

2022

Annual Report

For the year ended 31 December, 2022

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



King Salman Bin Abdulaziz Al Saud
The Custodian of the Two Holy Mosques



Prince Muhammad Bin Salman Bin Abdulaziz
His Royal Highness, Crown Prince, Deputy Prime Minister,
Minister of Defense of the Kingdom of Saudi Arabia

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Section 1

Strategy and Our Business Report

Message from the Chairperson



Samra Al-Kuwaiz
Independent Director and
Chairperson of the Board

It was my privilege to assume the position of anb capital’s Chairperson in November 2022. With more than 25 years of experience in financial markets, I am excited to chair one of the strongest teams among Saudi investment banks. anb capital is now characterized by an innovative spirit and a mission to bring financial innovations to the Saudi capital markets while developing our local talent, all in line with the aspirations of Vision 2030.

I am grateful to my predecessor, Raied A. Al-Seif, for his leadership in seeing the Company through unprecedented challenges of recent times and building a strong and robust organization. Thanks to the efforts of its leadership, anb capital has had a very successful year, and is poised for further growth in the future.

On behalf of the board of directors of anb capital, I am pleased to present our Annual Report for the financial year ended 31 December 2022 to you, and to update you on our progress, our performance and our outlook for 2023.

“Driven by a commitment to excellence”

A New Identity

During the second half of 2022, we launched our new corporate identity and changed our name to anb capital. We felt that our new name better aligns with our objective to be perceived as a leading capital market player in the Kingdom, focused on providing superior investment management, investment advisory and trading services.



Since separating off from our parent anb in 2008, we have experienced some extraordinary times, from the credit crisis of the late 2000s, the economic highs and lows of the 2010s, through to the pandemic years of 2019-2021. As we now look towards the mid-2020s and reenergize ourselves to achieve the Kingdom’s Vision 2030 objectives, we also wanted to rebrand ourselves to reflect our commitment to digitization, our ambition to capitalize on emerging technologies and to build on our strengths.

During the last two years, we have been investing heavily in our human and technology infrastructures. We believe that perpetual innovation would be key to success over the coming years. With the support of our shareholder and guided by the ambitions of Vision 2030, we continue to forge our way forward through a renewed phase of our evolution, one built on a platform of financial innovation and service delivery excellence rooted in our unwavering commitment to our customers and shareholder.



Creating Successes

We continued our growth trajectory in 2022 with new products and initiatives across all business lines:

1 – New Real Estate Development Funds

We have established a significant presence in the real estate space over the years. In 2022, our real estate business continued to outperform peers as we launched 5 real estate funds, all structured in line with Shariah principles, taking our total number of real estate funds to 8 and increasing our real estate assets under management to above SAR 10 billion with net asset value of SAR 5 billion.

We launched two funds in 2022 that focused on infrastructure development in Taif. This followed the inauguration of Taif Development Commission by His Majesty King Salman, highlighting our government's vision to revitalize the development of the Taif region. We have also introduced a fund valued at more than SAR 3.5 billion that will invest in infrastructure development in the Dirab region of Riyadh, and a SAR 780 million fund that will facilitate the development of raw land in north Jeddah as part of the city's urban transformation envisioned under Vision 2030.

2 – Assets Under Management

Our asset under management grew from about SAR 7.4 billion at the end of 2021 to above SAR 11.2 billion at the end of 2022. This was accomplished because of the superior performance of our fund managers. We have brought together some of the best minds from across Saudi Arabia for our asset management team. The results have started becoming evident as our funds were among the best performing funds for 2022 as reported by Saudi Stock Exchange. ANB Capital IPO Fund (Shariah), ANB Capital Pure Saudi Equity Fund (Shariah) and ANB Capital Balanced Fund took 1st position in their respective categories for the year, while ANB Capital Saudi Equity Fund and ANB Capital Sovereign Sukuk Fund took 2nd position in their respective categories for the year, based on information provided on the Saudi Stock Exchange website. ANB Capital Saudi Equity Fund (Shariah) ranked 3rd in its category for 2022, also as reported by Saudi Stock Exchange.

3 – Innovations in Brokerage

The nature of trading on the Saudi Stock Exchange is changing. Historically, trading has been dominated by retail traders. And even though institutional traders now constitute a much larger share of brokerage volumes, we believe that retail traders still play a central role, and as such, we have designed our operations and customer service functions to prioritize the delivery of a superior trading experience.

