

**Arab National Bank**  
Annual Report 2014



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

ANB offers a full range of commercial and Islamic products and services to the retail and corporate sectors, including foreign exchange, treasury and investment services. The Bank's wholly owned subsidiary (ANB Invest) offers financial advisory, investment, wealth, mutual funds and asset management and local and international equity trading services.

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**The Custodian of the Two Holy Mosques**  
King Salman Bin Abdul Aziz Al Saud



**Crown Prince, Deputy Prime Minister**  
Prince Muqrin Bin Abdul Aziz Al Saud

## Chairman's Message



Salah R. Al-Rashed  
Chairman

On behalf of the Board of Directors, I am pleased to report another year of solid performance and to present the annual report and closing accounts of Arab National Bank for the year ended December 31, 2014.

The economy of Saudi Arabia continued its positive expansion in 2014 in line with the national budget resulting in a relatively benign business environment. The Board of Directors look forward with confidence to continuing to operate in an environment underpinned by growth and stability. Despite uncertainty in certain financial markets and the recent decline in the price of oil, prudent fiscal management and the accumulated financial surplus has resulted in the Government publishing an expansionary budget for 2015 with a focus on investment in education, health and infrastructure.

In 2014 Arab National Bank achieved continued financial success with net income growing to SR 2.875 billion, an increase of 14% compared to 2013. Total assets and customer deposits reached SR 164.7 billion and SR 129.6 billion, respectively, by the end of 2014.

These results demonstrate that the core strategy of generating consistent quality earnings, while maintaining a conservative approach to managing credit risk, is being achieved. It is also gratifying to report that other non-financial initiatives identified in the Bank's Strategic Plan are being satisfactorily progressed. This includes clear evidence of enhanced customer satisfaction, providing employees with a challenging and rewarding workplace and ensuring that the right mix of product, channel and customer segment is being achieved.

In order to enjoy the trust of customers and the confidence of the regulator, the Bank and its employees must always behave in an ethical manner. A key focus area for the Board is ensuring that best-in-class corporate governance and risk management regimes are in place.

I would like to express my personal gratitude, and that of my fellow directors, to the Custodian of the Two Holy Mosques, the Crown Prince, the Deputy Crown Prince, the Minister of Finance and the Governor of the Saudi Arabian Monetary Agency for their wise leadership, support of the financial sector and their unsparing efforts in the best interests of the Kingdom.

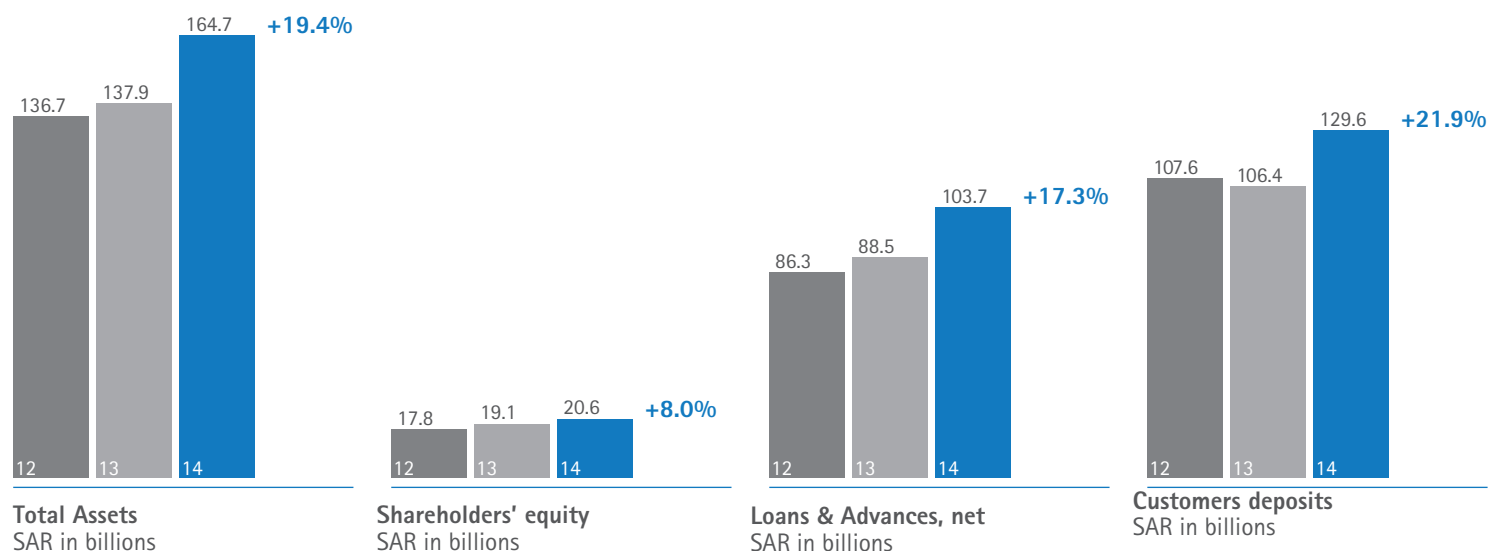
Success of the Bank is based on the strength of its partnership with shareholders, customers, other financial institutions and the regulators and I thank them for their support and assure them of our unstinting efforts in the coming year.

Finally, I pay tribute to the efforts and achievements of the Bank's employees. Your commitment, dedication and contribution are fundamental to success of Arab National Bank and I am greatly encouraged by what we can achieve together in the years to come.

A handwritten signature in black ink, appearing to read 'Salah R. Al-Rashed'.

