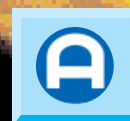
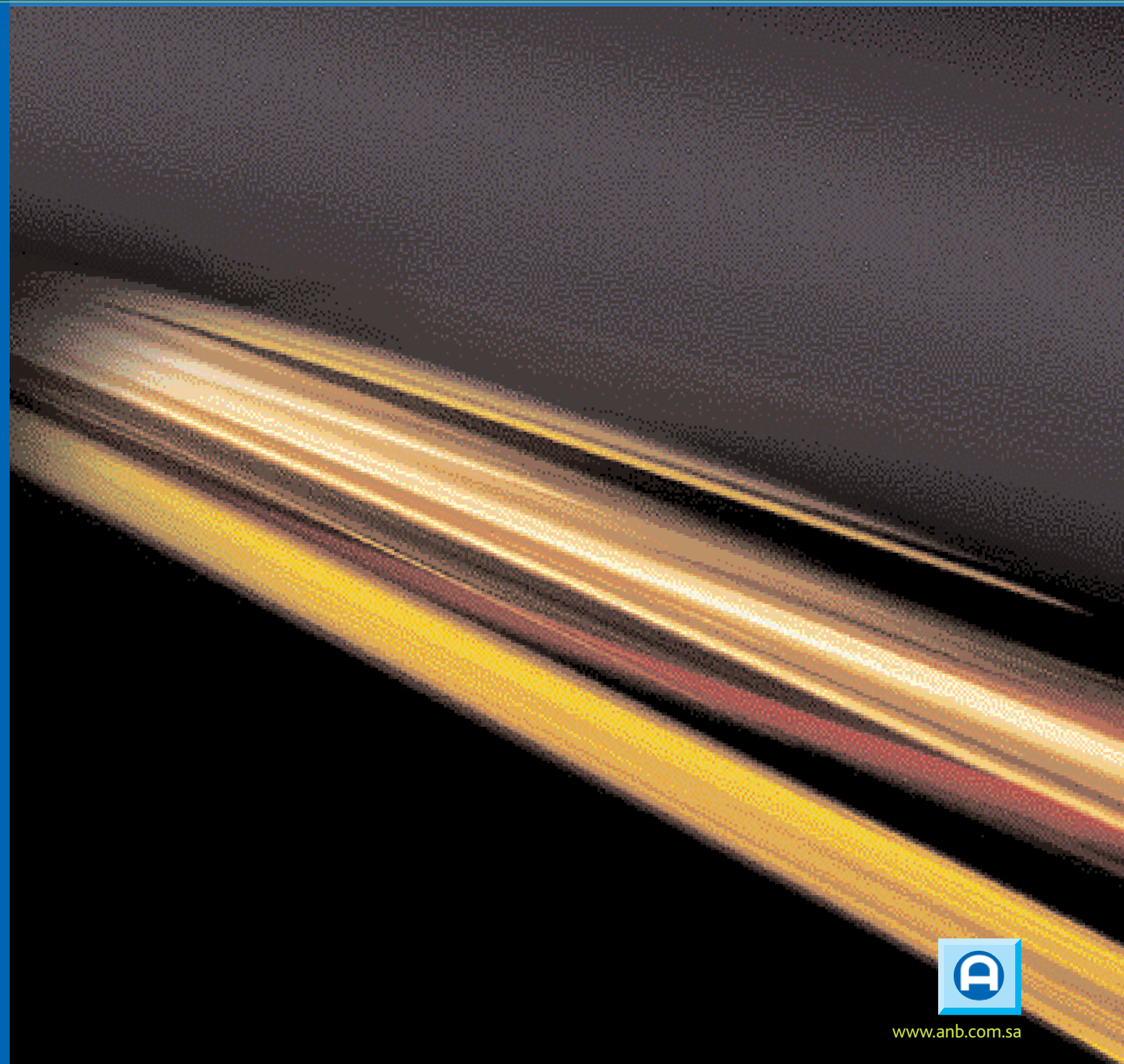