In 2022, we introduced an upgraded trading experience which was well-received by our clients. However, we recognize that our clients are always seeking the next and improved experience, and as such we will continue to invest in brokerage technology.

We have increased our market share from 3.1% in 2021 to 3.3% in 2022 based on our existing strengths with retail clients. Having said that, we are fully aware of the growing importance of institutional investors and QFIs and as such we are now in the process of introducing value added products targeted at increasing our share of institutional activity on the Saudi Stock Exchange.



4 – Investing in People

Success in our business is derived from intellectual capital. During 2022, we brought in people from Saudi Arabia and abroad, strengthening our business lines and supporting functions. Our future aspirations are contingent on the presence of a strong team on the ground, and we are confident that anb capital now has one of the best talent pools in the market.

Growing in a Competitive Market

We had a very successful 2022, with the highest revenues and profits recorded since our inception in 2008. We grew our net income to over SAR 200 million, up 78% from 2021. Our asset management fees grew by 200% to SAR 96 million and our Corporate & Advisory fees income grew 400% to SAR 73 million. Our total operating income for 2022 was SAR 324 million, up 58% from 2021.

We believe that our exceptional performance in a highly competitive environment demonstrates our ability to innovate and the value that we bring to our customers. To continue our growth, we will pursue our strategy to differentiate ourselves through thought and technology leadership.

Our total assets as at 31 December 2022 were SAR 1.9 billion, compared to SAR 1.7 billion as at 31 December 2021, an increase of SAR 240 million or 14%. The growth in assets was driven by our profits for 2022.

Our equity and liquidity positions continue to remain strong. At the end of 2022, our equity stood at SAR 1.8 billion. Furthermore, we were able to generate positive net cash flow of SAR 300 million from our business, the main contributor to which was the cash from our operating activities.

Furthermore, our capital adequacy ratio as on 31 December 2022 was 3.6 times with capital surplus of SAR 1.3 billion, indicating our strong base to support business and future growth.



Global and Regional Economic update

In January 2023, the International Monetary Fund (“IMF”) released its most recent World Economic Outlook, revealing a marginally more optimistic outlook than three and a half months earlier. The report indicated that inflation had peaked in 2022, consumer spending remained strong, and the energy crisis was not as severe as initially feared. Nevertheless, the global economy is still confronted by significant challenges, even as IMF expects the deceleration to be less severe than previously anticipated.

According to the latest projections by IMF, global growth is set to decline from 3.4% in 2022 to 2.9% in 2023, before recovering to 3.1% in 2024. This projected growth rate for 2023 is below the historical average of 3.8% between 2000 and 2019. However, IMF also predicts that fewer countries will now experience a recession in 2023 and no longer foresees a worldwide economic downturn. The recent decrease in inflation is one of the factors contributing to this cautiously optimistic outlook, as inflation may have peaked in 2022.

The IMF World Economic Outlook Update for emerging markets and developing economies indicates a slight increase in growth from 3.9% in 2022 to 4.0% in 2023 and 4.2% in 2024. There is a 0.3% upward revision for 2023, but a 0.1% downward revision for 2024. However, approximately half of emerging markets and developing economies are expected to see a decrease in growth in 2023 compared to 2022.

According to the IMF’s projections, global inflation is expected to decrease to 6.6% in 2023 and 4.3% in 2024. Although these rates are higher than the pre-pandemic level of approximately 3.5%, they are significantly lower than the 8.8% seen in 2022. The majority of countries (about 84%) are anticipated to experience lower consumer price index inflation in 2023 compared to 2022. This reduction in inflation is due in part to falling international prices for fuel and nonfuel commodities, resulting from weakened global demand. Furthermore, the tightening of monetary policy will help decrease underlying (core inflation), which is expected to decline from 6.9% in the fourth quarter of 2022 to 4.5% by the fourth quarter of 2023. Nevertheless, this disinflation process will take time, as projected average annual headline and core inflation rates in 2024 will still be higher than pre-pandemic levels in 82% and 86% of economies, respectively.

The global outlook continues to face more potential downsides than upsides, which increases the possibility of slower growth and higher inflation. However, some positive developments such as robust labor markets and stable wage growth could stimulate consumer demand, and reduced supply chain disruptions might lower inflation and reduce the need for additional monetary tightening. Nevertheless, there are still risks that could negatively impact the global economy, such as financial markets rapidly adjusting to inflation news, and further geopolitical fragmentation that could impede economic progress.