Salah R. Al-Rashed  
Chairman

## Financial Highlights



	Saudi Riyals in Millions				
	2014	2013	2012	2011	2010
Net Commission income	3,623	3,375	3,260	3,181	3,158
Net Income Before Provisions for credit losses	3,426	3,149	2,893	2,789	2,875
Net Income attributed to equity holders of the Bank	2,875	2,522	2,371	2,171	1,911
Expense to Revenue Ratio	38.3%	39.6%	40.5%	39.4%	38.6%
Return on Assets (ROA)	1.9%	1.8%	1.9%	1.9%	1.7%
Return on Equity (ROE)	14.5%	13.7%	13.8%	13.6%	12.9%
Investments	33,876	28,248	24,323	26,082	32,841
Loans and Advances, net	103,724	88,456	86,329	72,844	66,203
Total Assets	164,668	137,935	136,639	117,574	116,035
Customers Deposits	129,631	106,373	107,560	87,859	84,199
Total Equity attributed to equity holders of the Bank	20,601	19,080	17,804	16,624	15,291

A<sup>+</sup>

Capital Intelligence

A

Fitch Ratings

A<sup>1</sup>

Moody's

A

Standard & Poor's



# Directors' Report for the financial year ended December 31, 2014

## 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, 2014.

### 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, 1979). The Bank's Head Office is located in Riyadh and it operates through 156 branches in the Kingdom of Saudi Arabia 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 income for the 2014 financial year amounted to SAR 2,875 million compared to SAR 2,522 million in 2013, an increase of 14%. Net special commission income increased 7.3% to SAR 3,623 million compared to SAR 3,375 million in the previous year, while fees and commission income increased by 25% to SAR 1,317 million from SAR 1,053 in 2013. This resulted in total operating income increasing 7.8% from SAR 5,110 million in 2013 to SAR 5,507 million in the current financial year.

Operating expenses before provisions totalled SAR 2,107 million compared to SAR 1,994 million in 2013, representing an increase of 5.7%. The Bank continued to adopt conservative risk management policies to ensure it has sufficient provision coverage. Provision charge for credit losses was SAR 551 million compared to SAR 627 million in 2013 resulting in a non-performing loans coverage ratio of 218% as at December 31, 2014.

The Bank's loan portfolio ended the year at SAR 103,724 million compared to SAR 88,456 million in 2013 and its investment portfolio increased to SAR 33,876 million from SAR 28,248 million in 2013, an increase of 17% and 20% respectively.

Total assets and customer deposits as at December 31, 2014 amounted to SAR 164,668 million and SAR 129,631 million respectively.

Total equity was SAR 20,601 million compared to SAR 19,080 million in 2013, an increase of 8%.

### Financial Highlights

	SAR 'millions				
	2014	2013	2012	2011	2010
Loans and advances, net	103,724	88,456	86,329	72,844	66,203
Investments, net	33,876	28,248	24,323	26,082	32,841
Customer deposits	129,631	106,373	107,560	87,859	84,199
Shareholders' Equity	20,601	19,080	17,804	16,624	15,291
Total assets	164,668	137,935	136,639	117,574	116,035
Total liabilities	144,029	118,747	118,730	100,845	100,638
Total operating income	5,507	5,110	4,757	4,541	4,504
Total operating expenses	2,658	2,621	2,414	2,393	2,609
Net Income	2,875	2,522	2,371	2,171	1,911

### Geographical Analysis of Revenues

Mainly all of the Bank's revenues are earned through its activities in the Kingdom of Saudi Arabia and are distributed as follows:

	SAR '000
Central Region*	3,526,513
Western Region	1,178,485
Eastern Region	802,164
Total	5,507,162

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

### Affiliates and Associates

#### Arab National Bank Investment Company (ANB Invest)

The Bank has established a wholly owned subsidiary "ANBI", a Saudi closed joint stock company, registered in the Kingdom of Saudi Arabia under commercial registration No. 1010239908 issued on Shawal 26, 1428H (corresponding to November 7, 2007). The subsidiary's authorized and issued capital is SAR 400 million (40 million shares), and its objectives are to take over and manage the Bank's investment services and asset management activities related to dealing, managing, arranging, advising and custody of securities regulated by the Capital Market Authority (CMA). The subsidiary commenced operations on Muharram 3, 1429H (corresponding to January 12, 2008). It is to be noted that on 19 Muharram 1436H (corresponding to November 12, 2014) the subsidiary changed its legal structure from a limited liability company to a closed joint stock company.

## Board of Directors



**Back Row:** Nader Hassan Al Amri/ Ahmed A. Al-Akeil/ Dr. Robert Eid (Managing Director)/ Riyadh Burhan Tahir Kamal/ Hesham Abdulatif Al-Jabr  
**Front Row:** Mohammed A. Alghanamah/ Khaled M. Albawardi/ Salah R. Al-Rashed (Chairman)/ Rashid Saad Al-Rashid/ Nemeh Sabbagh

### Shareholders

Saudi Shareholders 60%  
Arab Bank Plc 40%

### Executive Committee

Dr. Robert Eid - Chairman  
Salah R. Al-Rashed  
Ahmed A. Al-Akeil  
Khaled M. Saad Albawardi  
Mohammed A. Alghanamah

### Nomination & Compensation Committee

Khaled M. Saad Albawardi - Chairman  
Salah R. Al-Rashed  
Ahmed A. Al-Akeil

### Audit Committee

Ahmed A. Al-Akeil - Chairman  
Saleh A. Al Ismail  
Mohammed A. Al Omran

### Strategy Committee

Rashid Saad Al-Rashid - Chairman  
Nemeh Sabbagh  
Hesham Abdulatif Al-Jabr  
Nader Hassan Al Amri  
Dr. Robert Eid



## Directors' Report

(continued)

### 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 15 Jumada 1, 1430H (corresponding to May 10, 2009). The company's capital is SAR 1,000 million representing 100 million shares with a nominal value of SAR 10 per share, out of which paid in capital amounted to SAR 300 million on the basis of 30% of the company's capital. The company is engaged in the leasing of heavy equipment and operates in compliance with Sharia principals. 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. The company's capital is SAR 2,000 million representing 200 million shares with a nominal value of SAR 10 per share, out of which paid in capital amounted to SAR 800 million on the basis of 40% of the company's capital. SHL is a specialized Islamic home and real estate finance company and as a result all its products and services are fully Sharia compliant. The company commenced its business in the last quarter of 2007 and is accounted for under the equity method.

### MetLife – AIG – ANB Cooperative Insurance Company

During 2012, the Bank participated in setting up a Saudi joint stock company registered in the Kingdom of Saudi Arabia under commercial registration No. 1010391438. The company's authorized and issued capital is SAR 175 million representing 17.5 million shares with a nominal value of SAR 10 per share. The Bank owns 5.2 million shares (30%) at a nominal value of SAR 10 per share.

