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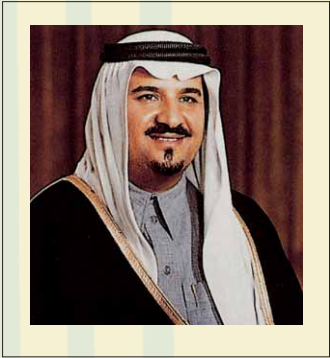
**His Royal Highness Prince  
Abdullah Bin Abdul Aziz Al Saud**

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 and  
Minister of Defence and  
Aviation and Inspector General

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## Financial Highlights

December 31, 1997 – December 31, 1999

Saudi Riyals in Millions

	1997	1998	1999
Total Balance Sheet	52,953	51,781	<b>74,634</b>
Total Assets	34,495	34,707	<b>35,914</b>
Equity	2,900	2,983	<b>3,066</b>
Total Deposits	30,078	30,418	<b>31,313</b>
Loans and Advances	8,519	10,083	<b>12,906</b>
Net Commission Income	932	901	<b>920</b>
Non Commission Income	235	230	<b>241</b>
Loan Recoveries and Other Income	6	5	<b>57</b>
Total Income	1,173	1,136	<b>1,218</b>
Wages and Salaries	297	313	<b>342</b>
Depreciation	103	85	<b>76</b>
Other Operating Expenses	202	241	<b>263</b>
Total Operating Expenses	602	639	<b>681</b>
Operating Income	571	497	<b>537</b>
Capital Gains	45	11	<b>13</b>
Provision for Loan Losses and Write Offs	121	208	<b>220</b>
Net Income	495	300	<b>330</b>
Return on Equity	17.1%	10.1%	<b>10.8%</b>
Return on Assets	1.4%	0.9%	<b>0.9%</b>
Number of Shares Issues (000's)	15,000	30,000	<b>30,000</b>
US\$/SR Exchange Rate	3.75	3.75	<b>3.75</b>
Number of Branches	117	117	<b>117</b>
Number of ATMs	225	233	<b>237</b>
Number of Employees	1,449	1,624	<b>1,669</b>
Saudisation Ratio	70%	72%	<b>73%</b>
Number of Shareholders	4,975	4,707	<b>5,118</b>

I am pleased to present the twentieth Annual Report and Accounts of Arab National Bank for the year ending 31 December, 1999.



Abdul Aziz S. Al-Saghyir - Chairman

Following a comprehensive review of our business, we began to implement a number of key strategies during 1999 that will position the Bank for sustainable profit growth in 2000 and beyond.

During the year, we have focused on restructuring the Bank's operations with particular emphasis on customer service. Customer focus goes to the very heart of the Bank's business franchise. Our most important strategic initiative is an unwavering commitment to our customers, to provide the range of products and services that best meet their needs in an efficient way.

A key element in executing this strategy will be to improve the delivery of service to customers at branch level, through our ATMs, and through advanced technology such as Internet banking. To ensure consistent high quality service, we are refocusing our retail branches around customers' needs, with the emphasis on building lasting relationships.

High quality customer service also requires exceptional operations capability and back office support. Another of our key initiatives is to re-engineer our operations to streamline work procedures and boost efficiency.

A key differentiating factor between banks is the quality and commitment of their staff. We have made a number of senior management appointments during the year which have strengthened the Bank's delivery capability. We have a loyal and committed workforce and we intend to invest further in their development. Thus, we will be re-engineering our training programmes with an increasing emphasis on training that is customised to the needs of our business and our staff. Another priority will be to develop a performance culture among ANB staff, where performance is recognised and rewarded.

ANB has always been a strong advocate of Saudisation. I am pleased to note that the proportion of Saudis in our workforce increased to 73% at the end of 1999, compared with 72% at the end of last year.

