

**Arab National Bank**  
Annual Report 2019



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ





# Contents

04	Chairman's Message	40	Consolidated Statement of Income
05	Financial Highlights	41	Consolidated Statement of Comprehensive Income
06	Directors' Report	42	Consolidated Statement of Changes in Equity
29	Business Review	44	Consolidated Statement of Cash Flows
33	Auditors' Report	45	Notes to the Consolidated Financial Statements
39	Consolidated Statement of Financial Position		

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**THE CUSTODIAN OF THE TWO HOLY MOSQUES**  
**KING SALMAN BIN ABDULAZIZ AL SAUD**



**HRH CROWN PRINCE, DEPUTY PRIME MINISTER,  
MINISTER OF DEFENSE**  
**PRINCE MOHAMMAD BIN SALMAN BIN ABDULAZIZ AL SAUD**



## Chairman's Message



Salah R. Al-Rashed  
Chairman

On behalf of the Board of Directors, I am pleased to present the annual report and closing accounts of Arab National Bank for the year ended December 31, 2019.

Against the backdrop of challenging market conditions, the Bank focused on sustaining long-term client relationships, tightening up risk management and maintaining a robust balance sheet, whereby the balance sheet stood at SR 183.4 billion by end-2019, an increase of 2.85% compared to the previous year.

Net income before zakat and income tax grew by 7.3% from previous year to reach SAR 3.55 billion for the year 2019. After zakat and income tax, net income reached SAR 3.02 billion compared to SAR 3.97 billion last year, an apparent decline of 23.8%, exclusively due the restatement of 2018 income to reflect changing accounting standards with respect of Zakat and income tax.

The Bank remains committed to playing its part in helping to achieve the goals as outlined in the Government Vision 2030 plan, particularly supporting and investing in those areas identified for growth i.e. personal home ownership for all Saudi citizens, large infrastructure projects under Public Private Partnership and investment in the Corporate and SME sectors.

This year saw a significant growth in the mortgage loan book, in line with the national strategy. The latter half of the year saw ANB effective participation in Aramco IPO, allowing the Bank's customer base to subscribe to the very successful initial public offering, online. Digital touch points account for 94% of customer banking transactions. Online onboarding capability of retail clients has completed and will be further extended to Corporate and SME client bases. This digital enablement re-enforced ANB's commitment to promoting digital transformation, thus improving customer experiences. Digital transformation remains a mainstay in the Bank's strategy going forward.

Risk management, compliance and corporate governance are considered of utmost importance both at board level and across the Bank in general. The continued threat posed by cyber-crime remains a very real concern. Accordingly, efforts continue to be expended to ensure robust controls

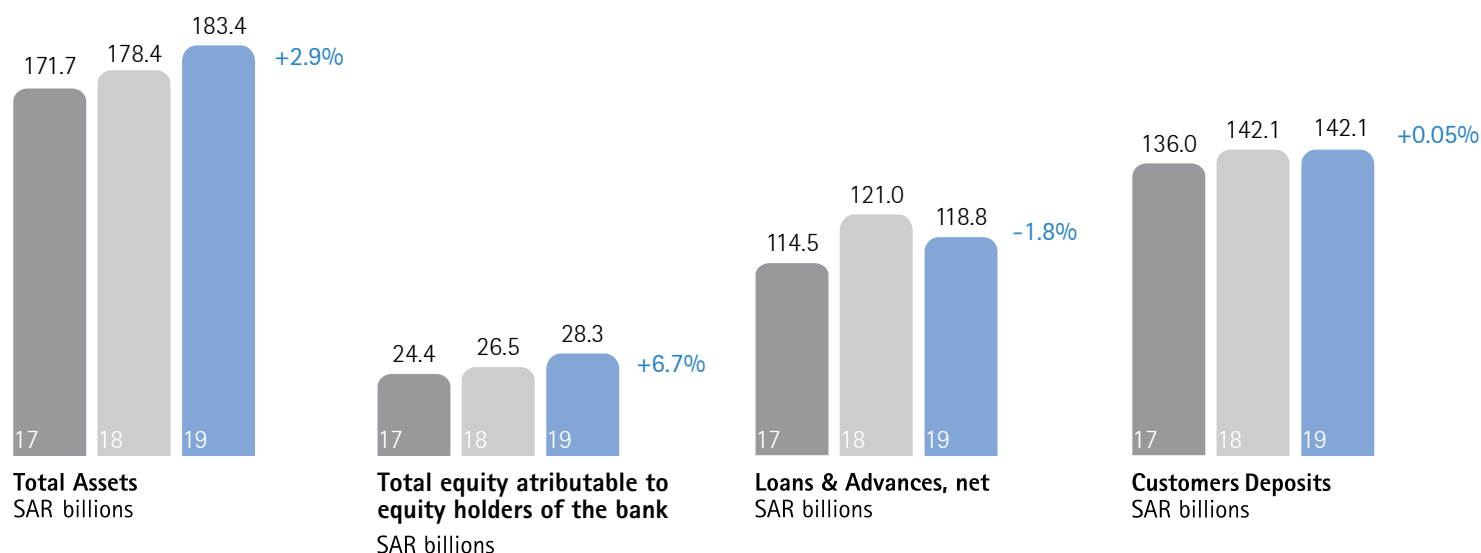
are in place to safeguard the Bank, its customers and staff alike. The Bank conducted a Business Continuity exercise that successfully switched over all business critical applications simultaneously and operated them live, from the Bank's Disaster Recovery Center. The "Business Continuity Institute" (BCI) UK, granted ANB "The Best Business Continuity Team in the Middle East" award.

Employees remain a cornerstone to the ongoing success of the Bank. This year, Saudization has increased to 93% and the female workforce climbed to 20% of the total Bank workforce. The Bank is committed to improving employee retention, by providing career development training and mentoring. It was also re-assuring to see employee efforts publicly recognized, for the second time, two years running. This was evidenced through receipt of the "Best Retail Bank in Saudi Arabia" award, from the reputed "World Finance" magazine. The magazine also named ANB Invest, the "Most Focused Brokerage House in MENA". With continued employee commitment and efforts, we look forward to the future with greater optimism.

On behalf of the Board and myself, I would like to express my thanks and appreciation to the Custodian of the Two Holy Mosques, HRH the Crown Prince, the Minister of Finance, the Governor of the Saudi Arabian Monetary Authority and the Chairman of the Capital Market Authority for their leadership and wisdom in guiding the economy during these challenging times and their continued support of the banking sector.

Salah R. Al-Rashed  
Chairman

## Financial Highlights



SAR Millions	2019	2018	2017	2016	2015
Net Commission income	5,553	5,151	4,665	4,145	3,845
Net Income Before Provisions for credit losses	4,523	4,308	4,176	3,580	3,540
Net Income Before Zakat and Income Tax	3,552	3,310	3,027	2,854	2,964
Net Income After Zakat and Income Tax	3,023	3,969	2,377	2,277	2,422
Expense to Revenue Ratio	32.7%	34.47%	35.8%	38.9%	39.0%
Return on Assets (ROA)*	2.0%	1.90%	1.80%	1.7%	1.8%
Return on Equity (ROE)*	13.0%	13.0%	12.7%	12.6%	14.0%
Investments	38,038	27,857	32,321	25,548	33,294
Loans and Advances, net	118,837	121,038	114,543	115,512	115,656
Total Assets	183,442	178,355	171,702	170,009	170,421
Customers Deposits	142,129	142,056	136,048	135,907	135,761
Total Equity attributed to equity holders of the Bank	28,308	26,520	24,370	23,235	21,894

\* Before Zakat and Income tax

**BBB+ A<sup>2</sup>**

Standard & Poor's

Moody's

**BBB+**

Fitch Ratings



Best Retail Bank  
Saudi Arabia 2019

### Disclosures under Basel III framework

Certain qualitative and quantitative disclosures are required under the Basel III framework on quarterly, semi-annual or annual basis. These disclosures are made available on the Bank's website [www.anb.com.sa](http://www.anb.com.sa). Such disclosures are not subject to audit by the external auditors of the Group.

# Directors' Report

## Directors' Report for the financial year ended December 31, 2019

### 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, 2019.

### 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 138 branches in the Kingdom of Saudi Arabia (the Kingdom) and one branch in London, UK. The Bank provides a full range of banking and financial services to its retail and corporate customers.

### Financial Results

Net income before zakat and income tax attributable to equity holders of the Bank for the year 2019 amounted to SAR 3,552 million compared to SAR 3,310 million in 2018, an increase of 7.3%.

Net special commission income increased by 7.8% to reach SAR 5,553 million compared to SAR 5,151 million in the previous year, while fees and commission income increased by 1% to reach SAR 658 million from SAR 651 million in 2018. This resulted in total operating income increased by 3% from SAR 6,535 million in 2018 to SAR 6,733 million in the current financial year.

Operating expenses before provisions totalled SAR 2,203 million compared to SAR 2,241 million in 2018, a decrease of 1.7%. The Bank continued to adopt conservative risk management policies to ensure it has sufficient provision coverage. Provision charge for credit losses amounted to SAR 971 million compared to SAR 998 million in 2018 resulting in a non-performing loans coverage ratio of 136% as at December 31, 2019.

Net profit after zakat and income tax attributable to equity holders of the Bank for the year 2019 amounted to SAR 3,023 million compared to SAR 3,969 million last year. Earnings per share amounted to SAR 2.02 compared to SAR 2.65 in 2018.

It is worth mentioning that the decrease in net profit after zakat and income tax attributable to equity holders of the Bank in 2019 resulted from the change in the accounting standards relating to zakat and income tax and not reflecting a real decrease in profits. Due to the settlement reached with the General Authority of Zakat and Tax (GAZT) in 2018 for the years 2006, 2017, a saving of SAR 1,113 million was achieved, which in turn resulted in an increase of the same amount in 2018 equity. With the change in the accounting standards for reclassifying zakat and income tax to the statement of income instead of shareholders' equity, the amount of SAR 1,113 million was recognized in the statement of income in 2018, and accordingly, the 2018 net income was amplified by the same amount to reach SAR 3,969 million after the settlement from SAR 2,856 million before the settlement.

The Bank's loan portfolio amounted at year-end to SAR 118,837 million compared to SAR 121,038 million in 2018, a decrease of 1.8%; while its investment portfolio increased to SAR 38,038 million from SAR 27,857 million in 2018, an increase of 36.5%.

Total assets and customer deposits as at December 31, 2019 amounted to SAR 183,442 million and SAR 142,129 million, respectively.

Equity attributable to equity holders of the Bank was SAR 28,308 million compared to SAR 26,520 million in 2018, an increase of 6.7%.