# Arab National Bank



ARAB NATIONAL BANK



ENTER



**His Royal Highness Prince  
Abdullah Bin Abdul Aziz  
Al Saud**

The Crown Prince, Deputy  
Premier and Head of the  
National Guard



**King Fahd Bin Abdul Aziz  
Al Saud**

The Custodian of the  
Two Holy Mosques



**His Royal Highness Prince  
Sultan Bin Abdul Aziz  
Al Saud**

Second Deputy Premier,  
Minister of Defence and  
Aviation and Inspector General





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## FINANCIAL HIGHLIGHTS

focused strategy **delivers** results

December 31, 1998 – December 31, 2000

Saudi Riyals in Millions

	1998	1999	2000
Total Balance Sheet	51,781	74,591	81,956
Total Assets	34,707	35,871	37,890
Equity	2,983	3,066	3,160
Total Deposits	30,418	31,269	32,640
Loans and Advances	10,083	12,906	13,915
Net Commission Income	901	920	1,115
Non Commission Income	231	243	292
Total Income	1,132	1,163	1,407
Wages and Salaries	313	342	365
Depreciation	85	76	67
Other Operating Expenses	241	263	292
Total Operating Expenses	639	681	724
Operating Income	493	482	683
Capital Gains	11	13	3
Provision for Loan Losses and Write Offs	204	165	281
Net Income	300	330	405
Return on Equity	10.1%	10.8%	12.8%
Return on Assets	0.9%	0.9%	1.1%
Number of Shares Issues (000's)	30,000	30,000	30,000
US\$/SR Exchange Rate	3.75	3.75	3.75
Number of Branches	117	117	116
Number of ATMs	233	237	249
Number of Employees	1,624	1,696	1,863
Saudisation Ratio	72%	74%	75%
Number of Shareholders	4,707	5,118	4,883



## CHAIRMAN'S STATEMENT

Abdul Aziz S. Al-Saghyir  
Chairman



## raising the **quality** of our service to meet the changing needs of our customers



I am pleased to present the twentieth Annual Report and Accounts of Arab National Bank for the year ending 31 December, 2000.

In my statement to shareholders last year I emphasised the restructuring initiatives then underway at ANB. This year I would like to share with you some of the tangible and sustainable benefits we are reaping from this process across all business areas of the Bank.

I can report that 2000 was a year of record performance and achievement for ANB, the best in our 21 year history. Net profit before provisions for 2000 was SR685 million compared with SR495 million in 1999, a 39% increase. Net profit after provisions for 2000 was SR405 million compared with SR330 million in 1999, a 23% increase. This performance was achieved after taking loan loss provisions of SR281 million in 2000, compared with provisions of SR165 million in 1999. I would emphasise that the increased level of provisioning does not reflect any increase in loan delinquencies over the past year, rather it reflects a continuation of the conservative provisioning policy adopted at the end of 1998 and reflected in both the 1998 and 1999 accounts. Loan loss provisions are now at a level where we expect to have gone a long way towards fulfilling our provisioning requirements during this coming year.

The growth in profitability has been achieved across each of the Bank's principal business areas. We have prudently expanded lending where we have seen opportunities to do so profitably. Our objective is to achieve sustainable growth in our business base and profitability over the coming years. A key element in this process will be to maintain a high level of credit quality in our loan portfolio. I am pleased to note that, as a result of the complete re-engineering of the credit process in ANB undertaken over the past two years, a very strong credit culture exists throughout our organisation.

ANB's balance sheet is strong and forms a solid basis for future growth. The Bank had a 18% capital adequacy ratio at year end 2000 and a loans to deposits ratio of 56%, both of which compare favourably both with our peers in Saudi Arabia and with international banks. Our growth in profitability and balance sheet strength are reflected in the favourable ratings that ANB continues to enjoy from the major rating agencies.

Based on the overall results for 2000, the Board of Directors has recommended a cash dividend of SR310.2 million payable to shareholders, equivalent to SR10 per share.

