modelling process, including governance over monitoring of the models, and any model updates performed during the year, approval of key assumptions used in the model and any manual adjustments made to the output of the model; • the classification of loans and advances into stages 1,2 and 3 and timely identification of SICR and the determination of default / individually impaired exposures; • the IT systems and applications supporting the ECL model; and • the integrity of data inputs into the ECL model. ■ For a sample of customers, we assessed: <ul style="list-style-type: none"> • the internal ratings determined by management based on the Group's internal rating model and considered these assigned ratings in light of the external market conditions and available industry information, in particular, considering the continued impacts of the COVID-19 pandemic and also assessed whether these were consistent with the ratings used as input in the ECL model; and • management's computations for ECL • further, for selected loans, we assessed management's assessment of recoverable cash flows, including the impact of collateral, and other sources of repayment, if any.



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Independent auditors' report

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

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p><i>Expected Credit Losses on loans and advances (continued)</i></p> <p>3. The need to apply overlays to ECL model's output using credit judgement to reflect all relevant risk factors especially relating to ongoing COVID-19 pandemic, that might not have been captured by the ECL model.</p> <p>We considered this as a key audit matter as the application of these judgments and estimates, particularly in light of COVID-19 pandemic, have given rise to greater estimation uncertainty and the associated audit risk around ECL calculation as of December 31, 2021.</p> <p><i>Refer to the summary of significant accounting policies: note 3 for the allowance for expected credit losses, note 2 (f) which contains the disclosure of critical accounting judgements, estimates and assumptions relating to ECL on financial assets and the impairment assessment methodology used by the Group, note 7 which contains the disclosure of impairment losses on financial assets and the impairment assessment methodology used by the Group and note 32 for details of credit quality analysis and key assumptions and factors considered in determination of ECL.</i></p>	<ul style="list-style-type: none"> ■ We assessed the appropriateness of Group's criteria for the determination of SICR and identification of "default" or "individually impaired" exposures; and their classification into stages. Further, for a sample of exposures, we assessed the appropriateness of the staging classification of the Group's loan portfolio with specific focus on customers operating in sectors most affected by the COVID-19 pandemic, particularly those that continue to be eligible for deferral of loan instalments under government support programs based on the SAMA regulation and eligible definition for the effected customers and industry as at 31 December 2021. ■ We assessed the governance process implemented and the qualitative factors considered by the Group when applying any overlays or making any adjustment to the output from the ECL model, due to data or model limitations or otherwise. ■ We assessed the reasonableness of the supporting assumptions used by the Group in the ECL model, including forward looking assumptions keeping in view the uncertainty and volatility in economic scenarios due to the COVID 19 pandemic. ■ We tested the completeness and accuracy of data supporting the ECL calculations as at 31 December 2021. ■ We involved our specialists to assist us in reviewing model calculations, evaluating inputs and assessing reasonableness of assumptions used in the ECL model particularly around the macroeconomic variables, forecasted macroeconomic scenarios and probability weights and of assumptions used in any manual adjustments made to the output from ECL model. ■ We assessed the adequacy of disclosures in the consolidated financial statements.



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Independent auditors' report

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

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of derivative financial instruments</p> <p>The Group has entered into various derivative transactions, including commission rate and cross currency swaps ("swaps"), forward foreign exchange and commodity contracts ("forwards"), commission rate futures ("futures") and commission rate options ("options"). Swaps, forwards and options derivative contracts are over the counter (OTC) derivatives and hence, the valuation of these contracts is subjective as it takes into account a number of assumptions and model calibrations including adjustments to counterparty's own credit risk.</p> <p>The majority of these derivatives are held for trading purposes; however, certain commission rate swaps are also categorized as fair value hedges in the consolidated financial statements.</p> <p>An inappropriate valuation of derivatives could have a material impact on the consolidated financial statements and in case of hedge ineffectiveness it also impacts the hedge accounting.</p> <p>We considered this as a key audit matter as there is complexity and subjectivity involved in determining the valuation, where complex modelling techniques and valuation inputs that are not market observable are being used.</p> <p>As at 31 December 2021, the positive and negative fair value of derivatives held by the Group amounted to SAR 0.97 billion and SAR 2.22 billion respectively.</p> <p><i>Refer to note 3 (p) of the consolidated financial statements for the accounting policy relating to valuation of derivatives and note 11 which explains the derivative positions and valuation methodology used by the Group.</i></p>	<p>We assessed the design and implementation, and tested the operating effectiveness of key controls over management's processes for the valuation of derivatives including the testing of relevant automated controls covering the fair valuation process for derivatives.</p> <p>We selected a sample of derivatives and:</p> <ul style="list-style-type: none"> Tested the accuracy of the particulars of derivatives by comparing the terms and conditions with relevant agreements and deal confirmations; Checked the accuracy and appropriateness of the key inputs to the derivative valuation model; We involved our specialists to assist us to perform independent valuations of the derivatives and compared the result with the management's valuation; and Evaluated the hedge effectiveness assessment performed by the Group and the appropriateness of related hedge accounting and assessed if these were in line with the requirements of the relevant accounting and reporting standards; and <p>Considered the adequacy of the disclosures in the financial statements relating to the the valuation basis and inputs used in the fair value measurement.</p>



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Independent auditors' report

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

Report on the audit of the consolidated financial statements (continued)

Other information included in the Group's 2021 annual report

Management is responsible for the other information. Other information consists of the information included in the Group's 2021 annual report, other than the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the IFRSs as endorsed in the Kingdom of Saudi Arabia, the applicable requirements of the Regulations for Companies, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's By-Laws, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



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Independent auditors' report

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

Report on the audit of the consolidated financial statements (continued)

Auditors' responsibilities for the audit of the consolidated financial statements (continued)

As part of an audit in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



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Independent auditors' report

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

Report on the audit of the consolidated financial statements (continued)

Auditors' responsibilities for the audit of the consolidated financial statements (continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Based on the information that has been made available to us, nothing has come to our attention that causes us to believe that the Bank was not in compliance, in all material respects, with the applicable requirements of the Regulations for Companies, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's By-Laws in so far as they affect the preparation and presentation of the consolidated financial statements for the year ended 31 December 2021.

KPMG Professional Services

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30 Rajab 1443H
(3 March 2022)