### Financial Highlights

SAR millions					
	2019	2018	2017	2016	2015
Loans and advances, net	118,837	121,038	114,543	115,512	115,656
Investments, net	38,038	27,857	32,321	25,548	33,294
Customers' deposits	142,129	142,056	136,048	135,907	135,761
Shareholders' Equity	28,308	26,520	24,370	23,235	21,894
Total assets	183,442	178,355	171,702	170,009	170,421
Total liabilities	155,099	151,798	146,636	146,084	147,789
Total operating income	6,733	6,535	6,378	5,854	5,781
Total operating expenses	3,192	3,236	3,375	3,025	2,862
Net income before zakat and income tax attributable to equity holders of the Bank	3,552	3,310	3,027	2,854	2,964
Net income after zakat and income tax attributable to equity holders of the Bank	3,023	3,969	2,377	2,277	2,422

### Geographical Analysis of Revenues

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

	SAR '000
Central Region*	4,453,695
Western Region	1,369,310
Eastern Region	909,833
Total	6,732,838

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



## Directors' Report



Back Row (Starting from the right): Hesham Abdulatif Al-Jabr – Dr. Bassem Ibrahim Awadallah – Dr. Robert Eid (Managing Director), Ahmed A. Al-Akeil (Deputy Chairman of the Board) – Ahmad Wazie Al Qahtani

Front Row (Starting from the right): Ziad Anwar Akrouk – Abdulmohsin Ibrahim Al-Touq – Salah R. Al-Rashed (Chairman of Board of Directors) Khaled M. Albawardi – Mohammed A. Alghanamah

### Shareholders

Saudi Shareholders 60%  
Arab Bank Plc 40%

### Executive Committee

Dr. Robert Eid – Chairman  
Salah R. Al-Rashed  
Khaled M. Saad Albawardi  
Hesham Abdulatif Al-Jabr  
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

### Risk Committee

Mohammed A. Alghanamah – Chairman  
Salah R. Al-Rashed  
Khaled M. Saad Albawardi  
Ahmad Wazie AL Qahtani  
Abdulmohsin Ibrahim Al-Touq

### Strategy Committee

Ziad Anwar Akrouk – Chairman  
Ahmed A. Al-Akeil  
Dr. Robert Eid  
Hesham Abdulatif Al-Jabr  
Ahmad Wazie AL Qahtani

# Directors' Report

## Subsidiaries and Associates

### Arab National Investment Company (ANB Invest)

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

### Arabian Heavy Equipment Leasing Company (AHEL)

A 87.5% owned subsidiary incorporated in the Kingdom of Saudi Arabia as a Saudi closed joint stock company under commercial registration No. 1010267489 issued in Riyadh on Jumada I 15, 1430H (corresponding to May 10, 2009). The company's authorised capital is SAR 1,000 million representing 100 million shares with a nominal value of SAR 10 per share, of which SAR 300 million was paid representing 30% of the company's capital as of December 31, 2018. Subsequently, AHEL's shareholders in their extraordinary general assembly meeting dated January 8, 2019 decided to cancel the unpaid shares of the authorized capital of 70 million shares of SAR 10 each with a total value of SAR 700 million, which was effected in February 2019. Accordingly, AHEL's authorized and fully paid up capital amounts to SAR 300 million representing 30 million shares of SAR 10 each as of December 31, 2019. The company is engaged in the leasing of heavy equipment and operates in compliance with Shari'ah principles. On May 6, 2014 the Bank increased its ownership percentage in this subsidiary from 62.5% to 87.5%.

### Saudi Home Loan Company (SHL)

A 40% owned associate incorporated in the Kingdom of Saudi Arabia as a Saudi closed joint stock company under commercial registration No. 1010241934. SHL's authorized and fully paid share capital amounts to SAR 1,000 million representing 100 million shares of SAR 10 each as of December 31, 2019. The company started its operations during the fourth quarter of 2007 and the Bank's share in the company is equity accounted. The company's activities is to finance the purchase of real estate products that are fully Shari'ah compliant.

### 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.

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

MetLife in its extraordinary general meeting held on April 18, 2018 approved the reduction of the share capital from SAR 350 million to SAR 180 million by reducing the number of shares from 35 million to 18 million shares of SAR 10 each to restructure its capital to offset SAR 170 million against the accumulated losses in line with the new Companies' Law. Accordingly, the company's authorized and issued capital is SAR 180 million representing 18 million shares (at a nominal value of SAR 10 per share) as at December 31, 2019, of which the Bank owns 5.4 million shares (30%).

The Company signed a binding merger agreement with Walaa Cooperative Insurance Company (Walaa) before the end of Q3 2019. The company received approvals from all relevant government and regulatory authorities including SAMA and CMA. On January 27, 2020, the merger was approved through the Extraordinary General Assemblies held by both companies. It is expected to complete the merger during the first quarter of 2020.

### ANB Insurance Agency

A wholly owned subsidiary incorporated in the Kingdom of Saudi Arabia during 2013 as a limited liability company under commercial registration No. 1010396423 issued in Riyadh dated Muharram 28, 1435H (corresponding to December 1, 2013). The company's capital amounts to SAR 500,000 consisting of 50,000 parts at a nominal value of SAR 10 per part. The agency obtained its license from the SAMA to start its activities in insurance agency and related business on Jumada I 5, 1435H (corresponding to March 6, 2014). The company acts as a sole agent for its principal, MetLife-AIG-ANB Cooperative Insurance Company.

### Al-Manzil Al-Mubarak Real Estate Financing Ltd.

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

# Directors' Report

## ANBI Business Gate Fund

The Bank owns indirectly 25.47% of ANBI Business Gate Fund (the Fund), which is a closed-ended private placement real estate investment fund launched on August 25, 2014 for a period of 5 years starting from date of closure of first offering on January 11, 2015. CMA has been informed of the offering of the Fund through letter number 8/14//411 dated Shawwal 9, 1435H (corresponding to August 5, 2014). The Fund's activity is to acquire real estate assets, an income generating real estate property located in the city of Riyadh, out of which the Fund will receive rental and hotel operating income over the Fund term. The fund's total shareholding reached SAR 950 million divided to 950,000 units and each unit value is SAR 1,000. The Fund was consolidated as a subsidiary until September 30, 2018. Effective October 2018, the Group has discontinued consolidation of the Fund in its consolidated financial statements after reassessing its control over the Fund, and after considering the Fund Board composition and other factors, and thus has accounted for the Fund as an associate. Accordingly, the Bank's share is equity accounted.

The fund tenor was extended for a period of six months ending on July 13, 2020 in accordance with the Fund Board's resolution dated December 10, 2019 which was later approved by the unitholders on December 11, 2019. Further, an exit / restructuring plan is currently under discussion and is expected to be finalized during the six-month extension period.

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

## ANB Global Markets Limited

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

## Dividend Distribution Policy

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

- 1- In accordance with 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;
- 2- The Board periodically reviews and analyzes the Bank's financial position, capital adequacy and growth projections. Accordingly, it proposes to the General Assembly whether to distribute dividends or not;
- 3- If the General Assembly decides to distribute a dividend, it will be distributed to shareholders in proportion to their shareholdings held at the eligibility date as per the dividend announcement;
- 4- The Board may also decide to distribute an interim dividend based on the Bank's financial position; and
- 5- Non-distributed earnings are transferred to the next year or to the general reserve.

The Board proposed a dividend distribution as follows:

	SAR '000
2019 net income – after zakat and income tax	3,023,235
Retained earnings from previous years	5,600,718
<b>Total</b>	<b>8,623,953</b>
Distributed as follows:	
Transferred to capital – Bonus shares	(2,000,000)
Transferred to statutory reserve	(756,000)
Net loss on derecognition of FVOCI equity	(13,834)
Total dividend distribution – Interim and proposed (40.6% of 2019 net income)	(1,226,887)
<b>Retained earnings for 2019</b>	<b>4,627,232</b>

## Future Strategic Plans

The strategy is based upon achieving a balance between Retail and Wholesale banking, supported by a prudent risk culture and a focus on selective growth opportunities so that consistent and predictable earnings can be achieved.

The strategy is closely aligned to the economic environment and has been drawn up mindful of the goals and targets contained in the Kingdom's Vision 2030. The Bank aims to be a key contributor in providing the services and products that will be an essential part of such a fundamental transformation program. Three such focus areas within the strategy are:

- Public Private Partnerships are planned for a number of key sectors such as health, transport and education and large infrastructure projects, previously funded by the government, will now be the joint responsibility of the public and private sectors. This provides significant opportunities in the project finance area and the Bank will compete for business in this sector. Vision 2030 targets foreign direct investment to grow from 3.8% to 5.7% of GDP and the Bank is investing to ensure that the right products and services are in place to assist the growing requirements of foreign investors entering the Saudi market.
- Although the initiatives related to Public Private Partnerships, Privatization and Foreign Direct Investment proceed through cautious steps, nevertheless, they are expected to provide significant opportunities over the mid-term to finance a number of large projects.
- In support of the growth of SMEs, whose contribution to GDP is expected to grow from 20% to 35%, the Bank is expanding its footprint, and range of products and services provided, via dedicated SME Centers. These centers provide customized solutions covering financing, transaction banking and account services.
- The demographics of the Kingdom of Saudi Arabia with such a young population means that the provision of affordable housing is a key focus area for Government. The Bank has completed gearing itself to provide the new services and products to support such ambitious plans. The housing portfolio is currently undergoing rapid growth.



# Directors' Report

The Strategy also recognizes that technology changes continue at an ever increasing pace, significantly impacting the Bank and its customers. A Digital Transformation Program has been initiated to reflect the dynamics of the market and the increasingly sophisticated expectations of customers. The Strategy also recognizes the challenges that technology brings for fraudulent and criminal activity and endeavors to ensure that the best technical controls are in place.

## Principal activities

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

Retail banking	: Deposit, credit and investment products for individuals.
Corporate banking	: Loans and advances, 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; and
Other	: Includes income on capital and unallocated costs and assets and liabilities of Head Office and other supporting departments.

Transactions between business segments are reported in accordance with the Group's transfer pricing system. The basis for determining the intersegment operating income/ (expenses) for the current year are consistent with the basis used for December 31, 2018. Segment assets and liabilities mainly comprise operating assets and liabilities.

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

The Group's total assets and liabilities as at December 31, 2019 and 2018 and its total operating income, expenses and net income for the years then ended, by operating segments, are as follows:

(SAR '000)

2019	Retail banking	Corporate banking	Treasury	Investment and brokerage services	Other	Total
Total assets	41,072,411	82,064,505	58,297,036	123,769	1,884,756	183,442,477
Investments in associates	-	-	-	210,533	678,582	889,115
Total liabilities	67,106,110	78,622,167	7,264,746	82,651	2,023,517	155,099,191
Operating income / (loss) from external customers	2,293,210	4,378,455	(133,582)	120,627	74,128	6,732,838
Intersegment operating income/(expenses)	456,739	(1,810,822)	1,090,431	-	263,652	-
<b>Total operating income</b>	<b>2,749,949</b>	<b>2,567,633</b>	<b>956,849</b>	<b>120,627</b>	<b>337,780</b>	<b>6,732,838</b>
Of which:						
Net special commission income	2,449,436	2,091,326	669,220	40,145	302,812	5,552,939
Fees and commission income, net	138,542	463,037	6,321	84,383	(34,552)	657,731
Impairment charges for credit losses and other provisions, net	209,031	761,565	-	-	-	970,596
Impairment charges for other financial assets, net	-	-	18,466	-	-	18,466
Depreciation and amortization	185,984	8,719	1,212	4,519	52,773	253,207
Total operating expenses	1,620,488	1,388,180	115,548	62,564	5,139	3,191,919
Share in earnings of associates, net	-	-	-	-	9,711	9,711
Net income attributable to equity holders of the Bank	1,129,461	1,179,453	841,301	32,117	(159,097)	3,023,235
Net income attributable to non-controlling interest	-	-	-	-	(1,423)	(1,423)

## Directors' Report

### Micro, Small & Medium Enterprises

Micro Small and Medium Enterprises (MSME) relationships are managed at ANB by dedicated business units catering for the financial services requirements of (i) micro & small enterprises and (ii) medium sized businesses. This bifurcation is necessary because of the different client coverage, credit underwriting and risk management / control models required for these two segments.