Financially, we are already seeing the first benefits from the review and refocusing of our business. Net income for 1999 was SR 330 million compared to SR 301 million in 1998, and was achieved after taking loan loss provisions of SR 167 million and absorbing the impact of our strict interest suspension policy. The Bank has a very strong balance sheet, with a 24% capital adequacy ratio and a loans to deposits ratio of 53%. The Bank continues to enjoy the same favourable ratings from all of the major rating agencies. Based on the overall financial results for 1999, the Board of Directors has recommended a cash dividend of 247 million payable to shareholders, equivalent to 8 Riyals per share.

We look forward with confidence. The outlook for the Saudi Arabian economy is promising. Oil prices have recovered strongly, closing the year at US\$ 24 per barrel. The Government will sharply reduce its budget deficit and has signalled its intention that the private sector should assume greater responsibility in the growth and diversification of the economy. I believe that the Bank will be well positioned to capitalise on the resulting opportunities.

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 all for their unstinting efforts and enthusiasm. Each has made an invaluable contribution. Undeniably, we face major challenges ahead, but I am confident that we will reach our goals.



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 1999, which corresponds to 24 Ramadan 1420 H.

### FINANCIAL RESULTS

ANB's total assets at year end 1999 were SR 35,914 million (1998 SR 34,707 million). The loan portfolio increased by 28% to SR 12,906 million (1998 SR 10,083 million) and was well diversified across the various sectors of the economy. Customer deposits increased to SR 24,444 million (1998 SR 23,018 million).

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 24%.

Net profit for 1999 was SR 330 million, a 10% increase over the previous year.

### APPROPRIATION OF INCOME

This year, the Board recommends the distribution to shareholders of a cash dividend amounting to SR 247 million, which represents SR 8 per share. This compares with SR 218 million for 1998. The Board also recommends the transfer of SR 83 million to the statutory reserve.

### HUMAN RESOURCES

At the end of 1999, the number of staff, excluding the London Branch, stood at 1,669 compared with 1,624 at the end of the previous fiscal year. Employees at the London Branch totalled to 29 at the year end.

### OPERATING BRANCHES

The number of operating branches in the Kingdom stood at 117 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 SR 6.9 million to charities, educational institutions and worthy causes during the year.

### AUDIT COMMITTEE

During 1999, the Audit Committee consisted of Mr Saleh A. Al-Toaimi, Chairman, Mr Mohammed A. Al-Omran and Mr Abdul Hameed Al-Atari.

### BOARD MEMBERS

In March 1999, Mr Rashid Saad Al-Rashid and Mr Ahmed Al-Aqeel were elected as board members for a 3 year term starting on 1 May 1999.

### REMUNERATION OF BOARD MEMBERS

Pursuant to Clauses 21 and 24 of the Bank's Articles of Association, total salaries and allowances paid to Board members for 1999 amounted to SR 2,009,215. Of this total, SR 1,269,000 was paid in annual remuneration and SR 354,000 in attendance allowances at Board and Executive Committee meetings. The balance represents business travel costs and expenses of Board Members.

### AUDITORS

During its meeting in 16 March 1999, the Ordinary General Assembly of the Bank's shareholders appointed Messrs. Arthur Andersen & Co. and Messrs. Bakr Abulkhair & Co. as independent auditors for 1999.

### 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-Saghyir  
Chairman



Nemeh Sabbagh  
Managing Director



Abdullatif H. Al-Jaber



Rashid Saad Al-Rashid



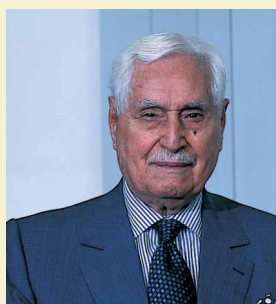
Salah R. Al-Rashed



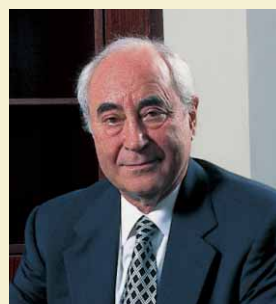
Abdullah S. Al-Banyan



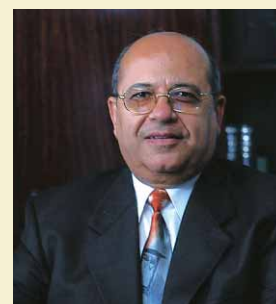
Ahmed Al-Aqeel



Abdelmajeed A. Shoman



Khaled A. Shoman



Abdul Hameed M. Al-Atari

# strengthening our network

and providing 24 hour access to our services



A large number of structural changes are taking place right across the Bank, and these will lead to significant improvements in the way we deliver our products and services. Customer satisfaction levels will improve steadily.