Saudi Arabian Economic update and 2023 outlook

In 2022, Saudi Arabia achieved a budget surplus of SAR 102 billion (equivalent to US\$ 27.1 billion), which exceeded initial expectations by SAR 12 billion. The surplus was primarily attributed to the increase in oil prices.

General Authority for Statistics (“GASTAT”) estimates reveal that Saudi Arabia experienced an 8.7% increase in GDP during 2022, with a 5.4% rise occurring in the fourth quarter of 2022. The report further highlights that the real GDP for oil-related activities rose by 15.4% compared to the previous year. High oil prices were instrumental in driving the Kingdom’s economic growth. Additionally, Saudi Arabia’s unemployment rate continued to decline, while the proportion of women in the labor force increased twofold over four years. Looking ahead, the year 2023 is expected to witness growth in tourism, travel, entertainment, and related industries.

The Council of Ministers of Saudi Arabia has approved the Annual Budget for the fiscal year 2023 with total approved expenditure of SAR 1,114 billion, estimated revenues of SAR 1,130 billion and an estimated surplus of SAR 16 billion (0.4% of GDP).

Saudi Arabia’s budget for 2023 prioritizes maintaining fiscal sustainability while completing the ongoing economic and structural reforms that aim to bolster the Kingdom’s fiscal standing, increase the economy’s resilience, and keep up with global transformations. Moreover, the budget emphasizes the implementation of initiatives and schemes that promote growth, broaden the economy, and foster inclusive development.

Over the past several years, Saudi Arabia has been undertaking fiscal reforms. The first phase of these reforms was the “Fiscal Balance Program” aimed at controlling high deficit rates and reaching medium-term fiscal balance. This objective has now been achieved. The second phase of Saudi Arabia’s fiscal reforms is the “Fiscal Sustainability Program”, which focuses on developing sustainable fiscal indicators and policies in the medium and long-term. The Kingdom will achieve this through stable spending levels comprising strategic expenditures that support structural changes to the economy. These fiscal measures are a major part of the objectives of Saudi Vision 2030 whereby the Kingdom will implement a framework that ensures the maintenance of a sufficient levels of reserves and sustainable amounts of public debt.



Looking ahead 2023

Vision 2030 has identified the financial sector as a key area for the development of the Saudi economy. We believe that despite short-term challenges brought on by inflation, supply chain disruptions and rising interest rates, there will continue to be opportunities for capital markets players such as ourselves as Saudi Arabia grows in prominence. Riyadh is now emerging as a global financial center and our client base is also growing in sophistication. We as a financial institution have to rise to the occasion by harnessing local talent and developing products that are best-in-class to meet our client demands.

We have laid the groundwork for continued expansion in the coming years. Our goal is to considerably increase our investment management offerings, with plans to launch new funds throughout 2023 and 2024. As interest rates have increased, we have reassessed our real estate fund management strategy and will launch products that are suited to the current environment.

Our investment banking team completed a number of prominent transactions in 2022 and early 2023, and will be going to market with a flurry of transactions throughout this year. We are also becoming increasingly active in private equity, with a number of funds in the pipeline that will go to market shortly.

We are now setting up sell-side research capabilities which is in line with our strategy to cater more to institutional clients. Sell-side research will provide updates on economic developments, publish sector and company reports and provide research support for IPOs. We are also working towards setting up an institutional sales desk as the brokerage market institutionalizes.



I would like to thank all of anb capital’s employees for their hard work in achieving our recent successes and creating a high-performance culture. Our CEO Khalid Alghamdi has put in place a strong plan for our future growth and we appreciate his remarkable contributions in 2022. I would also like to thank our valued clients and our shareholder, Arab National Bank, who believe in our vision and continue to support us in achieving our potential.

On behalf of the members of the Board of Directors and senior management, I extend my best wishes and sincere gratitude to the Custodian of the Two Holy Mosques King Salman bin Abdulaziz, may God protect him, and his trusted Crown Prince, His Royal Highness Prince Muhammad bin Salman, may God protect him, for their continued support to bring prosperity to our beloved Kingdom and its people.

We look forward to yet another year of progress in 2023.