In accordance with cooperative insurance company Regulations, the company's executive bylaws and the laws effective in the Kingdom of Saudi Arabia, the company will transact in cooperative insurance operations and related activities. Its principal lines of business include individual and group life, accident and health, and all classes of general insurance. The company completed the legal formalities for incorporation on 29 August 2013, and its shares were listed on the Saudi Arabian Stock Exchange ("Tadawul") on 23 Muharram 1435H (corresponding to 26 November 2013). The Saudi Arabian Monetary Agency (SAMA) has provided the company with the final approval to conduct insurance business in the Kingdom of Saudi Arabia on 25 February 2014. The company commenced its insurance operations during April 2014 and is accounted for under the equity method.

### Arab 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 28 Muharram 1435H (corresponding to December 1, 2013). The company's capital amounts to SAR 500,000 distributed to 50 thousand parts (the nominal value is SAR 10 per part). The agency obtained its license from the Saudi Arabian Monetary Agency (SAMA) to start its activities on 5 Jumada 1, 1435H (corresponding to March 6, 2014).

### 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 the commercial registration no. 1010199647 issued in Riyadh dated 18 Jumada 1, 1425H. The company's capital amounts to SAR one million distributed to 10 thousand parts (the nominal value is SAR 100 per part). The subsidiary is engaged in the purchase, sale and lease of land and real estate for investment purposes.

All the above mentioned affiliates and associates' primary business is conducted in the Kingdom of Saudi Arabia.

### Dividend Distribution Policy

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

- In accordance with SAMA'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.
- 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.
- 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.
- The Board may also decide to distribute an interim dividend based on the Bank's financial position.
- Non-distributed earnings are transferred to the next year or to the general reserve.

The Board proposed a dividend distribution as follows:

	SAR '000
2014 net income	2,875,050
Retained earnings from previous years	2,622,124
Total	5,497,174
Distributed as follows:	
Transferred to statutory reserve	(720,000)
Zakat	(494,693)
Bonus share issue	(1,500,000)
Dividend distribution (SAR 1.00 per share)	(1,000,000)
Retained earnings for 2014	1,782,481

### Future Plans

The Bank is in the process of executing the following initiatives as part of the Bank's strategy:

- Continuing the branch network expansion and transformation;
- Continuing to upgrade the Bank's information and communication systems; and
- Introducing additional specialized centres to serve medium and small enterprises Kingdom wide.

### Principal activities

For management purpose the Bank is organized into the following major operating segments:

#### Retail banking

Deposit, credit and investment products for individuals.

#### Corporate banking

Loans, deposits and other credit products for corporate and institutional customers, small to medium sized businesses and the Bank's London Branch.

#### 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 regulated by CMA.

#### Other

Includes income on capital and unallocated costs, assets and liabilities pertaining to the Head office and other supporting departments.

Transactions between business segments are reported in accordance with the Bank's transfer pricing methodology. Segment assets and liabilities mainly comprise operating assets and liabilities, being the majority of the balance.

The Bank's primary business is conducted in the Kingdom of Saudi Arabia with one international branch in London, UK. Neither the branch's total assets, liabilities, commitments nor its results of operations are material to the Bank's overall consolidated financial statements and are as a result not disclosed separately.

The Bank's total assets and liabilities as at December 31, 2014 and its total operating income, expenses and net income for the year then ended, by business segment, are as follows:

	SAR '000					
2014	Retail banking	Corporate banking	Treasury banking	Investment and brokerage services	Other	Total
Total assets	36,974,998	72,324,880	52,235,734	58,175	3,074,568	164,668,355
Investments in associates	-	-	-	-	494,117	494,117
Total liabilities	66,587,059	66,432,279	10,843,704	36,345	129,209	144,028,596
Fee and commission income, net	405,840	673,773	18,788	123,989	94,177	1,316,567
Total operating income	2,178,012	2,105,068	883,757	135,150	205,175	5,507,162
Total operating expenses	1,574,066	860,322	87,599	73,911	61,693	2,657,591
Share in earnings of associates, net	-	-	-	-	27,584	27,584
Gain attributed to non-controlling interest	-	-	-	-	(2,105)	(2,105)
Net income attributed to equity holders of the Bank	603,946	1,244,746	796,158	61,239	168,961	2,875,050
Impairment charges for credit losses, net	213,421	337,462	-	-	-	550,883
Depreciation and amortization	130,775	2,165	3,695	4,542	48,475	189,652

# Directors' Report

(continued)

## Risks encountered or potentially could be encountered by the Bank

### Risk Management

The Bank's Risk Management Group (RMG) provides an independent and centralized risk management function to ensure the best balance between risk and return is achieved in line with the Bank's strategic objectives. The major risks that could be encountered by the Bank are the following:

#### a- Credit risk

Credit exposures arise principally from lending activities related to loans and advances and investment activities. There is also credit risk in off-statement of financial position financial instruments, such as loan commitments.

#### b- Market risk

Market Risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as commission rates, foreign exchange rates and equity prices.

#### c- Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal control processes, people and systems or external events. Operational risk includes legal risks such as exposure to fines and penalties, punitive damages resulting from supervisory actions or private settlements.

## Corporate Governance in the Kingdom of Saudi Arabia

The Bank implemented the Corporate Governance Guidelines issued by CMA in the Kingdom of Saudi Arabia, with the exception of the following:

Article	Requirement	Reasons for Non-Compliance
Item (d) of Article 6	Investors who are judicial persons and who act on behalf of others – e.g. investment funds – shall disclose in their annual reports their voting policies, actual voting, and ways of dealing with any material conflict of interests that may affect the practice of fundamental rights in relation to their investment.	The Bank is not permitted under any capacity to oblige judicial investors that act on behalf of others to disclose their voting rights.

## Debt securities in issue

During 2006, the Bank issued USD 500 million of 10-year subordinated floating rate notes under its USD 850 million Euro Medium Term Notes program. The notes originally had a special commission rate of Libor plus 83 bps, are non-convertible, unsecured, listed on the London stock exchange and are callable after 5 years from issuance.

During 2009, USD 50 million was purchased on the secondary market and retired. Effective October 31, 2011 and based on the step-up condition, the commission rate was adjusted to Libor plus 133 bps.

## 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 (Chief Executive Officer), who is supported by the Executive Committee comprised mainly of board members.

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. The remaining four members are appointed by Arab Bank PLC. All directors can be reappointed.

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. All Directors have full and timely access to relevant information through the Company Secretary. They may also opt for independent professional advice at the Bank's expense where needed to discharge their responsibilities.

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 controls framework and are annually reviewed by the Board.