RETAIL BANKING GROUP

The focus during 1999 has been on identifying ways to raise the quality of our service, optimise our procedures and resources, and develop carefully tailored financial packages which meet the changing needs of our customers.

The interface between ANB and its customers, at branch level, will undergo a significant shift in emphasis to reflect a new and more proactive approach to retail banking. Management and staff of our retail branches will focus on relationship building and retail business development.

We have also identified a number of key customer segments with which we will aim to develop more intensive and mutually beneficial relationships. We recognise that customers' needs change over time and we will be developing an all-inclusive, but modular, package of financial products, which can be structured according to customers' individual requirements. In addition to traditional banking services, the package will include a range of investment and insurance products.

Having reappraised the way in which the average branch should function, we have decided that commercial banking activities would be more efficiently handled outside the retail banking environment. Given the nature of commercial transactions and the time required to process them, we are in the process of establishing business banking units attached to the larger branches in our network. These units will be staffed by experienced professionals, equipped to deal with the more complex and sophisticated requirements of our commercial customers.

Arab National Bank's ATM network currently stands at 237. Over the course of the year, our ATMs have handled a record number of transactions. SPAN (Saudi Payment Network) volumes rose by 37%, and credit card transactions by 17%.

Our special relationship with the Disabled Children's Society remains as strong as ever. In recognition of ANB's contribution to its activities, the Society's Board, chaired by HRH Prince Sultan bin Salman Bin Abdulaziz has named one of the halls at its Jeddah centre after the Bank.

Meanwhile, ANB currently has the second largest merchant network in the Kingdom, including the country's national carrier, Saudi Arabian Airlines. Supporting our merchants is a priority. We

regularly hold training sessions for POS operators and publish a newsletter to keep our merchants abreast of the latest developments. Within each issue, we include a service satisfaction questionnaire which helps gauge our performance and indicates where we can introduce further enhancements.

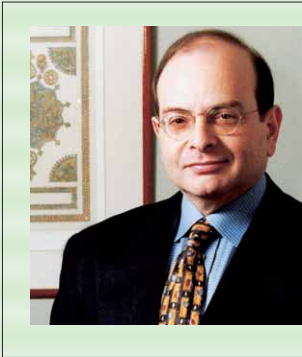
During 1999, we opened new Ladies' Sections at Al Mubarraz, Dharat Albadea and Al Qatif, and, more recently, at the Dammam Main Branch and the Madinah Road Branch in Jeddah. Staffed by a qualified team of female Saudi bankers, ANB provides a comprehensive service with efficiency and courtesy to this increasingly important segment of the population.

Telemoney, the Bank's remittance service for expatriate workers, represents an important revenue stream and is now available through the Call Centre and the ATM network. This is in addition to the dedicated Telemoney Centres, which are located across the country.

As a key plank in our customer-focused strategy and in conjunction with external consultants, the Cards Division is conducting an in-depth review of its operations and product range, as well as service levels and emerging technology. Once the evaluation process is complete, we plan to introduce new and enhanced products and services.

To meet the rising expectations of our customers, we are also in the process of revitalising the Call Centre, which was originally established in 1992. Today, it operates 24 hours a day and handles all types of enquiries, as well as dealing with authorisations through the merchant system. However, we believe the Call Centre offers substantial potential to increase our interface with customers and deliver a greater spread of products and services. Initially, we will concentrate on upgrading our capabilities and determining the type of support systems that will meet our criteria in fulfilling our objectives.