Samra Al-Kuwaiz

Samra Al-Kuwaiz
Independent Director and Chairperson of the Board

Our Client-Centric Business

As the Saudi capital markets continue to evolve and local investors become more aware, we have continued to expand our product offerings to address the market requirements. We are adding global, thematic, and income funds to our asset management offering. Additionally, we are diversified in real estate across Saudi Arabia, and we also aim to expand internationally. In brokerage, we continue to enhance the trading experience for our clients and we have introduced a highly competitive pricing scheme.

We recognize that the institutional business has become increasingly important over the past 24 months. As a result, we are currently establishing our research desk and expanding the trading services available to our institutional clients. This aligns with our belief that in a people-oriented industry, our resources will propel our progress forward.

We interface with our clients through several business activities, bringing value to our customers by making full use of our system capabilities, our enterprising people, and our financial innovations; anb capital operates a comprehensive ecosystem of advisory capabilities that offer end-to-end investment management, financial advisory and trading services to our clients.



Brokerage & Margin Financing Services

We are one of the pioneers of brokerage services in the Kingdom, and we have recently updated our brokerage platform, and we will continue to make further enhancements to offer a superior experience to our clients. We are also working towards introducing an ecosystem to support brokerage, including sell-side research and an institutional trading desk.



Investment Management Services

We pride ourselves on being market leaders in investment management and discretionary portfolio management services. We believe that we have one of the most competent investment management teams in the Kingdom of Saudi Arabia.

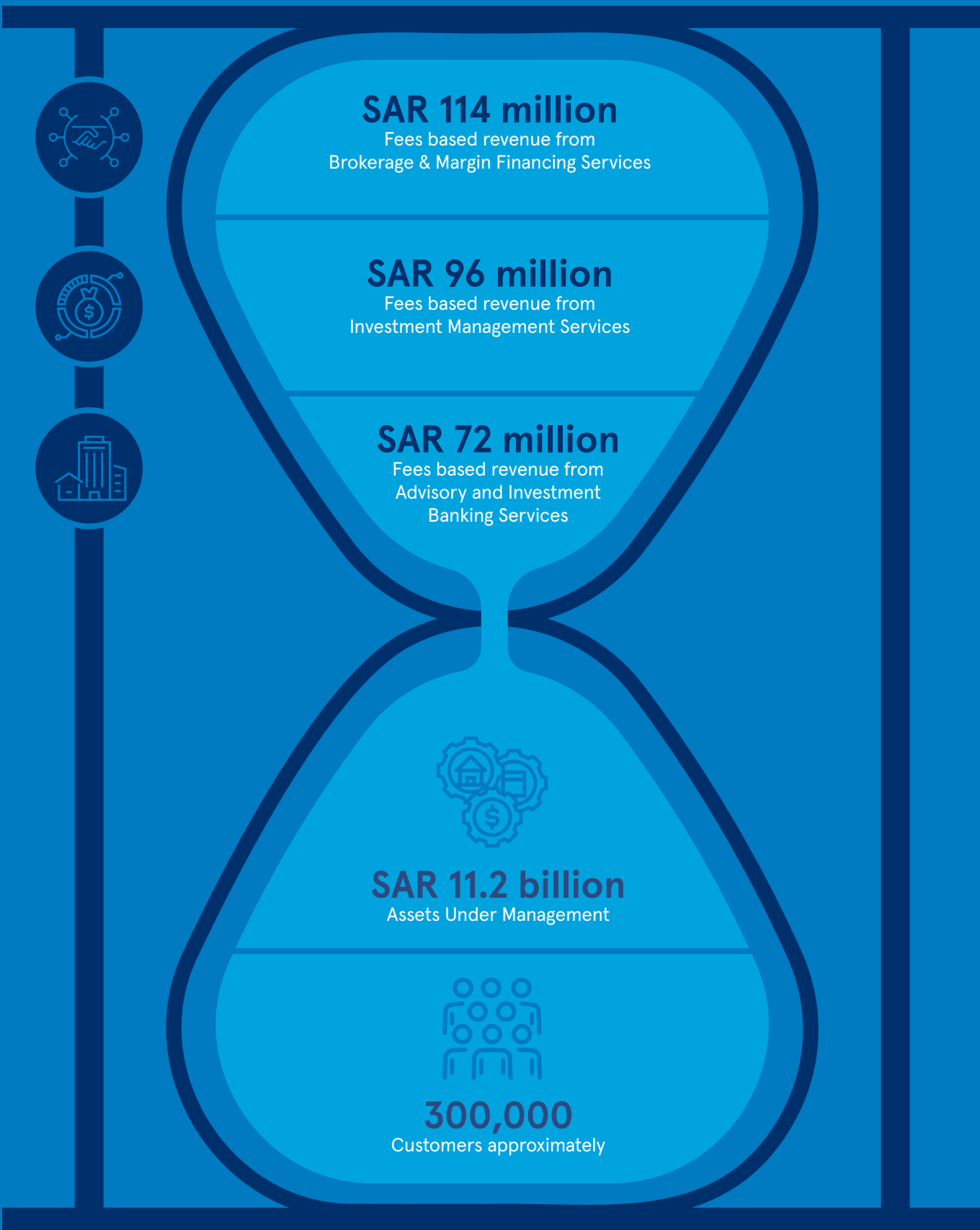
We launched multiple funds in 2022 and 2023 with diverse investment strategies across different classes, increasing our Asset under management (AUM) to SAR 11.2 billion