Board members as at December 31, 2014 that were appointed by Arab Bank were Nemeh Sabbagh, Mohammed A. Alghanamah, Dr. Robert Eid (Managing Director) and Riyadh Burhan Tahir Kamal.

As at December 31, 2014, the Board consisted of the following:

Seq	Name	Position
1.	Salah Rashed Al-Rashed	Chairman of the Board (independent)
2.	Dr. Robert Eid	Board member (executive)
3.	Rashid Saad Al-Rashid	Board member (independent)
4.	Ahmed Abdullah Al-Akeil	Board member (independent)
5.	Khaled M. Saad Albawardi	Board member (independent)
6.	Hesham Abdulatif Al-Jabr	Board member (independent)
7.	Nader Hassan Al Amri	Board member (non-executive)
8.	Nemeh Sabbagh	Board member (non-executive)
9.	Mohammed A. Alghanamah	Board member (non-executive)
10.	Riyad Burhan Tahir Kamal	Board member (non-executive)

# Directors' Report

(continued)

Four regular Board meetings were held during 2014 and were attended as follows:

Date	Attendance record	No. of attendees
March 17, 2014	Salah Rashed Al-Rashed, Robert Eid, Rashid Saad Al-Rashid, Ahmed Abdullah Al-Akeil, Khaled M. Saad Albawardi, Hesham Abdullatif Al-Jabr, Nemeh Sabbagh, Mohammed A. Alghanamah and Riyadh Burhan Tahir Kamal.	9
June 12, 2014	Salah Rashed Al-Rashed, Robert Eid, Ahmed Abdullah Al-Akeil, Khaled M. Saad Albawardi, Nadir Hassan Alamri, Nemeh Sabbagh, Mohammed A. Alghanamah and Riyadh Burhan Tahir Kamal.	8
September 17, 2014	Salah Rashed Al-Rashed, Robert Eid, Rashid Saad Al-Rashid, Ahmed Abdullah Al-Akeil, Khaled M. Saad Albawardi, Hesham Abdullatif Al-Jabr, Nadir Hassan Alamri, Nemeh Sabbagh, Mohammed A. Alghanamah and Riyadh Burhan Tahir Kamal.	10
December 22, 2014	Salah Rashed Al-Rashed, Robert Eid, Rashid Saad Al-Rashid, Ahmed Abdullah Al-Akeil, Khaled M. Saad Albawardi, Hesham Abdullatif Al-Jabr, Nadir Hassan Alamri, Nemeh Sabbagh and Mohammed A. Alghanamah.	9

## Directors' membership on the Boards of other Saudi joint stock companies

Following is a list of Directors who were board members in other Saudi joint stock companies as at December 31, 2014:

Director	Joint stock company
Salah Rashed Al-Rashed	<ul style="list-style-type: none"> <li>- White Cement Co.</li> <li>- Tech Invest Co.</li> <li>- Saudi Services for Electro Mechanic Works Co</li> <li>- Golden Chicken Farms Co. for Agricultural &amp; Animal Production</li> <li>- Care and Science Medical Company Limited</li> </ul>

Rashid Saad Al-Rashid	<ul style="list-style-type: none"> <li>- Bayan Realty Co.</li> <li>- Watan Investment Co.</li> <li>- Al-Ahsana Amusement &amp; Tourism Co. (AHSANA)</li> <li>- Saudi Services for Electro Mechanic Works Co</li> <li>- Golden Chicken Farms Co. for Agricultural &amp; Animal Production</li> </ul>
Ahmed Abdullah Al-Akiel	<ul style="list-style-type: none"> <li>- Southern Province Cement Co.</li> <li>- Aldrees for Petroleum Services and Transportation</li> </ul>
Khaled M. Saad Albawardi	<ul style="list-style-type: none"> <li>- Arab Paper Manufacturing Co.</li> <li>- Basic Chemical Industries Co. (BCI)</li> </ul>
Hesham Abdullatif Al-Jabr	<ul style="list-style-type: none"> <li>- Nattily Company for Furniture and Internal Design</li> <li>- Al Jabr Holding Company</li> </ul>
Nadir Hassan Alamri	<ul style="list-style-type: none"> <li>- Saudi Home Loans</li> </ul>
Robert Eid	<ul style="list-style-type: none"> <li>- Saudi Home Loans</li> <li>- MetLife - AIG - ANB Cooperative Insurance Company</li> <li>- ANB Invest</li> </ul>
Mohammed A. Alghanamah	
Nemeh Sabbagh	
Riyadh Burhan Tahir Kamal	

## Principal Board Committees

The Board formed a number of committees, each with its own specific terms of reference. These committees consist of both board members and senior executives.

### Executive Committee

The Executive Committee consists of the Managing Director and four other board members. Chaired by the Managing Director, the Executive Committee meets on average twice a month and acts as a general management committee with authority delegated to it by the Board. During 2014, the executive committee held 19 meetings. This Committee is responsible for implementing Bank policy, monitoring business performance, managing risks, ensuring the effectiveness of internal controls and approving large capital expenditure projects.

During 2014 the executive committee comprised of Dr. Robert Eid (chairman), Salah Rashed Al-Rashed, Ahmed Abdullah Al-Akiel, Khaled M. Saad Albawardi and Mohammed A. Alghanamah.

### Nomination and Compensation Committee

During 2010, the Nomination and Remuneration Committee was formed. It is comprised of three non-executive Board members: Khaled M. Saad Albawardi (Chairman), Salah Rashed Al-Rashed and Ahmed Abdullah Al-Akiel. The committee has the authority to review and recommend to the Board for its approval amendments to the Bank's compensation policy and practices. The committee also reviews the level and composition



of remuneration of key executives of the Bank and recommends a risk-adjusted bonus pool to the Board / Executive committee for approval. The committee's functions also include nomination to Board membership, review of the Board's membership structure, determine strengths and weaknesses therein and propose remedial action in line with the Bank's interests. The committee held 5 meetings in 2014.

At its meeting on March 27, 2011, the Extra Ordinary 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.

Annual remuneration and compensation of non-executive and executive Board members were SAR 2,780 thousand and SAR 300 thousand respectively. Attendance allowances to the same were SAR 399 thousand and SAR 72 thousand respectively. Expense allowances to non-executive Board members including travel and accommodation expenses were SAR 507 thousand. Salaries paid during the year to six of the senior executives including CEO and CFO was SAR 17.00 million. Their allowances and compensation amounted to SAR 3.27 million and their variable compensation SAR 15.53 million while their incentive plans amounted to SAR 1.68 million. Remuneration paid to members of the audit committee amounted to SAR 600 thousand and their attendance allowances to SAR 69 thousand.