The target market for this Unit are businesses with an annual turnover not exceeding SAR 40 million. In addition, the Commercial Banking Division (CBD) targets business entities with a turnover between SAR 40 million to SAR 200 million. In line with evolving banking needs, some SME relationships with large and more complex financing requirements are managed by specialized units within the Division.

Establishing a meaningful presence in the MSME segment is a key strategic priority and to this end, the Bank over the past four years expanded its distribution footprint by establishing 10 dedicated MSME centers across the Kingdom covering 8 cities. ANB offers its clients a range of facilities including non-borrowing services that include Short & Medium Term Loans, Trade Services, Account Services, Internet Banking, Utility Bill Payment, Payroll Services and POS Merchant. For the Micro and Small sub-segments, Bank offers customized solutions via Product Programs to cover a wide range of financing requirements along with competitive price range.

ANB is one of the leading participants of the Saudi Industrial Development Fund (SIDF) Kafalah. The Bank is also actively engaged with the Monshaat (Government's SME Authority) in participating with their developmental programs.

The Bank envisages growth in 2020 to be challenging with increasing competition amongst Financial Institutions in the MSME segment. The Bank will continue to focus on selective industry and geographic segments and endeavor to provide innovative and relevant research based financial services solutions to the select segments. Technology including digital solutions will be a key enabler in this regard.

Building bench strength and knowledge pool is another key dependency in our strategic plan. We plan to increase our staff strength in 2020 to cater for the growing business volumes. Training needs are identified at the start of the year based on competency gaps. Individuals are then assigned to appropriate external and internal programs.

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

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

### Quantitative Disclosures

	As at December 31, 2019				As at December 31, 2018			
Details	Micro	Small	Medium	Total	Micro	Small	Medium	Total
Loans to MSMEs – on balance sheet (SAR millions)	93	1,265	5,825	7,183	96	1,082	4,473	5,651
Loans to MSMEs – off balance sheet (SAR millions)	60	796	2,214	3,070	64	760	2,455	3,279
On balance sheet loans to MSMEs as a percentage of total on balance sheet loans	0.08%	1.03%	4.77%	5.88%	0.08%	0.87%	3.62%	4.57%
Off balance sheet loans to MSMEs as a percentage of total off balance sheet loans	0.19%	2.52%	7.02%	9.73%	0.20%	2.39%	7.73%	10.32%
Number of loans (on and off balance sheet)	329	2,427	3,685	6,441	219	2,067	3,520	5,806
Number of customers (on and off balance sheet)	203	1,246	793	2,242	135	1,128	847	2,110
Number of loans guaranteed by Kafalah program (on and off balance sheet)	147	682	85	914	38	363	27	428
Amount of loans guaranteed by Kafalah program (on and off balance sheet) – (SAR millions)	67	585	239	891	15	233	81	329



# Directors' Report

## Risks encountered or that could potentially 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 Bank is mainly exposed to the following risks:

#### a – Credit risk

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

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

#### b – Market risk

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

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

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

#### 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.

Operational risks are inherent in the Bank's activities. The Bank continually strives to reduce operational risks, whenever it is beneficial or required by law and regulation, to acceptable levels.

Operational risks are managed through proactive assessment of risks/controls, root cause analysis of loss events and independent tracking of control weaknesses till satisfactory mitigation is put in place.

#### d – Regulatory and Reputation Risk

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

The regulatory risks are related to imposing penalties by regulatory and supervisory authorities resulting from non-compliance to related regulations and instructions and resulting violations. Risks are managed mainly by the Bank's Compliance and Anti-Money Laundering Group as an independent body, which is assigned to evaluate such risks and formulate the controls' framework to mitigate such risks.

## Corporate Governance in the Kingdom of Saudi Arabia

The Bank implements all the compulsory Corporate Governance rules issued by Capital Market Authority (CMA) in the Kingdom of Saudi Arabia.

### Governance Message

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

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

### Sukuk

On October 7, 2015 the Bank issued SAR 2 billion, 10 year subordinated and unsecured Tier II Capital (Sukuk), callable in 5 years. These Sukuk carry a special commission rate of SIBOR plus 140 bps.

### Share Capital

As at December 31, 2019, the authorized and fully paid share capital of the Bank consists of 1,500 million shares of SAR 10 each.

The board of directors proposed a bonus share issue of 500 million shares of SAR 10 each through transfer of SAR 3 billion and SAR 2 billion from

# Directors' Report

the statutory reserve and the retained earnings respectively, which was approved in the shareholders' extraordinary general assembly meeting held on March 27, 2019.

## 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 that comprise mainly of board members as well as Board Committees.

The Board consists of ten members. Six represent Saudi shareholders and are elected at the Shareholders' General Assembly Meeting for a term of three years, and Arab Bank PLC appointed the remaining four members. All directors can be reappointed.

The nominated Board members should possess professional skills, financial expertise, suitable qualifications and personal qualities. Further, the Board member should be of good reputation, integrity, competency, accountability and ability to carry out his duties and responsibilities as a Board member. It is essential that prior to his appointment, the nominated Board member should complete the Fitness Form issued by SAMA where the Bank obtains no-objection letter from SAMA to assure his fitness and integrity. In addition, the Bank may assure his suitability through the Saudi Credit Bureau (SIMAH) for any defaults related to the nominated Board member (this applies to the resident members).

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

Board members as at December 31, 2019 that were appointed by Arab Bank PLC were Dr. Bassem Ibrahim Awadallah, and Messrs. Mohammed A. Alghanamah, Ziad Anwar Akrouk and Dr. Robert Eid (Managing Director).

As at December 31, 2019, the Board consisted of the following members:

	Name	Position
1	Salah Rashed Al-Rashed	Chairman of the Board (non-independent)*
2	Dr. Robert Eid	Board member (executive)
3	Ahmed Abdullah Al-Akeil	Deputy Chairman of the Board (independent) *▲
4	Khaled M. Saad Albawardi	Board member (independent) *▲
5	Hesham A. Aljabr	Board member (independent) *
6	Ahmed Wazie Alqahtani	Board member (non-executive)
7	Abdul Mohsen Ibrahim Al Touq	Board member (independent) *
8	Dr. Bassem Ibrahim Awadallah	Board member (non-executive)
9	Mohammed A. Alghanamah	Board member (non-executive)
10	Ziyad Anwar Akrouk	Board member (non-executive)

\* According to the Capital Market Authority definition of independency.

▲ According to the Saudi Arabian Monetary Authority definition of independency.

## Directors' Report

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

### a- Brief description of the Board members and Board Committees members' qualifications and experiences:

Board Member	Position	Academic Qualifications	Practical Experience
Salah Rashed Al-Rashed	<ul style="list-style-type: none"> <li>- Chairman of the Board</li> <li>- Member of Executive Committee</li> <li>- Member of the Nomination and Compensation Committee</li> <li>- Member of Risk Committee</li> </ul>	Bachelor degree of Engineering from Washington University	<p>Executive manager and partner of Rashid Abdulrahman Al-Rashid and Sons Co.</p> <p>Has a wide and extensive experience in finance, business, management, commercial and industrial investment. He was a member of the Consulting Authority of the Supreme Economic Council, Board member for the Chamber of Commerce &amp; Industry, member of the Finance Committee and head of the Investment Committee. Also, he was the chairman and member of many joint stock and limited liability companies.</p>
Ahmed Abdullah Al-Akeil	<ul style="list-style-type: none"> <li>- Deputy Chairman of the Board</li> <li>- Chairman of the Audit Committee</li> <li>- Member of the Nomination and Compensation Committee</li> <li>- Member of the Strategy Committee</li> </ul>	Masters in Economics and Mathematics from Texas University, USA	<p>Has a long experience in management and banking, and attended many courses in finance, investment and projects assessment held by International Development Bank Institute, California University and JP Morgan Bank. Also, he was a lecturer at the Institute of Public Administration, general manager for the Public Investment Fund, general manager for the Real Estate Company, and Chairman of the Board for Saudi Syrian Co., Real Estate Co., and Arab Bank for Economic Development in Africa, and a Board member in a number of joint stock companies.</p>
Khaled M. Saad Albawardi	<ul style="list-style-type: none"> <li>- Board member</li> <li>- Member of Executive Committee</li> <li>- Member of the Risk Committee</li> <li>- Chairman of the Nomination and Compensation Committee</li> </ul>	Bachelor degree in Industrial Management from King Fahad University for Petroleum and Minerals	<p>Has a long experience in management, investment and trade. He was Deputy Chairman of the Board of the Chamber of Commerce and Industry in Eastern Region, Chairman and Board member of many joint stock companies, committees and social events; in addition to being the chief executive officer of Al Bawardi Group and a board member of the Ports General Authority and member for a number of committees and councils for the Eastern Region Amara.</p> <p>He occupied several board of directors positions, such as being the Board member of the Civil Aviation Authority, Railways Public Authority, member of the Consultaion Council for the Minister of Labor, Board member for the General Organization for Social Insurance (GOSI), member of the investment committee of GOSI, Board member for the Basic Chemical Industries Co. and Board member of the Arab Company for Paper Manufacturing.</p>
Hesham A. Aljabr	<ul style="list-style-type: none"> <li>- Board member</li> <li>- Member of Executive Committee</li> <li>- Member of the Strategy Committee</li> </ul>	Management and Human Sciences / (Secondary)	<p>Has extensive experience in management and investment, and a Board member at Aljabr Holding Co. and Nattily Company for Furniture and Internal Design and CEO for KIA Co. Further, he was a member of the Gulf Commercial Bank, the United Company for Gas Transportation, the Advanced Electronic Medical Limited Co. and he is a member of the Saudi Chinese Business Council and the Saudi Chinese Friendship Society. Experienced in finance and investment and attended many courses in marketing, sales and finance and attended a symposium in governance.</p>
Ahmed Wazie Alqahtani	<ul style="list-style-type: none"> <li>- Board member</li> <li>- Member of the Strategy Committee</li> <li>- Member of the Risk Committee</li> </ul>	Bachelor degree in Finance from King Fahad University for Petroleum and Minerals	<p>Member of Hassanah Investment Company owned by the General Organizaion for Social Insurance, and has a wide experience in investments.</p>