In a year of significant progress, there were many achievements across the Bank's business. In February, ANB launched the first internet banking service in the Kingdom of Saudi Arabia, which confirms our ongoing commitment to deploying the appropriate technology that meets the requirements of our customers. During the year the Bank commenced the roll-out of a series of new initiatives designed to position ANB as a premier provider of services to the retail banking market. These initiatives included a new consumer loan programme which has been very well received by the market. The Bank is also developing a range of new investment funds which will be rolled out in 2001 and which will offer our customers the opportunity to participate in some of the highest



growth sectors of the global economy. These initiatives are tangible evidence of the benefits to the Bank and its customers of the earlier re-engineering of every aspect of our business. There were relatively few large loan mandates awarded during the year. ANB was successful in winning two major financing mandates, as lead arranger on the US\$600 million PETROKEMYA petrochemical financing and the SR2,500 million corporate financing for Saudi Telecom Company.

A key focus this year has been to develop throughout the Bank a culture based on three key principles – communication, delivery and personal accountability. The Bank is listening to its customers and is developing products and services to address their need – a good example is the Islamically based consumer finance initiatives we have offered this year. I believe we are also successfully communicating our products and services to the marketplace, as evidenced by the strong growth across all key areas of our business. The Bank is focused on delivery, on making things happen, and we are committed to using advances in technology to enhance our delivery capability – internet banking is a good example of this commitment. We have a loyal, committed and motivated workforce, who have responded very positively to a work environment that is increasingly performance driven. Staff are a key resource for ANB and the Bank's commitment to developing that resource is evidenced by the restructured training and development programmes that we have introduced.

The Bank has established a solid base on which to build. Our focus in 2001 will be on three key areas. ANB will offer an enhanced range of financial products and services targeted at specific sectors of the retail market, with the objective of further consolidating our position in retail banking. We are targeting further growth in our corporate banking and treasury businesses. The Bank will place continuing emphasis on our operations with the objective of further strengthening our service levels to customers and our delivery capability. The banking market will remain competitive but I believe we have the business mix, people and corporate culture to thrive in such an environment.

On behalf of the Board of Directors, I would like to express our sincere appreciation of the support and encouragement extended to the private sector by our Government and, in particular, the Custodian of the Two Holy Mosques and the Crown Prince. We also wish to offer our gratitude to the Minister of Finance and the Governor of the Saudi Arabian Monetary Agency, for their continued guidance and assistance.

Finally, I extend my thanks to our valued customers and correspondent banks for the faith and trust they place in the Bank. To the Members of the Board and the Bank's management and staff, I thank them for their tireless efforts and professional approach. Together, we face the challenges and opportunities of the future with confidence and enthusiasm.

Abdul Aziz S. Al Saghyir  
Chairman



## To the Shareholders of Arab National Bank

It is the pleasure of the Board to present its annual report for the fiscal year ending 31 December 2000, which corresponds to 05 Shawal 1421H.

### FINANCIAL RESULTS

ANB's total assets at the year end 2000 were SR37,891 million (1999: SR35,871 million). The loan portfolio increased by 8% to SR13,915 million (1999: SR12,906 million) and was well diversified across the various sectors of the economy. Customer deposits increased to SR24,927 million (1999: SR24,444).

As in previous years, the Bank's financial position continues to reflect strong ratios and indicators, such as high liquidity and capital adequacy. The Bank of International Settlement's Committee, in Basle, requires a minimum risk-weighted capital /asset ratio of 8%. This year, ANB has maintained a highly respectable BIS ratio of 18%.

Net profit for 2000 was SR405 million, 23% increase over the previous year.

### APPROPRIATION OF INCOME

This year, the Board recommends the distribution to shareholders of a cash dividend amounting to SR310.2 million, which represents SR10 per share. This compares with SR247 million for 1999. The Board also recommends the transfer of SR17 million to the statutory reserve and SR75 million to the general reserve.

### HUMAN RESOURCES

At the end of 2000, the number of staff, including the London Branch, stood at 1,863 compared with 1,696 at the end of the previous fiscal year. Employees at the London Branch totalled 28 as at the year end.

### OPERATING BRANCHES

The number of operating branches in the Kingdom stood at 116 at the year end, with one further branch in London.