We believe that creating an improved banking experience counts for little, unless we can effectively communicate these improvements to our existing and potential customers. Thus, we launched a number



Nemeh Sabbagh - Managing Director



The interface between ANB and its customer base is the major priority, as we focus on building and developing long-term business relationships which enable our clients, such as Saudi Telecom, to prosper and grow.



of carefully targeted advertising programmes during the course of 1999. One such was to promote consumer loans; others, with attractive prizes attached, were designed to increase ATM utilisation and help update our customer database.

#### INVESTMENT SERVICES GROUP

The group's focus lies primarily in local and international share dealing, private banking and the development and marketing of mutual funds to retail customers. The Bank's commitment to expanding the reach of its brokerage business has led to a substantial increase in share transactions during 1999. As the second largest provider of brokerage services in the Kingdom, we combine innovative technology and a highly efficient network of overseas brokers. Among domestic banks, ANB ranks number one in terms of the number of transactions executed in Saudi shares.

Arab National Bank's private banking service is undergoing a substantial makeover to become more quality focused and responsive to customers' needs. We will continue to augment our private banking services, in particular by increasingly targeting our upscale customer base.

As a service industry, the Bank has to be responsive to the needs and expectations of its customers, some of whom wish to conduct their transactions in an Islamic banking environment. At present, we are in the process of developing a dedicated Islamic banking proposition, which will encompass the investment products we offer. We already have a broad range of mutual funds, a number of which are Sharia-compliant. In April 1999, a new Islamic fund, the Al-Hilal (Crescent) Fund, was launched and produced a very positive reaction in the marketplace. In September 1999, Al-Arabi

Local Investments Fund received two awards at the launch of the 1999 Saudi Investment Symposium from the Investment Products Committee, under the auspices of SAMA. These awards were for best performance over a one year and three year period respectively.

ANB, in partnership with Axa Sun Life International, launched the Al-Arabi Family Savings and Protection Plan, known as "AMAN". This was the first time that bancassurance products were made available in the Kingdom.

As long-term financial planning gains wider acceptance in Saudi Arabia, the Insurance Based Investment Department intends to introduce an enhanced version of AMAN with a wider range of products which are segmented according to the life stages of investors. Under this new scheme, investments can be made on a monthly basis, giving access to a wide range of international funds. At each of our Investment Centres, we have consultants specialising in insurance-based investments, including one at the Ladies' Section in Riyadh.