Advisory and Investment Banking Services

Our Advisory and Investment Banking service line has recently been reenergized, with some very high profile transactions completed in 2022.

We have recently restructured the Investment Banking department, deploying best-in-class talent from within Saudi Arabia and abroad. We are increasingly active in the Saudi capital markets, and expect to see a number of deals going to market in 2023 and beyond.



Corporate information and organizational structure

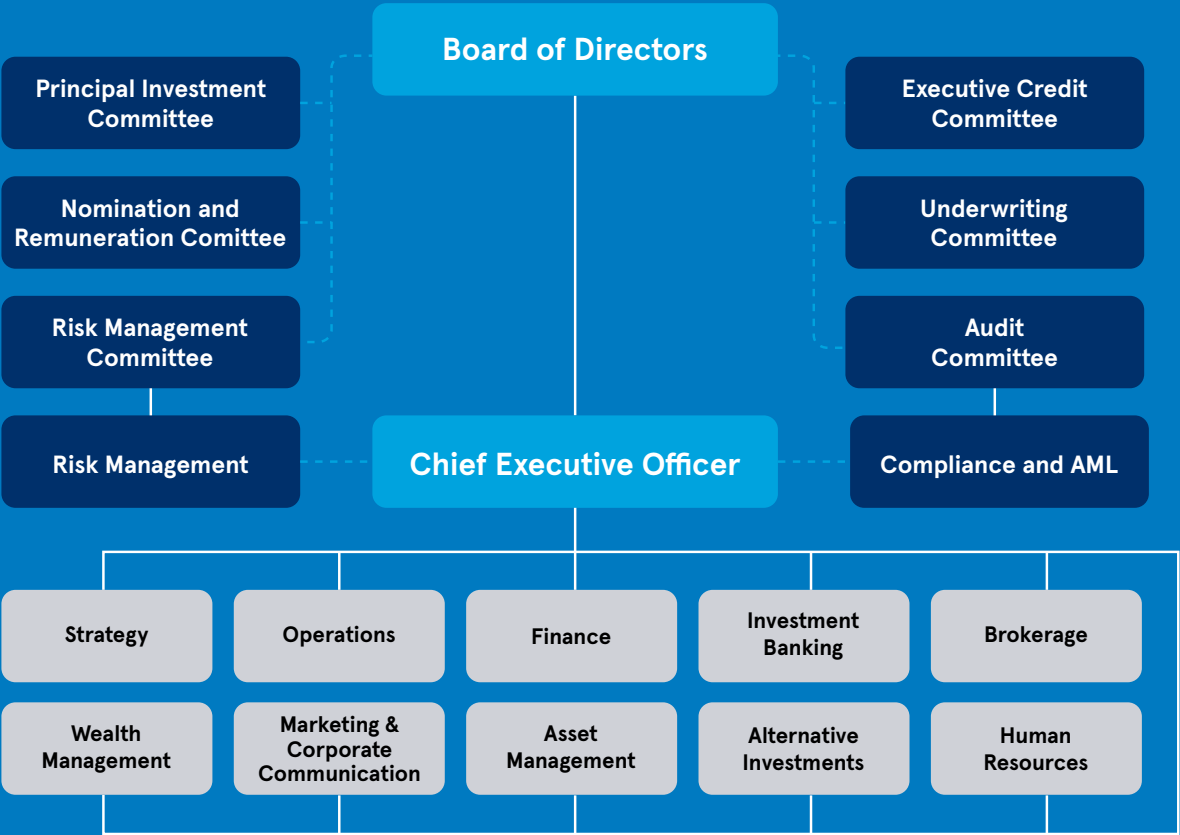
anb capital Company (formerly known as Arab National Investment Company) (“**anb capital**” or the “**Company**”), a Saudi closed joint stock company (Unified number 7001548267), is a fully integrated Capital Market Institution (“**CMI**”) regulated by the Capital Market Authority (“**CMA**”) according to the resolution number 2007-36-4 dated 19 Jumada al Thani 1428 corresponding to 05 July 2007. anb capital is a wholly owned subsidiary of Arab National Bank (the “**Bank**”) and acts as the latter’s sole investment arm. anb capital operates under the License number 07072-37 issued by the CMA. anb capital commenced its operations in January 2008 with a capital of SAR 400 million paid in full. In March 2017, anb capital’s paid up capital was increased to SAR 1,000 million, paid in full.