### DONATIONS AND SOCIAL RESPONSIBILITY

The Bank believes that business has an important social role to perform within Saudi Society, and donated SR9.7 million to charities, educational institutions and worthy causes during the year.

### AUDIT COMMITTEE

During 2000, the Audit Committee consisted of Mr. Saleh A. Al-Toaimi, Chairman, Mr. Mohammed A. Al-Omran and Mr Abdul Hameed M. Al -Atari.

### BOARD MEMBERS

In March 2000, Mr. Abdullah I. Selsilah and Mr Abdullatif H. Al-Jaber were elected as Board members for a two year term starting on 1 May 2000.

### REMUNERATION OF BOARD MEMBERS

Persuant to Clauses 21 and 24 of the Bank's Articles of Association, total salaries and allowances paid to Board members for 2000 amounted to SR1,794,000. Of this total, SR1,260,000 was paid in annual remuneration and the balance represents attendance allowance at Board, Executive Committee meetings, business travel costs and expenses of Board Members.

### AUDITORS

During its meeting in March 2000, the Ordinary General Assembly of the Bank's shareholders appointed Messrs. Arthur Andersen & Co. and Messrs. Bakr Abulkhair & Co. as independent auditors for 2000.

### AUDIT COMMITTEE

Saleh A. Al-Toaimi:  
Chairman

Mohammed A. Al-Omran

Abdul Hameed M.  
Al-Atari

### SHAREHOLDERS

Saudi Shareholders 60%

Arab Bank Plc  
(Amman, Jordan) 40%

### EXECUTIVE COMMITTEE

Nemeh Sabbagh:  
Chairman

Abdullatif H. Al-Jaber

Salah R. Al-Rashed

Ahmed Al-Aqeel

Abdul Hameed M.  
Al-Atari



## BOARD OF DIRECTORS



Abdul Aziz S. Al-Saghyr  
Chairman



Nemeh Sabbagh  
Managing Director



Abdullatif H. Al-Jaber



Rashid Saad Al-Rashid



Salah R. Al-Rashed



Abdullah Ibrahim Selsilah



Ahmed Al-Aqeel



Abdelmajeed A. Shoman



Khaled A. Shoman



Abdul Hameed M. Al-Atari



raising the quality of our services by...

Nemeh Sabbagh  
Managing Director



## empowering our customers through 21st century banking

February 2000 heralds the dawn of a new era for Saudi banking. Arab National Bank launches Alarabi-ebank, the Kingdom's first Internet banking service. This major development reinforces ANB's position at the forefront of technological innovation. Today, our sophisticated and technologically aware customers use Alarabi-ebank at anytime, from anywhere – to suit them.

The year 2000 has been a turning point for the Bank, a year in which foundations laid in previous years have been enlarged and enhanced. The arrival of the new millennium has seen our systems and procedures reach higher standards, as we have renewed our focus on augmenting customer service. It has been a year in which the bank's performance has gained momentum and surged forward.

### RETAIL BANKING GROUP

#### Improving the banking experience and reaching for higher levels of customer satisfaction

At ANB, we are driven to exceed customer expectations through a process of listening, evaluating, delivering and communicating with our customers. It is this focus that dictated the restructuring of the branch network in 1999. As a result, our dynamic and proactive approach to relationship building is generating greater customer satisfaction and better returns at branch level.

We strive to deliver well-researched customer solutions that make a difference. Based on the consumer insights we have gained, a wide range of highly differentiated, clearly segmented and competitively superior products have been launched. This has led to new customer acquisitions in the retail sector of our business.

So as to add value to our customers, ANB's ATM network has been expanded to over 249 machines, which have handled a record number of transactions. This year, ATM transaction volumes rose by 29% and credit card transactions by 17% compared to 1999.