# Directors' Report

## a- Brief description of the Board members and Board Committees members' qualifications:

Board Member	Position	Academic Qualifications	Practical Experience
Abdul Mohsen Ibrahim Al Touq	<ul style="list-style-type: none"> <li>- Board member</li> <li>- Member of the Risk Committee</li> </ul>	Bachelor degree in Business Administration from King Saud University	Chief Executive Officer of Al Touq Co. and has an extensive experience in management, real estate investment, energy, communications and financial services. Member of the Young Presidents Organization and the Young Arab Leaders. He is a Board member in many leading companies inside and outside the Kingdom.
Dr. Bassem Ibrahim Awadallah	<ul style="list-style-type: none"> <li>- Board member</li> </ul>	Masters and PHD degrees in International Relations and International Economy from George Town University in USA	ANB Board member representing Arab Bank (PLC) Jordan; and he is currently the Deputy Chairman of the Board for Arab Bank (PLC) Jordan, has long experience in banking and investment. Occupied many official positions in Jordan and he was the economic consultant for the Ministry of Planning and International Cooperation.
Mohammed A. Alghanamah	<ul style="list-style-type: none"> <li>- Board member</li> <li>- Member of Executive Committee</li> <li>- Chairman of the Risk Committee</li> </ul>	Bachelor degree in Mathematics from King Saud University, Diploma in Programming	Board member of Arab National Bank representing Arab Bank (PLC) Jordan, has a long experience in banking business. He is currently the head of the Credit department in Arab Bank (PLC) Jordan.
Ziyad Anwar Akrouk	<ul style="list-style-type: none"> <li>- Board member</li> </ul>	Master of Business Administration: Finance from Syracuse University in New York, USA. Bachelor of Science Degree with Honors, in Civil Engineering from University of Leeds in England.	Currently he is Head of Group Risk, Arab Bank plc – Jordan. Also, he was Chief Executive Officer for each of Arab Bank Plc, UK, Citibank – Kuwait, Citibank – Jordan and other leadership positions in addition to being Board member for Arab Bank Plc – UK, Member of the Arab Bankers Association, London, British Bankers Association, London, Association of Foreign Banks, London, and Association of Banks in Jordan.
Dr. Robert M. Eid	<ul style="list-style-type: none"> <li>- Managing Director</li> <li>- Chief Executive Officer</li> <li>- Chairman of the Executive Committee</li> <li>- Member of the Strategy Committee</li> </ul>	PHD degree in Finance and Banking Sciences from Sorbon University in France	Has a wide experience in the banking business in a number of international banks and he is currently a Board member at Metlife-AIG-ANB Cooperative Insurance, Board member at Arab National Investment Co. and Saudi Home Loans Co; He was head of the Overseas Branches and Subsidiaries Network at National Bank of Kuwait, Managing Director at National Bank of Kuwait International in London, Deputy Board Chairman at National Bank of Kuwait (Lebanon), Board member at Qatar International Bank and board member at the Arab Bankers Association in London.
Saleh A. Al Ismail	<ul style="list-style-type: none"> <li>- Member of the Audit Committee</li> </ul>	Masters in Business Administration from Saint Edward University – Texas in USA	Member of the Audit Committee at Arab National Bank, administrative consultant and a member in a number of committees in many companies. He has a wide experience in finance, accounting, management and organization.
Mohammed A. Al Omran	<ul style="list-style-type: none"> <li>- Member of the Audit Committee</li> </ul>	Masters degree in Science from Oregon University in USA.	Audit Committee member at Arab National Bank, a Chartered financial analyst and a member in a number of committees. He has a long experience in different banking sectors inside and outside the Kingdom.

# Directors' Report

## b- Description of the Senior Executives' qualifications and experiences:

Board Member	Position	Academic Qualifications	Practical Experience
Obaid Al Rasheed	- Deputy CEO, and Head of Retail and Private Banking	- Bachelor Degree in Business Administration from San Jose State University, California, USA	Currently, he is Deputy CEO, and the Head of Retail & Private Banking at ANB. He has over 27 years of vast experience in banking industry in the Retail, Private and Public Sectors, SMEs and customer complaints and resolution departments. He is a member of key management committees (Senior Credit Committee, Asset Liability Committee (ALCO), Business Continuity, etc.). He is the Chairman of Al Arabi Heavy Equipment Lease Company (a subsidiary), and a Board member of Saudi Home Loans (an associate), Saudi Chemical Company and Dr. Sulaiman Al Habib Medical Services Group Holding Co.
Aiedh Al Zahrani	- Chief Operating Officer (COO)	- Bachelor Degree in Information Systems from King Saud University. - Certified, Six Sigma Black and Green Belt, - Certified TOGAF Architecture (EA)	He is the Chief Operating Officer (COO) at Arab National Bank. Before joining ANB, he held a number of positions at Riyadh Bank including Chief Information Officer and Deputy Vice President of Banking Solutions support. He has over 22 years of experience in the delivery of strategic management through technology integration. Member of various committees at ANB including but not limited to: Information Steering Committee, Management Executive Committee, Enterprise Risk Committee.
Kamal A. Khodr	- Head of Risk Management	- Bachelor degree in Accounting & Business Administration from Richmond University London, UK - Masters degree with concentration in Finance, Liverpool University, UK - Executive Leadership Program, Harvard Business School	Has diversified banking experience of over 25 years in Risk Management and Corporate banking. He is the Chief Risk Officer at ANB. Before joining ANB, he held senior positions at Banque Saudi Fransi and Alawwal Bank. He is a member of key management committees at ANB: Risk Committee, Operation Risk Committee and ALCO; in addition to various other committees.
Nizar Al Twaijri	- Head of Corporate Banking Group - Board member at Al Arabi Heavy Equipment & Lease Co. - Board member at MetLife-AIG-ANB Cooperative Insurance Company	- Bachelor degree in Computer Information Systems, King Saud University - Masters degree in Business Administration from University of Maine, USA.	Nizar is the head of the Corporate Bank Group at Arab National Bank. He has an experience of over 20 years in Corporate Banking in ANB. As a member in both Senior Credit Committee & ALCO, he contributed significantly in managing the Bank's credit risks. Nizar also oversees the Strategic Investments Unit in addition to his contribution to achieve the strategic objectives of subsidiaries' businesses as a member in their Boards of Directors.
Latifa Al Sabhan	- Chief Financial Officer - Member at ANB Invest Audit Committee	- Bachelor degree in Accounting & Business Administration from University of Kansas USA - Certified Public Accountant (CPA), from Illinois USA.	Has a vast experience with over 20 years of experience in the banking business. Latifa has experience in external and internal reporting, budgeting, strategic planning and expense control. A member of key management committees at ANB including but not limited to: Market Risk Policy Committee ALCO, etc. She participated in the implementation of numerous banking systems.



# Directors' Report

Four regular Board meetings were held during 2019 and were attended as follows:

Date	Attendance record	No. of Attendees
March 27, 2019	Salah Rashed Al-Rashed, Robert Eid, Ahmed Abdullah Al-Akeil, Khaled M. Saad Albawardi, Hesham Abdullatif Al-Jabr, Ahmed Wazie Alqahtani, Abdul Mohsen Ibrahim Al Touq, Bassem Ibrahim Awadallah, Mohammed A. Alghanamah, and Ziyad Anwar Akrouk.	10
June 25, 2019	Salah Rashed Al-Rashed, Robert Eid, Khaled M. Saad Albawardi, Hesham Abdullatif Al-Jabr, Ahmed Wazie Alqahtani, Abdul Mohsen Ibrahim Al Touq, Bassem Ibrahim Awadallah, Mohammed A. Alghanamah and Ziyad Anwar Akrouk.	9
September 17, 2019	Salah Rashed Al-Rashed, Robert Eid, Ahmed Abdullah Al-Akeil, Khaled M. Saad Albawardi, Hesham Abdullatif Al-Jabr, Abdul Mohsen Ibrahim Al Touq, Bassem Ibrahim Awadallah, Mohammed A. Alghanamah and Ziyad Anwar Akrouk.	9
December 16, 2019	Salah Rashed Al-Rashed, Robert Eid, Ahmed Abdullah Al-Akeil, Khaled M. Saad Albawardi, Hesham Abdullatif Al-Jabr, Ahmed Wazie Alqahtani, Abdul Mohsen Ibrahim Al Touq, Bassem Ibrahim Awadallah, Mohammed A. Alghanamah and Ziyad Anwar Akrouk.	10

An Extraordinary General Assembly meeting was held on March 27, 2019 and following are the names of Board members who attended this meeting:

No.	Name	Position
1.	Salah Rashed Al-Rashed	Chairman of the Board
2.	Robert Eid	Managing Director (executive)
3.	Ahmed Abdullah Al-Akeil	Deputy Chairman of the Board
4.	Khaled M. Saad Albawardi	Board Member
5.	Hesham Abdullatif Al-Jabr	Board Member
6.	Ahmed Wazie Alqahtani	Board Member
7.	Abdul Mohsen Ibrahim Al Touq	Board Member
8.	Ziyad Anwar Akrouk	Board Member

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

Directors who were board members or managers in other companies inside or outside the Kingdom as at December 31, 2019 were as follows:

Director	Board membership in companies (inside or outside the kingdom)
Salah Rashed Al-Rashed	<ol style="list-style-type: none"> <li>1. Saudi White Cement Company</li> <li>2. Tech Investment company</li> <li>3. Saudi Services for Electro Mechanic Works</li> <li>4. Golden Chicken</li> <li>5. Care &amp; Science Medical Co.</li> <li>6. Al-Rashid Trading &amp; Contracting Co.</li> <li>7. Al-Rashid Abetong Company</li> <li>8. Riyadh Cement Company</li> <li>9. Alrashed &amp; Al-Omran Co.</li> <li>10. Arabian Industries Company</li> <li>11. Rashed Abdulrahman Alrashed &amp; Sons Company</li> <li>12. Al Yamama Medical Company</li> <li>13. Gulf Applications Company</li> <li>14. Supply Solutions for Information Technology</li> <li>15. Development Company for Investment, Real Estate and Tourism Development</li> <li>16. Estate and Tourism Development</li> <li>17. Al Yamama Investment and Installment Company</li> <li>18. Financial Union House Company</li> <li>19. Malaz Financial Company</li> <li>20. Initiatives Information &amp; Communication Company</li> <li>21. Malath Real Estate Investment and Installment Company</li> <li>22. Installment Company</li> </ol>
Abdul Mohsen Ibrahim Al Touq	<ol style="list-style-type: none"> <li>1. Altouq Company</li> <li>2. Dar Altamleek Company</li> <li>3. Saudi Telecommunication Systems Company</li> <li>4. Altouq Holding Company</li> <li>5. Saudi Networkers Services Company Ltd.</li> <li>6. Arabian Industries Company Ltd.</li> <li>7. Steel Products Company Ltd.</li> <li>8. Eathos Ltd.</li> </ol>
Ahmed Abdullah Al-Akeil	<ol style="list-style-type: none"> <li>1. Aldrees for Petroleum Services and Transportation</li> </ol>
Khaled M. Albawardi	<ol style="list-style-type: none"> <li>1. M. &amp; A. Albawadi Co.</li> <li>2. Attken Steel Engineering Factory</li> <li>3. Attken International Co.</li> <li>4. Khaled M. Albawardi Holding Co. Ltd.</li> <li>5. International Transport &amp; Warehousing Co. Ltd.</li> <li>6. Saudi Development &amp; Export Services Co. Ltd.</li> <li>7. Eastern Gate Logistics Services Limited</li> </ol>
Hesham A. Aljabr	<ol style="list-style-type: none"> <li>1. Nattily Company for Furniture and Internal Design</li> <li>2. Al Jabr Holding Company</li> <li>3. Gulf Carton Factory</li> <li>4. Haier Home Appliances Co.</li> <li>5. Canned Beverage Factory Co.</li> </ol>
Ahmed Wazie Alqahtani	-
Dr. Robert Eid	<ol style="list-style-type: none"> <li>1. Saudi Home Loans</li> <li>2. MetLife - AIG - ANB Cooperative Insurance Company</li> <li>3. Arab National Investment Company</li> </ol>