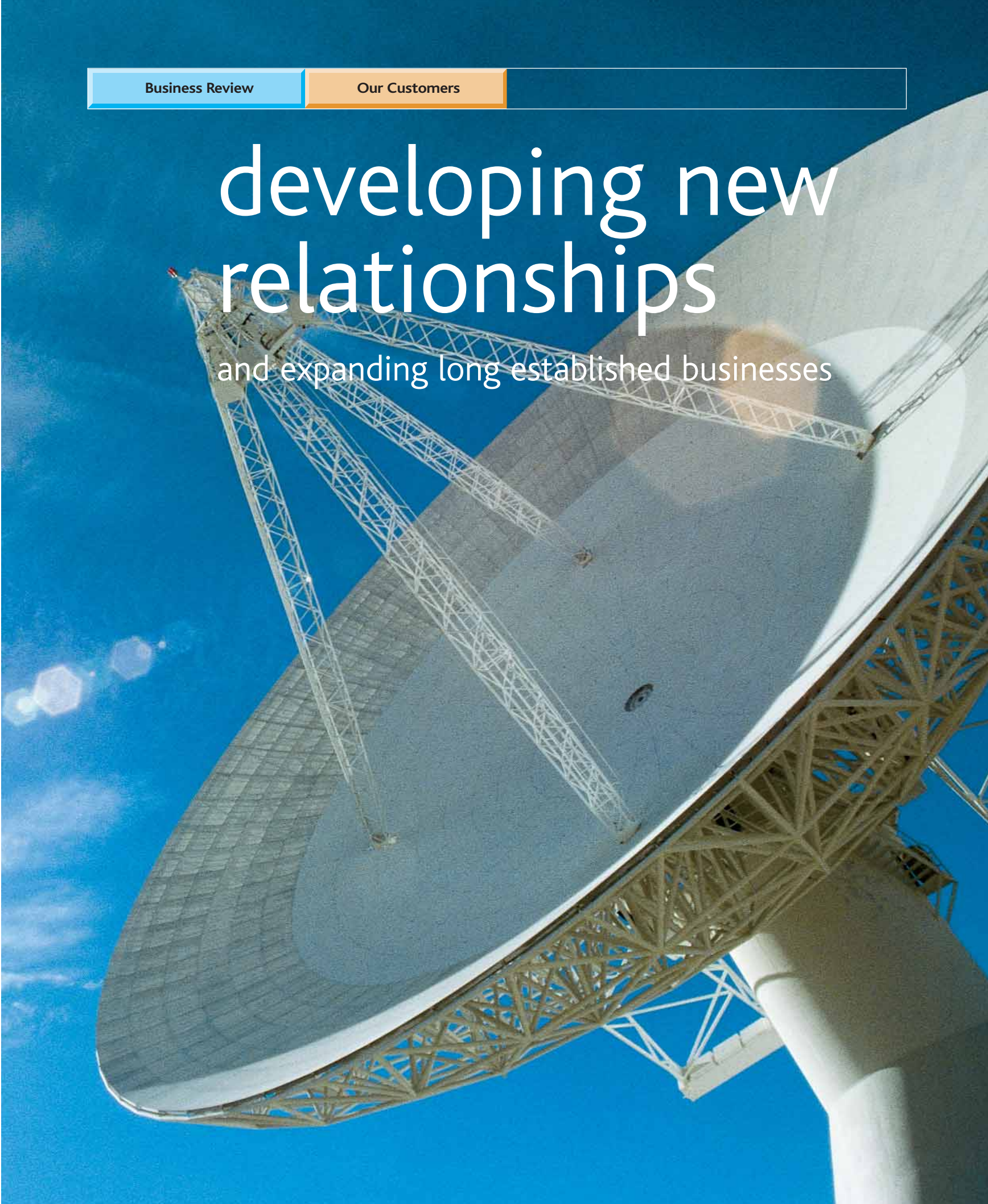
#### CORPORATE BANKING GROUP

The Corporate Banking Group had a successful year. There was a substantial increase in the corporate loan portfolio during the year, with the increase spread across the group's business areas and customer base. In a year in which we developed a number of new relationships and expanded our business with long established relationships, several transactions were noteworthy. ANB acted as arranging bank on the inaugural term financing for Saudi Telecom Company. The Bank also acted as arranger on a SR 600 million term loan financing for Gulf Investment Corporation (GIC). This represented the inaugural medium term facility for GIC and the largest SR denominated facility to date advanced to a borrower not domiciled in



# developing new relationships

and expanding long established businesses





# quality services

delivered with efficiency and discretion





As a service industry, we are firmly committed to responding to the needs and expectations of our customers and providing them with the products and services that are appropriate to their circumstances and life stages.



Saudi Arabia. The Group also selectively purchased financial assets in the secondary market when market conditions were attractive.

As the traditional roles of the branch and branch manager within the Bank are changing, so we are developing a new approach to servicing our corporate customers. We are in the process of setting up Corporate Banking Centres to provide a more specialized service to meet the increasingly complex requirements of our largest corporate customers. The first centre is due to open during the first quarter of the year 2000, in Riyadh. The establishment of these centres will allow ANB to respond more quickly and deliver, proactively, a bespoke value-added service.

Based on the outlook for the Saudi economy, we believe there will be further opportunities to profitably expand our business in the year 2000.

#### **TREASURY**

The effect of the new strategy on the Bank's treasury operations has been considerable. Staff numbers have risen to meet a substantial increase in business volumes for 1999. Our principal functions are to meet the foreign exchange requirements of our customers, actively manage the Bank's interest rate, liquidity and market risk, hedge the Bank's exposure and manage its investment portfolio.