#### **Audit Committee**

The Audit Committee assists the Board in reviewing the effectiveness of the Bank's internal control processes and approves the Bank's accounting policies and financial statements. The Audit Committee also approves the annual review plans of the Internal Audit Division and the Compliance Department, assesses the results of their work and ensures the existence of control processes that ensure proper implementation of the Bank's procedures. 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 SAMA.

The Committee is comprised of an independent board member and two independent non-board members. The Committee met eight times during 2014. The committee meets regularly with the Managing Director, Chief Financial Officer, Head of Internal Audit, Head of Compliance, Head of RMG, External Auditors and other members of the management team as may be required for discussions and deliberations.

During 2014, the Audit Committee comprised Ahmed Abdullah Al-Akiel (Chairman), Mr. Saleh A Al- Ismail and Mr. Mohammed A. Alomran.

#### **Strategy Committee**

The Board formed a strategy committee of five members as follows:

- Rashid Saad Al-Rashid (Chairman)
- Robert Eid
- Nemeh Sabbagh
- Hesham Abdullatif Al-Jabr
- Nadir Hassan Alamri

The Strategy Committee assists the Board with 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 and communication of the Bank's strategic plan through a process of strategy implementation and monitoring.

The 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.

During 2014, the Strategy Committee held one meeting on May 21, 2014.

#### **Risk Committee**

The Board formed a risk committee of five members as follows:

- Mohammed A. Alghanamah (Chairman)
- Salah Rashed Al-Rashed
- Ahmed Abdullah Al-Akeil
- Khaled M. Saad Albawardi
- Nadir Hassan Alamri

Roles and responsibilities of the committee are as follows:

- Developing a risk strategy for the Bank and setting its overall risk appetite;
- 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 are exposed, e.g. credit, market, liquidity, and operational;
- Ensuring that the Bank has well-defined risk management policies covering all key risks inherent to its activities;
- Requiring management to ensure that the staff involved in risk management possesses sound expertise and knowledge to discharge their responsibilities; and
- Ensuring that the Bank's credit and market exposures are maintained at prudent levels.

During 2014, the Risk Committee held two meetings.

#### **Internal Control Framework**

The Board assisted by the Audit Committee and the Risk Committee is ultimately responsible for internal control in the Bank and for reviewing its effectiveness. Systems and procedures have been designed to operate effectively and efficiently to safeguard assets against unauthorized use or disposal, maintain proper accounting records, report reliable financial information for use internally in the Bank and for external publications,

# Directors' Report

(continued)

compliance with applicable laws and regulations and for monitoring internal policies related to business performance. The processes in place were designed to manage, rather than to eliminate the risks of failure to achieve business objectives. They can only provide reasonable and not absolute assurance against material errors, losses or fraud.

During its normal course of business, the Bank is exposed to credit, market and operational risks. However, various committees and procedures are in place to identify, measure, control and mitigate such risks. There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Bank and for ensuring there are appropriate controls in place to manage them.

The Bank's key internal control procedures include the following:

- Authority to manage the Bank is delegated to the Managing Director within limits set by the Board. There are bank-wide policy and procedure manuals in place covering financial controls, business processes, information security, credit policy and compliance with regulatory and legislative requirements. Additionally, delegated limits apply to all transactions and risk positions to ensure that exposures are controlled. The responsibilities of key managers are designed to ensure appropriate segregation of duties.
- In each of the key business areas, regular independent checks are performed on operating performance and customer service to ensure that control procedures are being observed.
- Systems and procedures are in place to identify, control and report on major risks including credit, changes in the market prices of financial instruments, liquidity, operational errors and fraud. Exposure to these risks is monitored by the Senior Credit Committee, Market Risk Policy Committee (MRPC), Asset and Liability Committee ("ALCO") and the Operational Risk Steering Committee. These risks are also monitored by the Executive Committee of the Board.
- Risk assessments are completed as part of all project appraisals. Risk is also considered within the budget and business planning processes and are reviewed and approved by the Board.
- There is a system of financial reporting to the Board based on an annual plan, with quarterly reports of actual results, analysis of variances with budgets, review of key performance indicators and regular updates of forecasts. The Board and the Executive Committee review the annual plan and make periodical updates to forecasts based on the approved overall work strategy.
- Centralized functional control is exercised over computer system developments and operations. Common systems are employed where possible for similar business processes.
- Compliance in the Bank is controlled centrally by the Bank's Compliance Officer. Divisional compliance officers are in place in all of the Bank's main operating divisions.
- Comprehensive budgeting systems are in place with annual financial budgets prepared and approved by the Board. Actual results are

monitored and there is regular consideration by the Board of progress compared with budgets and forecasts.

- Internal Audit provides an independent appraisal function to the Board (through the Audit Committee) and the management as to the effectiveness of internal controls, regulatory compliance and conformity with Bank's approved policies and procedures. The work of Internal Audit is focused on areas of greater risk. The Internal Audit function reports to the Audit Committee and submits quarterly activities report.

The Operational Risk Steering Committee meets regularly under the delegated authority of the Managing Director. This Committee ensures that the Bank's risk management framework is effective and that a sound system of internal controls is in place, remains effective and is embedded throughout the organization. The Operational Risk Steering Committee is chaired by the Managing Director and includes certain senior executives as members.

## Results of the Review of Internal Control Procedures' Effectiveness

The Audit Committee reviews the effectiveness of the internal control system and informs the Board of the steps taken in this regard. It also submits an inclusive annual report to the Board to assist it in its review of the effectiveness of the internal control system. Following the Audit Committee's review of the Bank's internal control procedure reports, most important of which is the Internal Audit and Risk Management reports and after meetings with the respective heads of these functions to discuss the contents of their reports and the performance of their sectors, the Committee conveys its conclusion to the Board whether the Bank's internal control cycle reflects the effectiveness of its internal control procedures and that it is in continued development to meet changing business needs and developments. The Committee is not aware of any significant control gaps or weaknesses in the Bank's internal control systems that require disclosure.