# Directors' Report

Director	Board membership in companies (inside or outside the kingdom)
Bassem Ibrahim Awadallah	<ol style="list-style-type: none"> <li>1. Arab Bank (PLC ) (Jordan) – Deputy chairman of the Board</li> <li>2. AL Baraka Banking Group (Kingdom of Bahrain)</li> <li>3. Tomoh Advisory (United Arab Emirates) – Chief Executive Officer</li> </ol>
Mohammed A. Alghanamah	<ol style="list-style-type: none"> <li>1. Arab Bank PLC ( Jordan)</li> <li>2. Arab Bank PLC (Syria)</li> <li>3. Islamic International Arab Bank (Jordan)</li> <li>4. AB Invest (Jordan)</li> <li>5. Arab National Leasing Company (Jordan)</li> <li>6. T- Bank (Turkey)</li> </ol>
Ziyad Anwar Akrouk	<ol style="list-style-type: none"> <li>1. Arab Bank PLC (Jordan)</li> </ol>

## Principal Board Committees

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

## Executive Committee

The Executive Committee consists of the 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. 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 2019, the Executive Committee comprised of Dr. Robert Eid (Chairman), Salah Rashed Al-Rashed, Khaled M. Albawardi, Hesham Abdullatif Al-Jabr, and Mohammed A. Alghanamah.

The Executive Committee held (16) meetings during 2019, following is the attendance record for these meetings:

No.	Date	Attendance record	No. of attendees
1.	9/1/2019	Dr. Robert Eid, Salah Rashed Al-Rashed, Khaled M. Albawardi, Hesham Abdullatif Al-Jabr, Mohammed A. Alghanamah	5
2.	30/1/2019	Dr. Robert Eid, Salah Rashed Al-Rashed, Khaled M. Albawardi, Hesham Abdullatif Al-Jabr	4
3.	20/2/2019	Dr. Robert Eid, Salah Rashed Al-Rashed, Khaled M. Albawardi, Hesham Abdullatif Al-Jabr, Mohammed A. Alghanamah	5

No.	Date	Attendance record	No. of attendees
4.	13/3/2019	Dr. Robert Eid, Salah Rashed Al-Rashed, Khaled M. Albawardi, Mohammed A. Alghanamah	4
5.	27/3/2019	Dr. Robert Eid, Salah Rashed Al-Rashed, Hesham Abdullatif Al-Jabr, Khaled M. Albawardi, Mohammed A. Alghanamah	5
6.	23/4/2019	Dr. Robert Eid, Salah Rashed Al-Rashed, Khaled M. Albawardi, Hesham Abdullatif Al-Jabr, Mohammed A. Alghanamah	5
7.	14/5/2019	Dr. Robert Eid, Salah Rashed Al-Rashed, Khaled M. Albawardi, Hesham Abdullatif Al-Jabr, Mohammed A. Alghanamah	5
8.	25/6/2019	Dr. Robert Eid, Salah Rashed Al-Rashed, Khaled M. Albawardi, Hesham Abdullatif Al-Jabr, Mohammed A. Alghanamah	5
9.	16/7/2019	Dr. Robert Eid, Salah Rashed Al-Rashed, Khaled M. Albawardi, Hesham Abdullatif Al-Jabr, Mohammed A. Alghanamah	5
10.	3/9/2019	Dr. Robert Eid, Salah Rashed Al-Rashed, Khaled M. Albawardi, Hesham Abdullatif Al-Jabr, Mohammed A. Alghanamah	5
11.	17/9/2019	Dr. Robert Eid, Salah Rashed Al-Rashed, Khaled M. Albawardi, Hesham Abdullatif Al-Jabr, Mohammed A. Alghanamah	5
12.	9/10/2019	Dr. Robert Eid, Salah Rashed Al-Rashed, Khaled M. Albawardi, Hesham Abdullatif Al-Jabr, Mohammed A. Alghanamah	5
13.	30/10/2019	Dr. Robert Eid, Salah Rashed Al-Rashed, Khaled M. Albawardi, Hesham Abdullatif Al-Jabr, Mohammed A. Alghanamah	5
14.	13/11/2019	Dr. Robert Eid, Salah Rashed Al-Rashed, Khaled M. Albawardi, Hesham Abdullatif Al-Jabr, Mohammed A. Alghanamah	5
15.	27/11/2019	Dr. Robert Eid, Salah Rashed Al-Rashed, Khaled M. Albawardi, Hesham Abdullatif Al-Jabr, Mohammed A. Alghanamah	5
16.	16/12/2019	Dr. Robert Eid, Salah Rashed Al-Rashed, Khaled M. Albawardi, Hesham Abdullatif Al-Jabr, Mohammed A. Alghanamah	5

## Nomination and Remuneration Committee

The Nomination and Remuneration Committee was formed in 2010. It is comprised of three non-executive Board members: Khaled M. Saad Albawardi (Chairman) (Independent), Salah Rashed Al-Rashed and Ahmed Abdullah Al-Akiel (Independent member). The Committee has the authority to review and recommend to the Board for its approval amendments to the Bank's compensation policy and practices and submit related recommendations to the Board for its approval. The Committee also reviews the level and composition of remuneration of key executives and recommends a risk adjusted bonus pool to the Board / Executive committee for approval. Further, the Committee determines the skills and capabilities required to reinforce the Board's performance, and the Board authorizes the Committee to review the Board's structure and to evaluate its performance whenever is needed.

## Directors' Report

The Committee also ensures availability of adequate time to enable the member to perform his duties and responsibilities in addition to the individual contribution based on an approved mechanism to identify strengths and weaknesses and propose remedial actions and submit the appropriate recommendations to the Board to achieve the Bank's interests. The Committee's functions also include nomination to Board membership and to nominate senior executives through studying their qualifications and submit related recommendations to the Board.

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

The Nomination and Remuneration Committee held (6) meetings during 2019, following is the attendance record for these meetings:

No.	Date	Attendance record	No. of attendees
1.	30/1/2019	Khaled M. Albawardi, Salah Rashed Al-Rashed, Ahmed Abdullah Al-Akeil	3
2.	20/2/2019	Khaled M. Albawardi, Salah Rashed Al-Rashed, Ahmed Abdullah Al-Akeil	3
3.	27/3/2019	Khaled M. Albawardi, Salah Rashed Al-Rashed, Ahmed Abdullah Al-Akeil	3
4.	23/4/2019	Khaled M. Albawardi, Salah Rashed Al-Rashed, Ahmed Abdullah Al-Akeil	3
5.	25/6/2019	Khaled M. Albawardi, Salah Rashed Al-Rashed, Ahmed Abdullah Al-Akeil	3
6.	4/12/2019	Khaled M. Albawardi, Salah Rashed Al-Rashed, Ahmed Abdullah Al-Akeil	3

### Remunerations of Board Members' Related Committees and Senior Executives

The Bank adopts a remunerations policy (recommended by the Nomination and Remuneration Committee) and approved by the Board, which includes effective governance principles, remunerations and compensations standards, determines implementation scope, factors specifying remunerations amount and its distribution among the Groups and at individual level, and remunerations amount adjusted to risks. The Bank is committed to apply this policy upon payment with consideration to a number of practical facts that meet the Bank's interests, such as the Bank's achieved financial results and extent of growth sustainability, the Bank's non-financial performance of the different business units, extent of achieving the Bank's strategic objectives, application of a system for calculation of risk adjusted income, and evaluating the performance of management executives on the Bank's long-term performance. The Bank strives to achieve the risk adjusted income on one hand, and to maintain competent staff (vulnerable for attraction) on the other hand, with consideration to last years' remunerations and to the fact that employees' contracts do not include any future guaranteed remunerations.

#### a) Board Members' Remunerations

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

SAR '000	Fixed Remunerations						Variable Remunerations							Aggregate Total	Expenses' Allowances
	Fixed Amount	Board Meetings' Attendance Fees	Committee Meetings' Attendance Fees	In- Kind Benefits	Technical, Managerial, and Consultancy Remunerations	Remunerations for the Chairman, Managing Director, or Secretary, if a Member	Total	Percentage of the Profits	Periodic Remunerations	Short-term Incentive Plans	Long-term Incentive Plans	Granted Shares	Total		
Independent members	1,600	75	205	0	0	0	1,880	0	0	0	0	0	0	1,880	50
Non-Executive members	2,080	95	95	0	0	0	2,270	0	0	0	0	0	0	2,270	251
Executive members	400	20	80	0	0	0	500	0	0	0	0	0	0	500	85

# Directors' Report

Note that the remunerations for the Board Committees represent attendance fees of SAR 310 thousand for the Executive Committee, SAR 30 thousand for the Remunerations and Compensations Committee, SAR 20 thousand for the Strategy Committee and SAR 20 thousand for the Risk Committee.

## b) Remunerations of Audit Committee Members

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

	SAR '000		
	Fixed remunerations other than attendance fees	Attendance fees	Total
Chairman of the Audit Committee (from inside the Board)	200	45	245
Audit Committee members (from outside the Board)	400	90	490
<b>Total</b>	<b>600</b>	<b>135</b>	<b>735</b>

## c) Senior Executives' Remunerations

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

SAR '000											
Fixed Remunerations due for 2019				Variable Remunerations – actually paid in 2019						End of Service Benefits	Total
Salaries	Allowances	In- Kind Benefits	Total	Periodic Remunerations	Profits	Short-term Incentives	Long-term Incentives	Granted Shares	Total		
17,604	3,923	-	21,527	23,705	-	-	2,050	-	25,755	1,898	49,180

## Audit Committee

The Audit Committee assists the Board in reviewing the effectiveness of the Bank's internal control processes, ensures accuracy and correctness of the Bank's financial statements, closing accounts and adherence to the regulatory requirements and accounting standards. The Audit Committee also approves the annual review plans of the Internal Audit Division and the Compliance and Anti-Money Laundering Group, assesses the results of their work and ensures the existence of control processes that ensure proper implementation of the Bank's procedures. The Committee studies the risk group reports, discuss them with concerned officials and make relevant recommendations.

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

The Committee is comprised of three independent members, out of which the chairman is a board member and two non-board members. The Committee meets regularly with the Managing Director, Chief Financial Officer, Head of Internal Audit, Head of Compliance and Anti-Money Laundering Group, Head of Risk Management Group, External Auditors and other members of the management team as may be required for discussions and deliberations. The Committee discusses its annual report with the Board at the end of the year.

During 2019, the Audit Committee comprised & Ahmed Abdullah Al-Akiel (Chairman / Deputy Chairman of the Board - Independent Board member), Mr. Saleh A. Al- Ismail and Mr. Mohammed A. Alomran (members from outside the Board).