#### A landmark year for Credit Cards Division

Year 2000 has witnessed a major transformation of the Credit Card Division. With a solid business structure now in place, ANB has been recruiting qualified management to build the platform from which to launch new and enhanced card products. As part of the drive to surpass customer expectations, the Al Arabi Phone Banking Centre has moved to new premises. We have also invested in a new and vastly improved call handling system. This service is available in English and Arabic and operates twenty-four hours a day, dealing not only with specific account issues but also with requests for information, both general and product specific. The system is due to be upgraded further in early 2001 with the introduction of an Automated Voice Response (AVR) system.

#### Revitalising our retailer service

Also on the drawing board for 2001 is a plan to upgrade our retailer base to a new state-of-the-art processing system, which will uplift service and performance levels. This recognizes the fact that ANB today has the largest number of active retailers in Saudi Arabia. Training and supporting our merchant base remains a continuing priority to ensure increased benefits for all.

#### More value and more benefits for the consumer – in personal loans

In the 1999 annual report we commented that "creating an improved banking experience will count for little unless we can effectively communicate these improvements to our existing and potential customers". Throughout 2000, well-orchestrated marketing and communications programmes have addressed this challenge directly – particularly in personal finance.



At the heart of every successful service business is a deep-seated commitment to customer satisfaction. The partnership between ANB and its merchant network reflects this commitment to ensure increased benefits for all.





ANB's investment services are targeted at meeting the evolving needs of customers in each successive life stage. Our broad product range offers a highly flexible way of building, preserving and passing on accumulated wealth to succeeding generations.





raising the quality of our services by...

## delivering a versatile range of financial products – efficiently, quickly and seamlessly

BUSINESS REVIEW 

### RETAIL BANKING GROUP CONTINUED

Our marketing mission has helped build a significant base of new personal finance subscribers. The newly launched loan products, clearly segmented and targeted as Islamic and non-Islamic, have provided better value and benefits to the consumer. As a result, the Bank has surged to the forefront of personal lending in the Kingdom in a relatively short time span. To manage the exposure, the Bank has adopted a policy of 'best practices' in credit management.

#### Serving the community - a modest step for a great cause

The Bank continues to strengthen its bonds with the community through its social and philanthropic programmes. One such is ANB's continuing relationship with the Disabled Children's Society. During the year, the Bank has added a further SR 2 million to the SR 18 million it has already contributed to the DCA. Another example is the Prince Abdullah Bin Abdulaziz Schools Computer Project. Joint social marketing efforts have been launched and will continue unabated in the years to come. We thank consumers for their continued support – without them this small step would not have been possible.

#### Retail banking in the future

Retail banking, today, is shaping and transforming customer expectations. Traditional approaches are no longer enough - to develop loyalty and cater to the next generation of customers requires a new way of thinking. At the retail banking level we call it "customer value management".

Our methodologies for managing customer values are enabling us to segment the market - based on demographics, income and other key variables. The findings have resulted in a series of branded relationship-marketing programs for upscale and high net worth customers, as well as for pensioners, ladies and the emerging middle income segment.

This value management process is consumer-focused rather than product-focused. For ANB, customer value management means deploying new kinds of technology, new skills and a proactive mindset that are cost effective and results oriented. Sophisticated customer analysis and relationship-building models, using our databases, are helping us determine what will create customer loyal and win customer share, rather than market share alone.

#### Adding value in commercial banking

Emerging opportunities in commercial banking for mid-market customers have led to the creation of a strategic business unit. This unit operates out of five new commercial centres spread across the Kingdom. The result – increases in operational efficiency, better credit quality control and greater customer satisfaction.

### INVESTMENT SERVICES GROUP

The group's remit is to provide a broad range of products to ANB's customers, primarily in terms of local and international share brokerage, mutual funds, insurance products and private banking. It is a remit which also includes a continuous commitment to enlarging and improving the products and services through innovation and leading-edge technology.

2000 has been a successful year with substantial growth in revenues. These have come from international share trading, the launch of new mutual funds and an increase in the distribution of bancassurance products.

Not only is Arab National Bank a leading player in local share brokerage amongst the Kingdom's banks, but there has also been a satisfactory increase in revenues and the number of customers using our international brokerage service. As a result, we are investing in additional trading systems and increasing the number of external brokers with whom we maintain relationships internationally. This, in turn, will lead to improved trading performance and reporting standards for our customers.



raising the quality of our services by...