Regarding the accounting policies applied in the Bank, the Committee continually discusses the impact of instructions issued by SAMA and other regulatory authorities and any changes in the Bank's accounting policies or local and International Financial Reporting Standards (IFRS) with the Bank's officials and periodically with the External Auditors to ensure its implementation in compliance with said instructions/changes.

## Communication with Shareholders

Communication with shareholders is given a high priority. Extensive information about the Bank's activities is provided in the Annual and Interim Financial Statements, which are published in the newspapers and are also posted on the Bank's website, [www.anb.com.sa](http://www.anb.com.sa). There is a regular dialogue with institutional investors. 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 Rating

During 2014, the Bank was able to maintain its strong credit rating granted by prominent international credit rating agencies. The Bank's

rating was as follows:

Standard & Poor's	A
Moody's	A1
Fitch Ratings	A
Capital Intelligence	A+

### Interests of Board Members, Senior Executives, their wives and minor children (Shares in thousands)

#### 1- Major Shareholders

Name	At beginning of year January 1, 2014		Change during the year		At end of year December 31, 2014	
	No. of shares	Ownership %	No. of shares ***	Change %	No. of shares	Ownership %
Arab Bank PLC	340,000	40.00	60,000	-	400,000	40.00
General Organization for Social Insurance ( GOSI)	95,891	11.28	16,922	-	112,813	11.28
Rashed Abdul Rahman Al-Rashed and Sons Co.	84,733	9.97	14,952	-	99,685	9.97
Al-Jabr Trading Company	48,061	5.65	8,481	-	56,542	5.65

#### 2- Board Members, Senior Executives, their wives and minor children

Name	At beginning of year January 1, 2014		change during the year		At end of year December 31, 2014	
	No. of shares	Ownership %	No. of shares ***	Change %	No. of shares	Ownership %
Salah Rashed Al-Rashed	3.4	0.00	0.6	-	4.0	0.00
Rashid Saad Al-Rashid	9,992	1.18	1,763	-	11,755	1.18
Ahmed Abdullah Al-Akeil	201.9	0.02	33.4	-	235.3	0.02
Khaled M. Saad Albawardi	28.3	0.00	5.0	-	33.3	0.00
Hesham Abdullatif Al-Jabr	10.2	0.00	1.8	-	12.0	0.00
Nadir Hassan Alamri*	-	-	-	-	-	-
Nemeh Sabbagh**	-	-	-	-	-	-
Mohammed A.** Alghanamah	-	-	-	-	-	-
Robert Eid**	-	-	-	-	-	-
Riyad Burhan Tahir Kamal**	-	-	-	-	-	-
Asad Abdullah Hashem Alsadah	3.5	0.00	(3.5)	-	-	0.00

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

\* Represents GOSI and do not own any shares in Arab National Bank. However, GOSI provides qualification shares.

\*\* Board members representing Arab Bank PLC do not own any shares in Arab National Bank. However, Arab Bank PLC provides qualification shares for each of its representative members in the Board.

\*\*\* The increase in number of shares resulted from the issuance of bonus shares (3 shares for every 17 shares held) in accordance with the extra ordinary general assembly of shareholders dated March 17, 2014.

### Assignment of interests by ANB Directors / 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.

### Statutory Payments

Statutory payments during the year 2014 were as follows:

	SAR 'millions
Zakat attributable to Saudi shareholders	297
Income tax payable by the non-Saudi shareholders	232
Withholding tax	47
GOSI	55

### Penalties and Regulatory Restrictions

Some immaterial penalties were charged during 2014 as a result of operational activities.

Following are the details of these penalties:

	SAR '000
Saudi Arabian Monetary Agency	12,168
Capital Market Authority	360
Others	4

### Human Resources

Total number of staff at the end of 2014 was 4,554 compared to 4,264 at the end of 2013. The Saudization ratio at the end of 2014 was 88%.

### Donations and Social Responsibilities

The Bank has a strong belief in its role in the society it is honored to serve. This approach is demonstrated by its continued support of charitable, educational, and other social institutions, to which it donated SAR 8 million during 2014.

### Conflicts of Interests

The Bank did not nor has it 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. Note (36) of the financial statements regarding related party transactions discloses facilities granted to some of the Board members. These facilities are governed by SAMA and are fully guaranteed as per their instructions which stipulate that all facilities granted to non-banking parties should be fully guaranteed.

## Directors' Report

(continued)

### 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 ethical tone within the Bank 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 has a Code of Ethical Behaviour consistent with best practice. The code sets out the values that guide behaviour and conduct of business across the organization.

### Accounting Standards

The Bank prepares its consolidated financial statements in accordance with Accounting Standards for Financial Institutions promulgated by SAMA and IFRS as issued by the International Accounting Standards Board (IASB). 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 of Saudi Arabia and the Bank's by-laws. There are no significant differences to the accounting standards issued by the Saudi Organization for Certified Public Accountants.

### External Auditors

In its meeting held on March 17, 2014, the Extraordinary General Assembly appointed Messrs. Ernst & Young and Deloitte & Touche Bakr Abulkhair & Co. as external auditors of the Bank's financial statements for the year 2014.

### Statement of Directors' Responsibilities in Relation to 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 not have nor did it enter 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 note (36) to the consolidated financial statements regarding related party transactions.

**Board of Directors**  
February 11, 2015





King Abdullah Port in King Abdullah Economic City, Rabigh – One of the projects that the bank contributes in financing.



## Business Review



**Dr. Robert Eid**  
Managing Director & Chief Executive Officer

The economy of Saudi Arabia continued its positive expansion in 2014 in line with the trend set in previous years. Operating in an environment conducive to business, ANB achieved good financial performance with net income growing to SR 2,875 million, an increase of 14% over the previous year.

### Consumer Bank

In 2014, the development of a more competitive offering combined with a focused sales effort targeted at strategically important customer segments resulted in an improved consumer asset growth and customer satisfaction. Customer deposits grew from both existing and newly acquired customers, despite the prevailing low interest rates.

Today, it has been 18 months since ANB Mobile was launched, the service has sustained its high customer uptake and continues to be rated as one of the best mobile services in the market by its user base. ANB Mobile plays a major role in decreasing the costs of servicing customers, as mobile banking is considered to be the lowest priced service of all banking channels.