## Directors' Report

The Audit Committee held (9) meetings during 2019, following is the attendance record for these meetings:

No.	Date	Attendance record	No. of attendees
1.	21/1/2019	Ahmed Abdullah Al-Akiel, Saleh A. Al- Ismail, Mohammed A. Alomran	3
2.	19/2/2019	Ahmed Abdullah Al-Akiel, Saleh A. Al- Ismail, Mohammed A. Alomran	3
3.	22/4/2019	Ahmed Abdullah Al-Akiel, Saleh A. Al- Ismail, Mohammed A. Alomran	3
4.	29/4/2019	Ahmed Abdullah Al-Akiel, Saleh A. Al- Ismail, Mohammed A. Alomran	3
5.	22/7/2019	Ahmed Abdullah Al-Akiel, Saleh A. Al- Ismail, Mohammed A. Alomran	3
6.	24/7/2019	Ahmed Abdullah Al-Akiel, Saleh A. Al- Ismail, Mohammed A. Alomran	3
7.	21/10/2019	Ahmed Abdullah Al-Akiel, Saleh A. Al- Ismail, Mohammed A. Alomran	3
8.	18/11/2019	Ahmed Abdullah Al-Akiel, Saleh A. Al- Ismail, Mohammed A. Alomran	3
9.	2/12/2019	Ahmed Abdullah Al-Akiel, Saleh A. Al- Ismail, Mohammed A. Alomran	3

### Strategy Committee

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

- Mr. Ziyad Anwar Akrouk (Chairman);
- Mr. Ahmed Abdullah Al-Akiel;
- Dr. Robert Eid;
- Mr. Hesham Abdullatif Al-Jabr; and
- Mr. Ahmed Wazie Alqahtani.

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, communication and integration of the Bank's strategic plan and its consistency with current conditions with consideration to the future expectations. The Committee sets forth the process of strategy implementation and monitoring.

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

The Strategy Committee held one meeting in 2019, dated March 27, 2019; and following is the attendance record for this meeting:

Date	Attendance record	No. of attendees
27/3/2019	Ziyad Anwar Akrouk, Ahmed Abdullah Al-Akiel, Dr. Robert Eid, Hesham Abdullatif Al-Jabr, Ahmed Wazie Alqahtani	5

### Risk Committee

The Board formed a risk committee consisting of the following 5 members:

- Mr. Mohammed A. Alghanamah (Chairman)
- Mr. Salah Rashed Al-Rashed
- Mr. Khaled M. Saad Albawardi
- Mr. Ahmed Wazie Alqahtani
- Mr. Abdul Mohsen Ibrahim Al Touq

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 is exposed, e.g. credit, market, liquidity, and operational risks.
- Ensuring that the Bank has well-defined risk management policies covering all key risks inherent to its activities.
- Review assessment Head of Risk Management and require management to ensure that the staff involved in risk management possesses sound expertise and knowledge to discharge their responsibilities as required.
- Ensuring that the Bank's credit and market risks exposures are maintained at prudent levels.

The Risk Committee held two meetings during 2019, following is the attendance record for these meetings:

No.	Date	Attendance record	No. of attendees
1.	14/5/2019	Mohammed A. Alghanamah, Salah Rashed Al-Rashed, Khaled M. Saad Albawardi, Abdul Mohsen Ibrahim Al Touq	4
2.	16/12/2019	Mohammed A. Alghanamah, Salah Rashed Al-Rashed, Khaled M. Saad Albawardi, Ahmed Wazie Alqahtani, Abdul Mohsen Ibrahim Al Touq	5



# Directors' Report

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

### 1- Major Shareholders

	At beginning of year January 1, 2019		change during the year		At end of year December 31, 2019	
Name	Number of shares	Ownership %	Number of shares	Change %	Number of shares	Ownership %
Arab Bank PLC	400,000,000	40.00	200,000,000	50	600,000,000	40.00
General Organization for Social Insurance (GOSI)▲	121,648,347	12.06	52,017,619	43	173,665,966	11.57
Rashed Abdul Rahman Al-Rashed and Sons Co.	99,685,430	9.97	49,842,715	50	149,528,145	9.97
Al-Jabr Investment and Real Estate Co	56,542,095	5.66	28,271,047	50	84,813,142	5.66

▲ The total shares of the General Organization for Social Insurance includes the shares of Hassanah Investment Company (65,496,043 shares) which is wholly owned by the General Organization for Social Insurance.

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

	At beginning of year January 1, 2019		change during the year		At end of year December 31, 2019	
Name	Number of shares	Ownership %	Number of shares (***)	Change %	Number of shares	Ownership %
Salah Rashed Al-Rashed	9,882	0.00	4,941	50	14,823	0.00
Ahmed Abdullah Al-Akeil	147,982	0.01	73,990	50	221,972	0.01
Khaled M. Saad Albawardi	33,307	0.00	16,653	50	49,960	0.00
Hesham Abdullatif Al-Jabr	12,014	0.00	6,007	50	18,021	0.00
Abdul Mohsen Ibrahim Al Touq	200	0.00	100	50	300	0.00
Ahmed Wazie Alqahtani*	-	-	-	-	-	-
Ziyad Anwar Akrouk**	-	-	-	-	-	-
Mohammed A. Alghanamah**	-	-	-	-	-	-
Robert Eid**	-	-	-	-	-	-
Bassem Ibrahim Awadallah**	-	-	-	-	-	-
Obaid A. Al Rasheed	28,500	0.00	14,250	50	42,750	0.00
Relatives of Zuhair S. Al Herbish	70,200	0.00	35,100	50	105,300	0.00

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

\* Represents GOSI and do not own any shares in Arab National Bank.

\*\* Board members representing Arab Bank PLC do not own any shares in Arab National Bank.

\*\*\* The change that took place during the year was a result of the bonus shares at the rate of 50% due to the increase of the Bank's capital through transfers from retained earnings and statutory reserve.

# Directors' Report

## Internal Control Framework

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

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

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

The Compliance and Anti-Money Laundering Group works closely with the Risk Management Group and other control bodies in order to establish an effective control framework through its duties and responsibilities under the programs of Compliance and Anti-Money Laundering that sets out its planned activities such as the implementation and review of specific policies and procedures, compliance risk assessment, and establishing a strong compliance culture among employees, and submitting relevant reports to the Audit Committee who in turn assesses those programs and sets out relevant recommendations.

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

Management has adopted Internal Controls integrated framework as recommended by SAMA through its guidelines on Internal Controls. Audit Committee also receives quarterly updates on the Internal Controls Gaps from Internal Audit Department of the Bank through the Audit reports that were issued. The updates include description of the internal controls gaps noted and the corrective action plan to adequately address by the Management.

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

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

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

Minutes of the Audit Committee meetings and results of its works in 2019 submitted to the Chairman of the Board included the main observations and recommendations to rectify them. The Committee, through its follow up of the performance of the internal audit division and other related departments and being informed of the different internal controls procedures' reports in the Bank; mainly the reports of Internal Audit, Risk Management Group, Compliance and Anti-Money Laundering Group and external audit reports during 2019 as well as other reports required by the Committee from time to time in relation to the activity of some departments to look into some of the work's aspects and related results, and in light of the meetings with the Bank's Chief Executive Officer and other concerned departments' officials and discussion with them on the contents of such reports and performance of their sectors; as well as its meetings with the Head of Information Technology Group, Head of Information Security, and representatives of the external auditors during this year, whereby the meetings held totaled (4) in 2019; thus, the Committee concluded that the Bank's internal control environment reflects the effectiveness of its internal control procedures and that it is in continued improvements to meet changes in business needs and responding to future developments. Further, the Committee concluded that other than what was indicated in the Committee's minutes and reports, the Committee is not aware of any significant comments that require disclosure. The corrective procedures for violations (if any) are being resolved on the spot under follow up and close supervision by internal audit division.

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

# Directors' Report

## Communication with Shareholders

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

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

Date of request	Reason for request	No. of requests
3/2/2019	File for reports and control	1
26/3/2019	File for General Assembly	1
27/3/2019	File for annual dividend distribution	1
9/6/2019	File for reports and control	1
14/7/2019	File for semi-annual dividend distribution	1
8/9/2019	File for reports and control	1
13/10/2019	File for reports and control	1
10/11/2019	File for reports and control	1
23/12/2019	File for reports and control and year-end report	1
31/12/2019	File for pledges and information on mortgages	1
File for reports and control		10

## Credit Ratings

During 2019, the Bank's credit ratings granted by prominent international credit rating agencies were as follows:

Standard & Poor's	BBB+
Moody's	A2
Fitch Ratings	BBB+

## 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.

## Human Resources

Total number of staff at the end of 2019 was 4,170 compared to 4,132 at the end of 2018. The Saudization ratio at the end of 2019 was 89%.

## Donations and Social Responsibilities

The Bank recognizes its role toward the society. In order to achieve a positive contribution outside its principal scope of business, and consistent with the Kingdom's Vision 2030, the Bank executed a number of initiatives and various activities in the main areas of social responsibilities during 2019.

In the field of community support and health care, the Bank provided a contribution in excess of SAR 9 million to the establishment of Tamayuz Autism Center in Riyadh to evolve into a major specialist referral center for all autism centers across the Kingdom. The Bank also extended financial support to the: Charitable Health Society for Patients Care (EYLAGY), Saudi Parkinson's Patients Society, and Down's Syndrome Charitable Association (DSCA). It also contributed to the Breast Cancer Early Detection Awareness Campaign.

In the area of community support, society development and responsiveness to societal causes, the Bank provided charitable donations to a number of licensed charities enabling them to achieve their objectives and these including: Al-Nahda Philanthropic Society for Women, Saudi Alzheimer's Patients Association, Adults Motor Disability Association (HARAKIA) and Alahsa Disabled Association, in addition to a donation of more than SAR 2 million to "Furejat" Initiative to release 29 military officers serving jail sentence on grounds of insolvency.

In the field of culture, the Bank supported the third season of the "Saudi Awards Program" which focuses on the culture, history, geography and heritage of the Kingdom, and financed the awards to contestants. In addition to its support to the Seventh Eastern Coast Festival for Sea Heritage which sheds light on the identity of the province, portrays its ancient culture and heritage, and creates job opportunities for local citizens. The Bank also contributed to the sponsorship and support of Eid Al-Fitr festival and events in Riyadh to entertain citizens and residents in the Kingdom's capital, bring happiness, cheerfulness and good feelings into their lives.

In the area of environmental protection, and in line with its support efforts aiming to improve environmental standards, the Bank provided financial support to the Arab Urban Development Institute's (Suitable forestation for Makkah's Central Zone and the Holy Sites) Seminar held in Makkah to fight pollution and exchange ideas and perspectives on suitable plants and trees for Makkah Region and the Holy Sites, with a view to provide ideal climatic conditions for pilgrimage and Umrah goers.

With respect to the economic field, and in line with its endeavours to contribute to the development of the national economy, the Bank continued its support of Al-Ahsa Investment Forum to promote and show case investment opportunities in Al-Ahsa, and shed light on the most significant advantages and capabilities of the region. The Bank also participated in the support of the Saudi Emerging Companies Forum held in Riyadh which aims to bring together owners of emerging companies, entrepreneurs and innovators with individual investors and investment funds.