## evaluating opportunities in the marketplace and identifying the appropriate delivery mechanisms

### BUSINESS REVIEW



#### INVESTMENT SERVICES GROUP CONTINUED

The Asset Management and Mutual Fund Division has successfully launched three new funds – two Money Market Funds denominated in Saudi Riyals and US dollars, and a Guaranteed Technology Fund. We are in the process of re-engineering the range of funds to provide a service more closely aligned with the concept financial planning.

Satisfactory growth has been recorded, both in revenues and new customers, through the range of bancassurance products, which are marketed in the Kingdom under the "AMAN" brand. In line with the group's focus on delivering financial security for our customers during successive life stages, we are launching a number of new products that cover education, wealth protection planning and retirement. These will provide the framework within which future financial objectives can be achieved. An integral part of this initiative has been to allocate specially trained staff not only to the Investment Centres and the Personal Financial Planning Department, but to many of our retail branches as well.

As we seek to increase our market share, we will continue to offer leading-edge products and services, invest in the appropriate technology and, most importantly of all, re-invest in our employees, who provide the most direct interface with our customers.

#### CORPORATE BANKING GROUP

For Corporate Banking, business expansion has been both profitable and controlled. This has been achieved by concentrating on three key aspects. In the first place, we have strengthened and expanded relationships with our core customer base. Secondly, we have established new corporate relationships with customers who meet the criteria we have set for our target market. Finally, the group has continued to build upon its strong position in the project and structured finance markets, with particular emphasis on winning arranger mandates.

The corresponding increase in income amply demonstrates the success of this strategy. In fact, growth has been recorded in all sectors, including a higher level of fee income from Trade Services. Arranger mandates won during the year include a US\$600 million term facility for the SABIC subsidiary, PETROKEMYA, and a SR2,500 million term facility for Saudi Telecom Company. ANB has also acted as arranger for several large securitisation transactions and asset-backed financing.

Central to our success has been the ability to respond quickly to our customers' requests – both on operational matters and the provision of credit facilities. To this extent, we believe that prompt response times and quick decision-making give us a competitive edge in growing market share.

To meet rising demand and increased expectations from our customers, a dedicated Corporate Banking Centre has been opened in Riyadh, and is being followed by a number of dedicated Corporate Desks to be sited within key branches throughout the Kingdom.

Looking to the future, the Corporate Banking Group has both the resources and the mindset to benefit from the anticipated increase in corporate, project and infrastructure activity during 2001.



Mutual trust is the cement that binds ANB's Corporate Banking Group to its growing customer base. In such an environment, the Kingdom's rapidly diversifying industrial infrastructure continues to grow and flourish.





In the newly-arrived digital age, ANB delivers a complete electronic service that is fast, convenient and flexible. By leading the way in technological innovation, we offer our customers financial services that match their aspirations in the twenty-first century.







raising the quality of our services by...

## communicating new initiatives which satisfy the diverse needs of our customers

BUSINESS REVIEW 

### TREASURY

ANB's Treasury Customer Services team has made substantial progress since its formation eighteen months ago. Its mission is to deliver the appropriate products and services, tailored to meet individual customer's precise requirements.

The current product range includes deposits, foreign exchange and options, other commission rate and commodity derivative hedging products, as well as exotic FX options and margin trading facilities. Furthermore, ANB's treasury activities are closely aligned to the full relationship service provided by the Corporate, Commercial and Private Banking Divisions.

Our commitment to outstanding performance has been underscored by improvements in working practices, leading to heightened profitability and increased customer contact through carefully targeted seminars. At the heart of our operations is our 24-hour dealing service.

### LONDON BRANCH

During the course of 2000, the London Branch has been capitalising on the economic revival taking place in Saudi Arabia. It has done so by providing highly effective trade finance facilities to Saudi companies trading with Europe. This involves structuring and handling letters of credit and other instruments, including the Bank's own structured trade products. Similarly, we continue to identify and develop new solutions, which add value to our customers' businesses and support the activities of Saudi companies and investors in the UK market.