We offer a considerable advantage to our customers through the provision of twenty-four hour trading, from Monday to Friday, through a select network of international counterparties, whilst our own corporate desk is manned from 8.00am to 11.00pm each day. Our management of assets and liabilities has been very successful this year, thanks to the combination of a tighter risk limit structure and the centralisation of the treasury function.

#### **LONDON BRANCH**

Since its establishment in 1991, the Branch has developed a comprehensive range of banking services out of London. In particular, it has acquired considerable expertise in structuring trade finance facilities covering the flow of goods between Europe & Saudi Arabia, and recently with select other countries in the Middle East region. The Branch also plays a pivotal role in ANB's trade finance operations in the Kingdom, advising letters of credit opened in favour of UK and European beneficiaries, as well as acting as the Bank's reimbursing agent.

Other services include specific facilities tailored to the requirements of UK or European corporations with projects/operations in Saudi Arabia and the Gulf region, as well as to subsidiaries and affiliates of Saudi companies having investments in the UK. Advice and assistance on the acquisition and finance of commercial and residential property is provided for both the corporate sector and private customers.

The Branch is conveniently located in London's West End, and provides a personal service to private customers visiting London, complementing the range of services available to the Bank's clientele in the Kingdom.

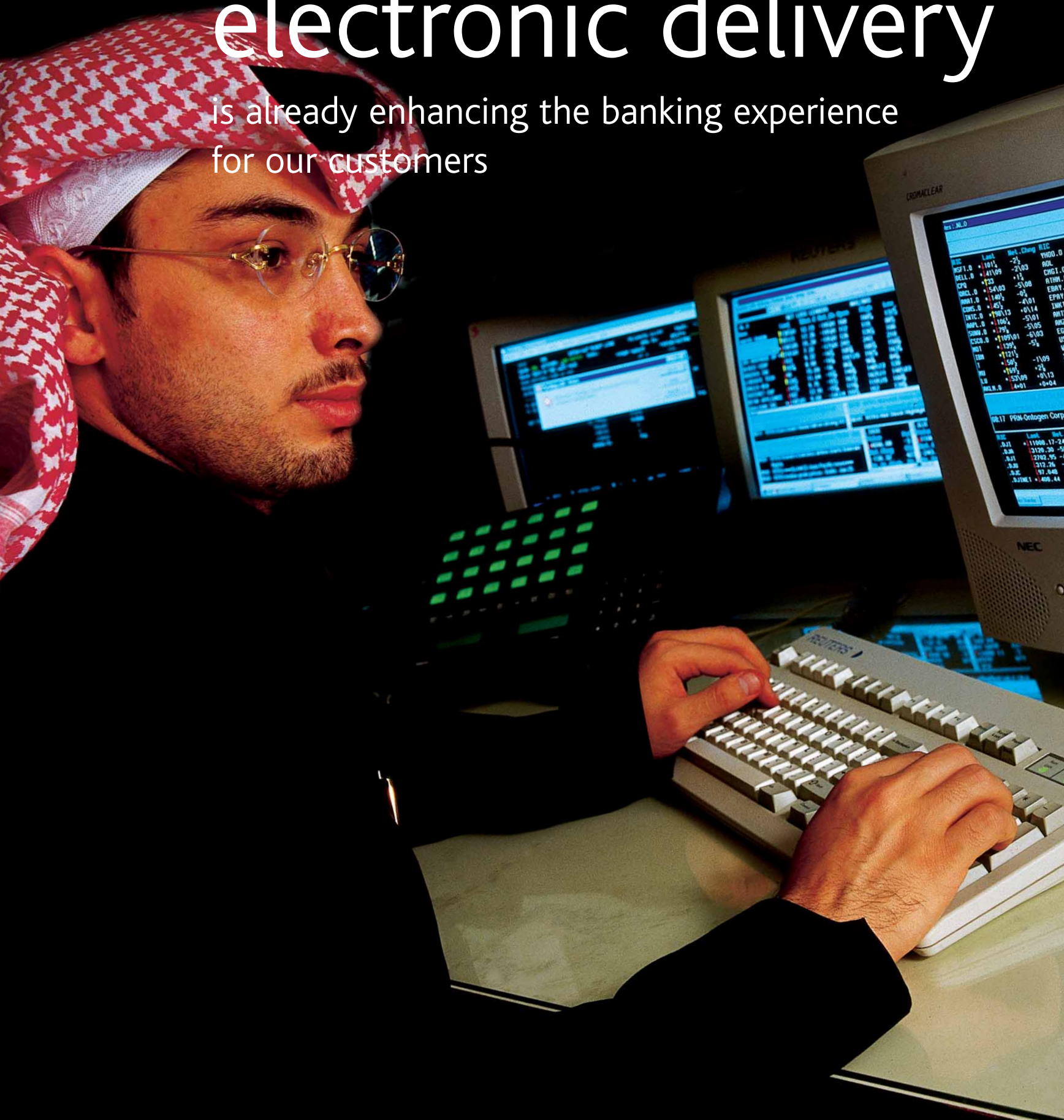
#### **SYSTEMS AND OPERATIONS**

1999 has been a year of profound structural change in the way the Bank functions. The workflow is being re-engineered to boost efficiency and reduce costs. We have also realigned our procedures to coincide with the needs of each business segment and established overall service standards. In such an environment, we can now develop a performance culture and concentrate on the core business.



# electronic delivery

is already enhancing the banking experience  
for our customers



The cultural changes currently taking place at all levels within the Bank are firmly rooted in performance improvement and our policy of taking ownership of the future. This approach will benefit both customers and staff in equal measure.



Once the restructuring is complete, we intend to introduce mechanisms that will enable us to benchmark our service levels against those of our competitors.