## Directors' Report

With regard to Saudization and to support national cadres, the Bank exerts relentless efforts to saudize jobs and provide attractive job opportunities for Saudi nationals in line with the exceptional care accorded to Saudi youth by the sagacious government, and the commitment to the National Transformation Program which aims to support and empower women, increase their participation and contribution to development. The Bank prides on reaching an overall 93% Saudization ratio, of which 20% are ladies.

In continuation to its investment in human resources and preparing them to meet the market requirements, the Bank entered into an agreement with MISK Academy operating under the aegis of Prince Mohammed Bin Salman Charitable Foundation (MISK FOUNDATION) pursuant to which the Bank supported a number of specialist training programs launched by MISK to train and qualify around 300 male and female Saudi youth, groom them for the labor market and provide them with advanced technology skills.

In addition, the Bank participated in supporting the "Step Ahead Career Fair" in Riyadh targeting female job seekers regardless of specialty or age, as well as the "Graduate and Employment Day" that took place at the Institute of Public Administration in each of Riyadh, Jeddah and Dammam, and the "Career Day" at King Fahad University of Petroleum and Minerals.

### Statutory Payments

Statutory payments during the year 2019 were as follows:

	SAR in Millions
Zakat attributable to Saudi shareholders	249
Income tax payable by the non-Saudi shareholders	280
GOSI	58
Withholding tax	8

### Penalties and Regulatory Restrictions

Some immaterial penalties were charged during 2019 as a result of operational activities. The details of these penalties are as follows:

#### Saudi Arabian Monetary Authority's penalties:

Subject of Violation	SAR '000			
	Prior Year 2018		Current Year 2019	
	Number of Penalties	Total Amount of Penalties	Number of Penalties	Total Amount of Penalties
Violation to SAMA instructions	13	1,315.0	10	3,597.5
Violation to SAMA instructions related to customer protection	-	-	1	20.0
Violation to SAMA instructions related to exerting due diligence	-	-	-	-
Violation to SAMA instructions related to level of ATM / POS performance	2	910.0	-	-
Violation to SAMA instructions related to exerting due diligence on Anti-Money Laundering (AML) and CTF	1	150.5	-	-

#### Other Penalties

Name	SAR '000				
	Prior Year 2018		Current Year 2019		
	Number of Penalties	Total Amount of Penalties	Number of Penalties	Total Amount of Penalties	Subject of Violation
Penalties by GAZT	-	-	2	26,589	Delay in settlement of the GAZT dues
Penalties by Municipalities and Regions Amanat	21	801	27	732	Violation to license
Penalties by the Ministry of Interior	2	40	-	-	
Penalties by SADAD Company	3	24	-	-	

# Directors' Report

## Protective Actions to Remedy Violations:

The Bank is keen to adhere to Regulatory and Supervisory Authorities' instructions and regulations, and the Bank has control bodies assigned to set forth the protective measures to mitigate violations and avoid its repetition in coordination with the concerned bodies. The Bank, promptly evaluates the violations and study the reasons thereof and set up the necessary corrective plans and follow them up with the concerned departments. The main methods to remedy violations and avoid repetition in the future include the following:

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

## Conflicts of Interests

Following is a statement of the related parties' transactions as shown in the 2019 consolidated financial statements which include any contract in which any member of the Board or any of their affiliates has or had any material interest, in addition to the facilities granted to some Board members. All these facilities are governed by SAMA instructions which stipulate that all facilities offered to non-banking parties should be fully guaranteed.

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

## Related Party Transactions

a) The balances as at December 31, 2019 resulting from such transactions included in the consolidated financial statements are as follows:

	SAR '000
Due from banks and other financial institutions	46,650
Due to banks and other financial institutions	1,356,849
Commitments and contingencies	1,722,960
<b>Directors, key management personnel, other major shareholders and their Affiliates:</b>	
Loans and advances	7,066,534
Customers' deposits	11,755,608
Commitments and contingencies	2,253,916
<b>Bank's mutual funds:</b>	
Investments	67,676
Loans and advances	1,163,781
Customers' deposits	584,281
<b>Associates:</b>	
Investments in associates	855,186
Loans and advances	2,650,413
Customers' deposits	52,153
Commitments and contingencies	47,543

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

b) Income and expenses transactions with related parties included in the consolidated financial statements for the year ended December 31, 2019 are as follows:

	SAR '000
Special commission income	381,708
Special commission expenses	(324,950)
Fees and commission income	58,535
Share in earnings of associates, net	9,711
Directors' remuneration	(6,935)
Insurance contracts	(825)



# Directors' Report

Miscellaneous expenses for the year 2019 are detailed as follows:

			SAR '000
Nature of item	Related party	Duration	Amount
<b>Rent expenses of branches and ATMs</b>			
Al Rashed compound branch – Khobar	Al – Rashed Trade and Contracting Co. Ltd. (related party: Salah Al-Rashed – Chairman of the Board)	Annual	799
Spaces for (5) ATMs in Al Rashed compound, Khobar		Annual	317
Al-Mubaraz branch – Al Ahsa	Al-Jabr Investment and Real Estate Co. (related party: Hesham Abdullatif Al-Jabr – Board member)	3 years ending on 31/8/2020	240
Al Jubail Albalad branch		9 years ending on 31/5/2026	788
ATM location in Al-Mubaraz		3 years ending on 30/6/2020	48
ATM location: Takhassusi – Aroba street	Rashed Abdrahman Al-Rashed and Sons' Company (related party: Salah Al-Rashed – Chairman of the Board)	5 years ending on 30/4/2023	45
Business Gate branch	Riyadh Business Gate Co. (related company)	5 years ending on 30/9/2022	759
<b>Total rent expenses of branches and ATMs</b>			<b>2,996</b>
<b>Labor expenses</b>	Al Khaleej Training and Education Co. (related party: Salah Al-Rashid- Chairman of the Board)	As needed	<b>36,678</b>
<b>Expenses of maintenance and purchases of money counting machines</b>	Abana Projects Company (related party: Salah Al-Rashed – Chairman of the Board)	Purchase as needed	<b>891</b>
<b>Expenses of stationary and binding machines</b>	Al Hilal Company owned by Al Touq Holding Company (related party: Abdul Mohsen Ibrahim Al Touq – Board member)	Purchase as needed	<b>1,875</b>
<b>Expenses of calendars and plastic files</b>	Saudi Technical Company for Plastic (related party: Kamal Amin Khodr- a senior manager)	Purchase as needed	<b>131</b>
<b>Total</b>			<b>42,571</b>

c) The total amount of compensation paid to key management personnel during the year ended December 31, 2019 is as follows:

	SAR '000
Short-term employee benefits (Salaries and allowances)	59,273
Post-employment benefits (End of service indemnity and social security)	7,040

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

# Directors' Report

## ANB Code of Conduct

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

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

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

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

## Accounting Standards

The Bank prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants (SOCPA). The Bank also prepares its consolidated financial statements to comply with the requirements of the Banking Control Law, the Provisions of the Regulations for Companies in the Kingdom and the Bank's by-laws. There are no significant differences to the accounting standards issued by the Saudi Organization for Certified Public Accountants (SOCPA), except what was stated in note 2(a) to the consolidated financial statements for the year ended December 31, 2019.

## External Auditors

In its meeting held on March 27, 2019, the Extraordinary General Assembly appointed Messrs. Ernst & Young and Deloitte and Touche as external auditors of the Bank for the year 2019.

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

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

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

Board of Directors  
February 19, 2020

## Business Review



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

2019 saw the weakest pace in global economic growth since the financial crisis over a decade ago. Uncertainty associated with rising trade barriers impacted business activity internationally, in some instances amplifying economic slowdowns already underway. ECB & US Federal reserve, along with other Central Banks, cut interest rates in response to weaker growth. The slowdown of the global economy could have an impact on the Kingdom through weaker oil prices. However, this is expected to be softened by the dynamics of government and private sector initiatives, particularly in the area of housing and privatization initiatives, underlined by the recent IPO of Aramco.

The Bank continued to focus on balanced growth and tight cost control, resulting in a strong 2019 performance, with net income, before zakat and tax, growing by 7.3% to reach SAR 3.55 billion. On the other hand, net income after zakat and income tax reached SAR 3,02 billion compared to SAR 3,97 billion last year. It is worth mentioning that the decrease in net profit after zakat and income tax in 2019 resulted from the change in the accounting standards relating to zakat and income tax and not reflecting a real decrease in profits. Due to the settlement reached with the General Authority of Zakat and Tax (GAZT) in 2018 for the period 2006-2017, a saving of SAR 1.11 billion was achieved, which in turn resulted in an increase of the same amount in 2018 equity. With the change in the accounting standards for reclassifying zakat and income tax to the statement of income instead of shareholders' equity in 2018, the amount of SAR 1.11 billion was recognized in the statement of income. Accordingly, the 2018 net income was amplified by the same amount to reach SAR 3.97 billion after the settlement from SAR 2.86 billion before the settlement.

Total balance sheet grew modestly to reach SR 183.4 billion by year-end 2019.

### Consumer Bank

The Consumer Bank continues to grow its key customer segments using innovative and competitive product offerings, helping underpin customer acquisition. Introducing innovative product features, enhancing processes, continuous benchmarking with competition, and maturing relationships with REDF/MOH resulted in a significant increase in the mortgage portfolio. Retail deposits remained stable, against the backdrop of steady liquidity in the market, despite continued government debt issuance.

The Bank has a total of 287 outlets: 137 male branches, 38 female branches, 11 sales centers, 87 remittance centers, 10 SME centers and 4 corporate

branches. The physical presence of the Bank is complemented by the ever-increasing self-service capabilities enabling 24x7 banking for more convenient banking.

The digital branches offer customers a wide range of self-service and assisted self-service features allowing them to perform cash and non-cash transactions at their convenience. The rollout of further digital branches across the Kingdom is currently in progress, to satisfy customers' demand for an advanced self-service. Customers can now obtain debit cards and statements using biometric validation through digital branches.

Continuous enrichment of digital services will always remain at the epicenter of the digital strategic roadmap. As a testament to this, Sahim IPO portal, developed on the new digital platform, was widely praised among Bank customers who used the application to successfully subscribe to Aramco IPO. In addition, the launch of 'Online Account Opening' successfully attracted new customers to the Bank. In the very near future, all mobile banking services will be migrated to the new digital platform, rich with additional features to improve the customer journey, with the objective of placing the Bank amongst the top Digital Banks operating in the Kingdom.

Enhancing the Contact Center platform with new and improved services has increased the number of customers using Interactive Voice Response system (IVR), and has allowed them to apply for asset products via the platform. The Bank intends to extend its social media capabilities and further improve customer support.

Cash transactions on ATMs continue to show year-on-year increase, helped by improved ATM availability via an ATM network exceeding 1,240. Additional services are also being added on a regular basis thus facilitating cross-selling capabilities.

The Bank launched the digital wallet (Apple Pay and Mada Pay), offering card holders the ability to pay for goods and services, using their mobile devices; in addition to launching ANB co-branded Signature credit card along with two super premium credit cards to meet the expectations of the high net worth customers. By simplifying the fulfillment process and enhancing customer lifecycle management, there has been significant increase in credit card activity, where online purchase transactions has increased by 7.33% and POS transaction by 7.64% (average ticket size spend increased by 10.75%).