The Company’s operations include dealing as an agent as well as a principal, discretionary portfolio management, arranging, brokerage, advising and custody activities, underwriting, asset management, and investment banking activities in the Kingdom of Saudi Arabia.

Our services comprise a vast array of investment management activities, Islamic and conventional, and related activities such as the establishment and management of public equity portfolios, direct investments and the management of real estate funds.

Based on the directive of the CMA in its letter dated 10 Rabi Al Awal 1437 AH (corresponding to 21 December 2015), anb capital obtained a margin lending facility from the Bank effective from 1 April 2017. As such, anb capital amended its objectives to include margin lending.

The following is the Company’s organizational structure as of 31 December 2022:



Key Initiatives and business developments in 2022

anb capital aims to be a leader within the Saudi market space for investment banks. Since 2019, our revenue has grown at a CAGR of 29% and we still have a long runway ahead of us. Currently, we are making significant investments in both our team and technology while simultaneously establishing new business lines. We have enriched our Alternative Investments, Asset Management, Investment Banking, and Brokerage Services teams by acquiring skilled personnel from both local and international markets. This move is intended to broaden our existing product portfolio and explore untapped areas with high demand from investors.



In 2022, we invested in a new brand and we overhauled our website in line with the Bank’s goal of presenting a modern and digitized image. We also launched a new brokerage platform, aligning ourselves with services available in the market. We are now in the process of improving our service offering for institutional investors to grow in this particular space.

The number of our brokerage clients now approximates 300,000. We believe that this demonstrates the quality of our services, our ability to innovate and our perpetual focus on making our clients happy.

In Real Estate, we had a particularly successful year as we launched 5 new real estate funds, taking our total number of real estate funds to 8 and increased our real estate AUM from SAR 3.8 billion to SAR 10.0 billion. We launched funds that will invest in infrastructure development across several Saudi cities, including Riyadh, Taif and Jeddah.

Our Asset Management team now comprises leading professionals from Saudi Arabia who have already begun delivering impressive results. These results are apparent from the performance of our funds, which were among the best-performing funds of 2022, as reported by the Saudi Stock Exchange. ANB Capital IPO Fund (Shariah), ANB Capital Pure Saudi Equity Fund (Shariah), and ANB Capital Balanced Fund clinched the top position in their respective categories for the year, while ANB Capital Saudi Equity Fund and ANB Capital Sovereign Sukuk Fund secured the second position in their respective categories for the year. Moreover, ANB Capital Saudi Equity Fund (Shariah) ranked third in its category for 2022.

Our investment banking segment had an exceptional year, highlighted by our roles as Bookrunner for the SAR 1.4 billion Main Market IPO of Riyadh Cables and as Joint bookrunner for PIF’s inaugural USD 3 billion green bond issuance, which is PIF’s first-ever bond issuance and includes a USD 500 million 100-year tranche. Shortly after the closing of 2022, we also completed a landmark transaction for Saudi Tabreed District Cooling Company, where we acted as a sell-side adviser on the sale of a significant minority equity stake to Public Investment Fund (“**PIF**”).

Client Focused Business Strategy and priorities for 2023

As per Vision 2030, the financial sector is a key area for the development of the Saudi economy, and the growing significance of Saudi Arabia as a global financial hub will present attractive opportunities for capital market institutions such as ours. With Riyadh’s emergence as a prominent financial center and the Saudi investor base’s increasing interest in innovative products and opportunities, our product offerings will need to evolve to cater to their requirements. We expect that within three years, anb capital will significantly strengthen its existing business lines and further contribute to the development of the Saudi capital markets by introducing new offerings and services, as well as enhancing the capabilities of local talent.