The Bank invested substantial resources during 1999 to ensure that all of its computer systems were fully Year 2000 compliant. Our preparations included a full business continuity plan. The Bank's systems passed through the date change without any problem, and without resorting to any contingency plans.

In meeting the Y2K challenge, we have also upgraded our hardware platform to give a stronger infrastructure and increased resilience, as well as greater performance and capacity.

#### INTERNET BANKING

The arrival of the internet looks set to revolutionise many aspects of people's daily lives, not only in terms of banking. Nevertheless, at this stage, we are cautiously evaluating the medium as a potential delivery channel as well as a means by which customers can operate their accounts electronically. With connections becoming more readily available, we have instituted trials using our own staff. Once we are satisfied that the systems are fully in place and an external assessment of the security implications has been completed, we plan to pilot the service with our customers during the early part of 2000.

#### HUMAN RESOURCES AND TRAINING

Our renewed focus on customer service and the resulting cultural change go to the very heart of our organisation - our staff. We have

refocused our approach to training, with the emphasis now firmly placed on performance improvement. Training plans are results-oriented.

Staff at all levels are encouraged to "take ownership of the future" by adopting a pro-active approach to the job and by empowering them to fulfil their potential. Remuneration packages are now linked to performance against pre-set targets.

Over the year, Saudisation has risen by two percentage points to reach 73% by the year end. We aim to increase this ratio steadily by maintaining the strong relationships we already enjoy with the Kingdom's leading universities and schools. The Bank regularly participates in career days across the Kingdom and offers a number of scholarships to the highest achievers.

Uniquely, Arab National Bank operates a placement scheme under which, each year, five students from King Fahd University of Petroleum and Minerals take up positions in the Bank as an introduction to the world of work. We are proud to participate in the process of national development and recognise our responsibilities to the wider community.

#### CONCLUSION

1999 has been a year of restructuring at the Bank. The arrival of the new millennium will find Arab National Bank poised to implement the major policy decisions which have been carefully formulated over 1999. We do not underestimate the extent of the task but we are confident we will rise to the challenge.



Our Products

introducing new  
and enhanced customer-focused products