The number of ATMs currently exceeds 1,200, which goes in line with the expansion plans of the Bank. In addition to growing the network, the Bank focused in 2014 on replacing the older ATMs, which helped in improving overall network availability, a key element in achieving the Service Level Agreements (SLAs) mandated by SAMA. ATMs continue to be the most utilized of the non-branch channels, aiding in off-loading the more expensive teller transactions. With the launch of the multi-function ATM this year which accepts deposits as well as dispensing cash at the same machine, additional cost savings will be realized as more branch deposits will move to this channel.

The Consumer Bank initiated a number of successful promotion campaigns this year. VISA awarded ANB for being the largest issuer of Signature credit cards in the Kingdom. The Infinite card has also been well-accepted, while both cards offer ANB customers free access to over 500 airport lounges through its Lounge Key feature. Extremely competitive and attractive offers were developed for the Ministry of Health staff, particularly on Personal Loans, Auto Lease and "free for life" Credit Cards.

The Bank continued to enhance its overall customer service levels. The "Customer Experience" unit develops the appropriate service standards while the Transformation Team ensures implementation throughout the entire branch network. Staff training and monitoring ensures that the customer protection principles become an integral part of any staff interaction with customers. Mystery Shopping continues to indicate that ANB is highly competitive with its peer banks, and it reinforces the need for staff to consistently deliver a high standard of service to each customer.

Strategically important growth segments, such as Ladies and Youth, continue to be targeted as priority objectives.

The Bank's ethos of the "Trilogy" continues in that it will sell the right products to the right customer segments via the right channels throughout their financial services cycle.

### Private Bank

ANB's Private Bank provides its High Net Worth (HNW) clients with elite services around the clock through a team of dedicated and highly skilled Relationship Managers.

It continues to offer its clients upscale services and provide them with customized investment ideas and solutions in coordination with the Treasury and Asset Management functions.

Products have continued to grow progressively, led by the widening in the HNW client base and the improvement of cross sell levels.

### London Branch

Operating since 1991, the London Branch continues to support the Bank's customers as well as business lines in Saudi Arabia, with a focus on Private Banking, Trade Finance, Corporate Banking and Treasury.

In the past year, the branch has selectively grown its customer base with a continued focus on Saudi customers and business. Residential and commercial UK Real Estate constitute an attractive investment proposition, especially in Central London areas.

### Corporate Bank

ANB's Corporate Bank adopts a relationship-focused approach to business, providing its expertise with a superior service to its top-tier corporate clients.

The Corporate Bank has been growing consistently over the past decade in line with market changes and customer expectations. Given the conservative nature of the Bank's strategy, the Corporate Bank portfolio and businesses are managed prudently. There is an emphasis to support the development of major projects that have a strategic importance to the Kingdom.

The success of the Corporate Bank has been fulfilled by the foundation of a wide customer-base and the offering of a full suite of commercial banking products and services. It has optimized its performance by enhancing the product offerings, particularly in the areas of Cash Management, Trade Finance, Project Finance and Islamic banking.

### Commercial Bank

ANB continues to hold a strong and profitable mid-market franchise. The customer portfolio is characterized by a strong base with excellent credit quality. Despite a challenging environment, the Commercial Bank continued to achieve strong results. The focus has been on strengthening existing relationships, expanding midsize customers through marketing, and diversifying the range of banking products and services offered.

### SME

In line with the Government's initiatives to support the growth of SMEs in the Kingdom, a key element of the Bank's strategic plan is to have a meaningful presence in this segment. The Bank continues to pursue this plan with the active support of the Kafalah scheme.

During the year, the Bank expanded its market presence and range of products and services. Dedicated SME Centers were opened in Riyadh,

Dammam, Jeddah, Buraidah, Mecca, Madina, Kharj, and Khamis Mushait to serve small and medium enterprises. These centers are managed by a specialized team offering a range of customized solutions which cover financing, banking transactions and customers account servicing needs. By the end of 2015, the Bank will have SME Centers in more cities across the Kingdom.

### Islamic Banking

The Islamic Banking Group develops and supports Islamic banking services. It provides five key services to the business units:

**Product development:** It develops Shariah-compliant products that provide financial solutions to customers. In 2014, a range of finance, investment, and treasury products were successfully developed in accordance with Shariah guidelines.

**Business development:** It coordinates with all business segments in the Bank and supports them with the identified market segments/individual opportunities for Islamic banking.

**Shariah affairs:** It reviews the activities of business units and affiliates to ensure compliance with Shariah board guidelines. During 2014, the Shariah board reviewed compliance reports and approved a number of new products and transactions.

**Training:** During 2014, the group trained 639 bank employees in Islamic banking and Shariah-compliant products.

**Branch conversion:** 18 outlets were opened or converted from conventional branches to dedicated Islamic branches. In total, 167 branches, including 45 ladies sections, representing 82% of ANB's retail branch network, are now dedicated to provide Shariah-compliant products and services.

### Treasury

Treasury significantly contributed to the overall performance in 2014. Its strong performance was attributed to a well-balanced investment portfolio while maintaining a conservative asset allocation strategy.

A strong and sophisticated platform with expertise, providing superior service to its clients in both conventional and Islamic products, continues to be a strong and profitable franchise.

Treasury's physical presence in key geographical locations in the Kingdom coupled with ANB's multiple delivery channels resulted in a steady growth in the cross-selling of Treasury products.

### Strategic Investments

Strategic Investments broadly cover four different lines of business: Home Finance, Insurance, Heavy Equipment Leasing, and Investment Banking.

### Saudi Home Loans (SHL)

Saudi Home Loans continued its solid performance in 2014. Leading the way in the developing home finance industry, SHL is well-positioned to capitalize on the strong and growing demand for housing loans in the Kingdom. The 2015 outlook for SHL is promising, with continued strong growth predicted, notwithstanding a more stringent regulatory framework.

## Business Review

(continued)

### ANB/ AIG/ MetLife Alico Insurance joint venture

ANB's joint venture initiative in insurance commenced the operations in mid-2014 offering general and personal lines insurance products. ANB is distributing insurance products to its customers through its 100% owned insurance agency, utilizing its broad retail branch footprint and corporate, commercial, and SME client base.

### Heavy Equipment Leasing (AHEL)

AHEL, ANB's crane and heavy equipment leasing subsidiary, continued to grow its fleet and focus on optimizing operational performance and profitability during 2014.

The company achieved profitability in 2014 through increased fleet utilization rates and operational efficiency.