The Consumer Credit Advisory Unit provides guidance and financial awareness to customers seeking advice related to Consumer Credit Products. Additionally, customers applying for Real Estate Finance are contacted by an advisor who provides them with clear information and advice regarding their responsibilities, obligations, product risks, terms and conditions thereby assisting the customers in making informed decisions before committing to the product.

The reputed international World Finance magazine awarded the Bank with the "Best Retail Bank in Saudi Arabia – 2019", for the second year in a row.

This acknowledgment is the result of persistent efforts of Bank staff and the Bank's willingness to invest in innovative technology that matches suitable products via appropriate delivery channels to offer products and services that specifically cater for the needs of a versatile customer base.

## Business Review

### Private Bank

The Private Bank continues to provide High Net Worth clients with a comprehensive range of customized banking and investment products to meet their specific needs.

A team of dedicated and highly skilled Relationship Managers are deployed to deliver a sophisticated suite of wealth management products and services.

### London Branch

ANB presence in London is seen as an important strategic and international outlet for the Bank and its customers with the selective growth seen in recent years continuing throughout 2019.

The focus remains on Saudi-centric business in Private Banking, Trade Finance, Corporate Banking and Treasury and in particular UK residential and commercial Real Estate sectors, which represent an important attraction to Saudi investors. 2019 saw the introduction of online / mobile enquiry capabilities for London Branch customers, thus improving customer digital experience.

### Corporate Bank

The Corporate Bank provides comprehensive relationship coverage, to ensure quality services and responsiveness to its corporate customer base. It offers a wide range of conventional and Shariah compliant banking products and solutions to its customers. The Working Capital, Term Loans, Project Financing, Trade, Cash Management & Treasury products and services are supported by excellence in service and client relationship management through dedicated relationship teams and product specialists.

The Corporate Bank's business growth continues to reflect market conditions. The Corporate Bank operates within the boundaries laid down in the Bank-wide conservative risk appetite. This ensures that lending guidelines match enhanced risk assessment standards and that the portfolio is managed prudently, ensuring strength and diversity across a broad spectrum of industries and groups. It has maintained a low level of non-performing loans and continued to adopt prudent banking practices. The Bank continues to earn the trust and confidence from its corporate clients, by consistently supporting and building long-term relationships. Its objectives include support for the development of major projects of strategic importance, within the Kingdom's Vision 2030, by pro-actively tracking the progress of various related initiatives and exploring business opportunities, to support such initiatives.

In order to best service its customer base, the Corporate Bank is increasingly implementing enhanced digital banking services for efficient transaction processing, online information and a unique customer experience, particularly in the areas of Transaction Banking and Trade Finance. As part of digitizing services, the Corporate Bank looks to building a completely paperless environment for customer account opening & transaction processing. In further aligning with Vision 2030 strategy, which encourages a move towards a cashless society, the Bank is focused on promoting services covering eCommerce, eWallets

& offering POS services, which has expanded terminal numbers to over 19,000, serving more than 3,800 merchants.

### Commercial Bank

Through the three Regional Offices in Riyadh, Jeddah and Khobar, the Commercial Bank continues to build long-term relationships with customers and hold a well-defined and profitable mid-market franchise. This is achieved through teams of dedicated and industry-specialist relationship officers having the appropriate knowledge to meet the customers' specific needs.

The Commercial Bank continues to deliver a diverse range of banking products and services to satisfy clients' requirements.

### Small and Medium Enterprises (SME)

In alignment with Vision 2030, SME customers have become strategically important to the Bank. The Bank remains committed to establishing a meaningful presence in the underserved SME segment and to become a leading provider of financial solutions to SMEs.

The Bank is an active participant in the Kafakah Program and also works closely with Monshaat (Government's SME Authority), participating in their various developmental programs and initiatives.

The Bank serves SME clients through dedicated centers located in 10 key cities across the Kingdom. Specific research-based products have been developed for SMEs covering their borrowing, deposit and transactional banking requirements.

### Islamic Banking

The Islamic Banking Division develops and supports Islamic banking services. It provides a variety of key services to the business units as follows:

**Product & Business development:** Develops Shariah-compliant products that provide financial solutions to customers. It also coordinates with all business segments in the Bank and supports them with the identified market segments / individual opportunities for Islamic banking.

**Shariah Audit:** Reviews the activities of business units and affiliates to ensure compliance with Shariah Board guidelines. During 2019, Shariah Board reviewed Shariah audit quarterly reports.

**Shariah Advisory & Shariah Board Secretariat:** Respond to all enquiries related to Shariah-compliant products and services from all business segments in the Bank. It also coordinates and arranges the Shariah Board meetings and reports any relevant Board level decisions to the concerned departments. During 2019, Shariah Board approved a number of new products and transactions.

**Training:** Trains Bank employees in Islamic banking and Shariah-compliant products. During 2019, around 50 Retail and Private banking staff were trained in these regards.

# Business Review

**Branch conversion:** During 2019, 2 branches were opened as dedicated Islamic branches. In total, 169 branches, including 38 ladies sections, representing 96% of the Bank's retail branch network, are now dedicated to providing Shariah-compliant products and services.

## Treasury

Despite challenging market conditions, Treasury reported a solid performance in 2019 due to its strategic investment decisions and pro-active management of interest rates, which resulted in improved investment returns and effective liquidity and interest rate management. This was enhanced by efficient management of the Bank's funding requirements. Treasury continues to provide support to various banking activities with a comprehensive product offering.

## 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 continues to be a leader in developing home finance products posting a satisfactory 2019 performance in a changing and challenging market. By year-end, the loan book was in excess of SAR 4.2 billion, financing a total of around 6,900 units.

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

During 2019, the Bank's joint venture with AIG and MetLife-Alico, which offers general and personal lines of insurance products, decided to pursue a merger strategy, selecting one of the top performing insurance companies, Walaa Cooperative Insurance Company. The merger process, having secured all regulatory and shareholder approvals, is expected to complete during Q1 2020.

### Al Arabi Heavy Equipment Leasing (AHEL)

AHEL, the crane and heavy equipment leasing subsidiary, continued to focus on optimizing operational performance during 2019 against a backdrop of a very competitive construction and contracting market.

### ANB Invest

2019 witnessed the inclusion of the Saudi Stock Market in the MSCI emerging market Index and the FTSE Russell index. Revenue earned from the brokerage business, remained steady during the year and picked up with the trading of Aramco shares. The main generator of brokerage revenue is commissions earned on shares traded on the Saudi Stock Exchange (Tadawul & NOMU), in addition to income generated from margin trading activities.

Business exhibited strong results in its investment banking and advisory line, focusing on Debt Arranging, Secondary Market Purchase of Assets, and Ongoing Support for Structuring. These generated SAR 21 million Saudi Riyals in 2019.

## Risk Management

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, risk management policy, stress testing policy, and concentration limits.
- Regularly assesses and reviews overall portfolio quality.
- Monitors and improves credit risk management techniques with a view to adopting industry best practices and complying with regulatory requirements.
- Performs independent risk reviews periodically to validate 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 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 Bank activities.
- Works towards implementing new methodologies advised by Basel Committee on Banking Supervision and SAMA.
- Conducts regular training and awareness sessions Bank-wide with a focus on operational risk identification, mitigation and ownership.

### Business continuity

- Develops business continuity policies for the Bank in line with industry standards and SAMA guidelines.
- Formulates business continuity plans to enable the Bank to continue its critical services in the event of disruption to normal operations.
- Tests the Business Continuity Plans through a series of exercises.
- Promotes awareness and understanding of business continuity among the Bank's staff.
- Conducts BCM Training for business continuity teams.

### 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.



## Business Review

### Technology Risk

- Monitors effectiveness of Technology risk management processes and controls for Information Technology and Electronic Banking services.
- Assesses the impact of internal and external risk factors in overall Technology infrastructure and systems of the Bank.
- Coordinates implementation of regulatory requirements related to Technology.
- Updates management on the status of Technology controls and compliance with regulatory requirements.

### Anti-Fraud Management

- Identifies fraud trends and conducts fraud risk assessments across the Bank.
- Investigates and reports suspected, attempted or actual fraudulent activities.
- Recommends appropriate measures to combat and prevent frauds and ensures implementation of the same.
- Conducts various trainings and awareness campaigns Bank-wide covering generic fraud aspects, fraud scenarios and trends.
- Maintains a vigilant fraud monitoring and reporting mechanism using the Unusual Transaction Monitoring System to analyze and monitor bank accounts as well as customers' and employees' behavior.

### 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

The Bank aims to be compliant with all laws, rules and regulations of relevant legislative bodies and financial regulators in all jurisdictions in which it operates. Such a commitment starts with the Board of Directors and Senior Management and is embedded within the Bank's culture across all Business and Support units. The Bank is committed to protecting its reputation and credibility, thereby protecting shareholders and depositors thus providing safeguards against sanctions.

The Bank's Board has a collective responsibility for managing compliance risks across the group, and is supported by an Audit Committee, which oversees an independent Compliance and Anti-Money Laundering (AML) Group. The Compliance and AML Group is responsible for the following broad functions: Compliance Advisory, Compliance Monitoring, SAMA & Regulatory Affairs, Anti-Money Laundering, Regulatory Technology, Governance & Effectiveness, Ethics & Culture, and Information Security.

The Bank operates a Group Compliance Model whereby the Compliance and AML Group oversees and reports Compliance and AML matters within the Bank's subsidiaries and London Branch. Business and Support Units management are responsible for managing compliance risks at a specific unit level, assisted by the Compliance and AML Group. All employees are expected to carry out their duties in compliance with laws, regulations, ethical standards, and must report any suspicious transactions or suspected misconduct. The Bank has adopted a number of policies and programs such as a Group Compliance, Anti-Money Laundering, Combating the Financing of Terrorism policies, Code of Ethics and Banking Practices to assist Business and Support units to effectively manage their compliance risks. This is complemented by a robust monitoring program and a regular reporting cycle to the Board Audit Committee, thereby providing reliable objective assurance to the Board.

### Digital Transformation, Technology and Operations

Digitization and IT modernization continue to be important initiatives along with continued strengthening of technology infrastructure. Digital focus will define the future. The Bank aims to leverage its infrastructure by launching smart analytics for decision-making, introducing self-services, enhancing customer experience, and using automation to improve efficiency and control costs. SAHIM platform was successfully used for Aramco IPO and customer on-boarding process was streamlined by automation.

Data privacy and protection is at the forefront of our journey. The implementation and governance of privacy strategy and policy will ensure adherence to standards, procedures and compliance with the regulations.

### Human Resources

Attracting and retaining talent is a key focus of the Bank in terms of optimization of human capital for meeting strategic objectives. The Bank has continued to increase Saudization which has now reached the rate of 93%. The Bank also continually strives to increase its female workforce that has now reached 20% of total headcount.

Similarly, focusing on retention, in addition to market based total rewards, there is a great emphasis on providing career development opportunities. A solid foundation is being laid by providing on-the-job training, mentoring and classroom training for Saudi talent, so employees can progress their career paths, in line with their qualifications and personal aspirations.

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