There are an increasing number of European corporations undertaking projects both in Saudi Arabia and the Gulf. Thanks to a combination of in-depth knowledge and professionalism, the branch has been successful in providing the range of services, information and levels of support that such companies typically require.

On the personal banking level, we continue to enlarge the range of products available to our customers in London, as well as ANB's customers in the Kingdom when they visit Britain. In short, we seek to maintain the principles of service and customer satisfaction, which we have whole-heartedly embraced since the branch opened in January 1991.

### INTERNET BANKING

In February 2000, Arab National Bank launched its Retail Internet Banking service – Alarabi-ebank – and was the first bank in the Kingdom to offer access to banking services via the internet, anytime, anywhere.

ANB fully appreciates the opportunities, and threats, posed by the Internet and has recognised the potential to deliver substantially improved services and capture new customers. This is particularly important in the context of the Kingdom's age profile and increasing computer literacy. In the longer term, Internet banking will provide a highly attractive low cost alternative to branch banking.

In essence, Alarabi-ebank is a user-friendly ANB branch installed on a customer's PC, which allows him, or her, to bank conveniently and securely. At present, a customer can make balance and statement enquiries, review the previous six months' transactions and transfer money between accounts. This includes settling credit card balances. In addition, he can initiate third party payments, both domestically and internationally, and use the totally secure messaging system to communicate with various departments within ANB.

In due course, the range of products and services available will be increased, but in tandem with the expansion of Saudi Arabia's telecoms infrastructure. In the meantime, ANB's Alarabi-ebank customers can rest assured that the security of the system is protected by state-of-the-art technology – because this is an issue over which ANB will accept no compromise.



raising the quality of our services by...

# listening to our customers and the marketplace

## BUSINESS REVIEW



### INFORMATION TECHNOLOGY GROUP

ANB continues to lead the way in Saudi Arabia in its use of information technology. The Bank views IT as an important means for business units to raise their overall levels of performance. With this in mind, the group has undertaken a number of projects to facilitate the process.

The introduction of the first Internet banking system in Saudi Arabia has been a major undertaking, which has formed part of a much wider programme to introduce new applications and upgrade existing systems. Similarly, the enhancement or replacement of several major computer systems has improved the technical infrastructure. Workstations and local area networks (LANs) are being replaced, on a rolling basis, to ensure the latest technology benefits both the Bank and its customers.

Implementation of a joint network project with SAMA continues, as we upgrade network connections for critical sites from analogue to digital.

### HUMAN RESOURCES & TRAINING

Staff development and training play a vital role in meeting the rising expectations of our customers. At ANB, we have taken this concept a stage further by setting individual performance targets for each member of staff. These targets are directly linked to the Bank's overall strategic goals and empower each employee to make a direct contribution towards raising customer service levels.

Major initiatives have been introduced to achieve these goals, including extensive training in the latest customer service techniques. This has been followed up with a Kingdom-wide Scoring Customer Satisfaction campaign, which allows customers to rate their level of satisfaction with the service they have received.

As part of the ongoing process of listening, evaluating, delivering and communicating, we have developed techniques for identifying and understanding the changing needs of our customers, so that we can readily match those needs with the appropriate products and services.

Whilst training and development are ongoing activities, preparing for the future is crucial to the Bank's own growth and development. ANB's Management Trainee Programme forms the core around which we pursue our goal of increasing Saudisation within the Bank. By the end of the year, the ratio of Saudi personnel to total staff, throughout the Bank, stood at 76%. This year, graduates have been recruited from the Kingdom's leading universities and have undergone six months of intensive classroom and on-the-job training in every aspect of banking, prior to being assigned permanent positions. By nurturing these recruits, we are growing our managers for the future.

### CONCLUSION

The arrival of the twenty-first century has taken place and the Bank finds itself in better shape than ever before. We have a clear vision, a carefully formulated strategy for implementation and the human resources to achieve our goals. The years that follow will see a steady flow of improvements and innovation that will generate a continuous uplift in the quality of our products and services.