### ANB Invest

In June 2014, ANB Invest rolled out the first phase of its new Order Management System (Mubasher OMS); the system aims to provide clients with easy access to the Saudi Stock Market, whilst offering many of the desired features in a customizable user interface. The revamped e-brokerage module allows clients to access and trade securely on the market, and provides them with advanced analytical tools to help them monitor their investments and returns.

Shares on the Saudi Stock Exchange (Tadawul) increased in value throughout 2014, giving investors significant returns. In addition, trading volumes went up by more than 50% relative to 2013. This was reflected in an increase in brokerage revenues.

Asset management activities were positive as assets under management increased by 12%, from SR3.77 billion to SR4.21 billion. The Company's largest fund, the Al-Mubarak SAR Trade Fund and the local equity funds beat their benchmarks significantly, as Al-Mubarak Diyar Jeddah Real Estate Fund continued its positive performance, providing a 94% cumulative return since its inception in early 2011.

### Risk Management

ANB's Risk Management Group provides the Bank with an independent and centralized risk management function. Its role is to maintain balance between risks and returns, in line with the Bank's strategic objectives. The group is also responsible for implementing the Basel Accord's capital adequacy and other related requirements. Its activities cover the following key areas:

#### Credit risk

- Establishes lending policies, risk appetite framework, stress testing policy, and concentration limits.
- Regularly assesses and reviews overall portfolio quality.
- Monitors and improves credit risk management techniques in order to implement Basel advanced approaches and other regulatory requirements.
- Performs independent risk reviews periodically to validate the effectiveness of the credit management system.

#### Market risk

- Identifies, measures, monitors, and reports market and liquidity risk using a combination of tools including rate sensitivities, gap analysis, value-at-risk and stress testing.
- Assists in managing maturity and interest rate risk profile of the Bank's balance sheet.
- Ensures that the Bank's market and liquidity risk policy and limits are in line with international best practices.
- Enhances market and liquidity risk management policies and procedures to meet regulatory requirements, which include recently updated Basel regulations.

#### Operational risk

- Develops operational risk management strategies in accordance with corporate governance standards and industry best practices.
- Promotes and enhances the effectiveness of operational risk management throughout the Bank.
- Identifies, assesses, monitors, and reports operational risks across the Bank's activities.
- Continues to work toward implementing the requirements of the Basel advanced measurement approach.

#### Business continuity

- Develops business continuity policies and procedures for the Bank in line with industry standards.
- Formulates plans to enable the Bank to quickly continue its critical operations in the event of a disruption to normal business.
- Continuously tests the Business Continuity Plan through a series of exercises across the Bank.
- Promotes awareness and understanding of business continuity among the Bank's staff.

#### Credit administration and control

- Authorizes credit disbursement and ensures compliance with approval conditions.
- Prepares and maintains custody of security documentation.
- Monitors limits and collateral coverage.
- Follows up on credit-related irregularities.
- Monitors regulatory limits and submits reports to SAMA periodically.

#### E-Banking Risk

- Manages e-Banking process and technology risks.
- Monitors the effectiveness of e-Banking risk management processes.
- Assesses the impact of internal and external risk factors on e-Banking processes.
- Coordinates the implementation of e-Banking regulatory requirements.
- Updates management on the status of e-Banking controls and compliance with regulatory requirements.

#### Financial Fraud Management

- Ensures that all parties are aware of their responsibilities for identifying exposures to fraudulent activities and for establishing preventive controls and procedures.
- Provides guidance to staff as to the action to be taken if any fraudulent activity is suspected.
- Ensures comprehensive investigation of all suspected and fraudulent activities.
- Ensures that all regulatory requirements are complied with.

### **Credit Group**

The Credit Group is responsible for assessing and reviewing the Bank's credit risk, delivering credit services to clients, and observing best risk management practices. It plays an essential role in safeguarding the sustainability of long-term profitability by balancing growth and credit quality.

### **Compliance**

ANB believes that Compliance with laws, rules and regulations is a fundamental element to its success. ANB is committed to protect its reputation and credibility; protecting shareholders and depositors and providing safeguards against sanctions. Such is achieved by compliance with applicable laws, regulations, and ethical standards. All employees are expected to conduct business and their daily tasks in compliance with these laws, regulations, and ethical standards, and management is responsible for ensuring such compliance.

The Board of ANB has a collective responsibility for managing compliance risks across the group. The management of business and support units has responsibility for managing compliance risk at a specific unit level assisted by dedicated compliance officers. ANB has established an independent Compliance and AML Division to be entrusted with compliance functions. ANB has adopted a Compliance Policy, Compliance Manual and an Annual Compliance Program to assist the business and support units effectively manage their compliance risks. This is complemented by a robust monitoring program and a regular reporting cycle to the Audit Committee, thereby providing reliable objective assurance to the Board.

### **Information Technology**

Technology plays an important role in providing innovative business solutions for launching products and services to the Banks' customers. It is being used to enhance our customers' experience and respond to their needs. Through technology-driven innovation, we have empowered our business, cut costs, and improved risk management.

Implementation of the new Order Management System was completed successfully. New features were launched in the Mobile platform and payments process was upgraded.

The Bank continues to make investments to ensure robust infrastructure for its IT platforms and is in the process of migrating some of its key technology systems to newer versions or platforms. The Bank's governance framework for IT has also been further strengthened to ensure appropriate risk management and oversight for the technology function.

### **Human Resources**

Human Resources continued its pivotal role of resourcing, developing, retaining and providing skilled professionals to the various Bank's businesses and support units. In a competitive market for skilled professionals, Human Resources has adopted a pro-active approach aimed at enhancing staff loyalty.

Human Resources attracts the right fit of bright Saudi graduates from leading local and international universities, and enroll them in its Executive Management Trainees Program.

### **Social Responsibility**

During 2014, the bank sponsored and supported a number of social events and charitable programs in various areas, including provision of aid to organizations looking after the Disabled, Cancer and Down Syndrome patients. Additionally, it sponsored various training programs, including those of the Public Pension Agency and other activities and events of a social nature.



Arab National Bank  
P.O. Box 56921  
Riyadh 11564  
Kingdom of Saudi Arabia  
Telephone: (+966) 11 402 9000  
Facsimile: (+966) 11 402 7747  
Telex: 402 660 ARNA SJ

**[anb.com.sa](http://anb.com.sa)**