We are laying the groundwork for sustained growth in the coming years. Our primary focus is on expanding our investment management offerings considerably by launching new funds at regular intervals until the end of 2023. Additionally, we aim to continue our progress in the real estate sector by regularly introducing new funds, including REITs, and contributing to the enhancement of the lives of Saudi citizens in alignment with Vision 2030.

Our business strategy and priorities for 2023 and beyond for each of our business lines, as agreed by the Board of Directors and senior management, is as follows:



Business plans and initiatives



Scale up our Asset Management:

- Expand AUM under current offering
- Diversify our product offering
- Grow DPMs
- Build and launch digital wealth management platform



Revamp brokerage services and increase market share:

- Develop margin lending
- Build sell-side research
- Enhance trading platform
- Develop margin lending
- Introduction of dedicated sales trading desk



Continue growing Real Estate

- Expand advisory pipeline
- Introducing REITs
- Offer new funds congruent with market conditions



Develop alternative investments

- Set up funds in fintech, technology and retail sectors
- Build joint ventures and partnerships with key players



Focus Investment Banking

- Complete M&A and public offering transactions in pipeline
- Sign high profile transactions
- Enhance the anb capital brand in Saudi capital markets



Stay at the forefront of technological innovations

- Implement the second phase of the electronic e-invoicing system as per Zakat, Tax and Customs Authority requirements
- Update (“CRM”) system.
- Enhance trading platforms for regional and global markets

2023

Financial information for the past 5 years and key highlights for 2022

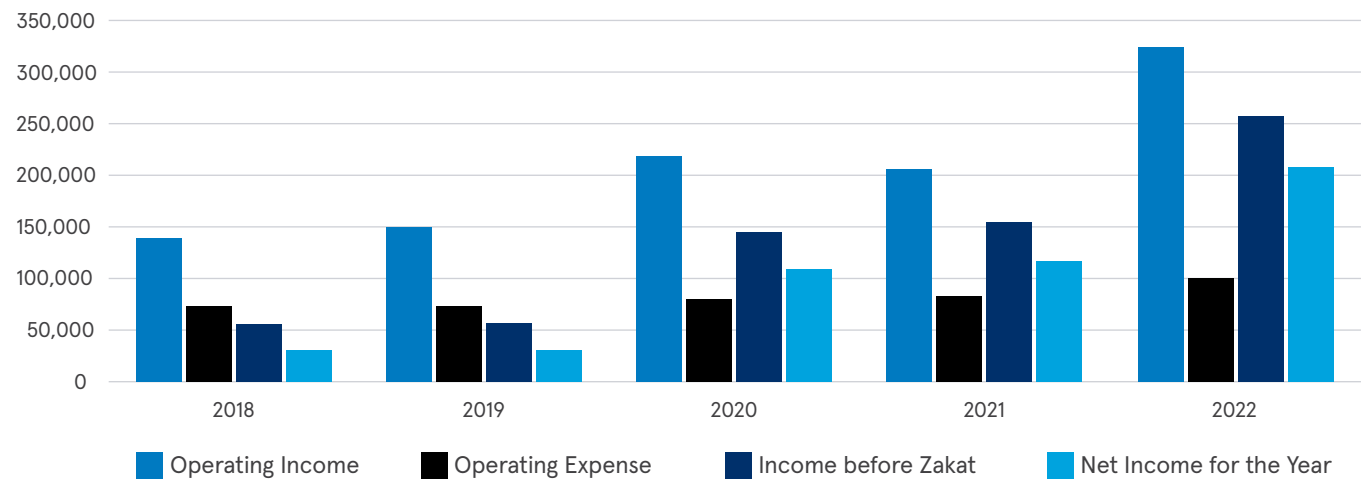
Statement of Financial Position (Amount in SR' 000)

	2022	2021	2020	2019	2018
Assets	1,939,642	1,699,757	1,577,035	2,180,389	2,046,392
Liabilities	127,736	89,917	82,783	795,968	692,404
Equity	1,811,906	1,609,839	1,494,252	1,384,421	1,353,988

Statement of profit & loss and other comprehensive income (Amount in SR' 000)

	2022	2021	2020	2019	2018
Operating income, net	324,356	205,400	218,401	150,144	140,119
Operating expenses	(101,060)	(82,889)	(79,964)	(74,390)	(72,388)
Income before Zakat and income tax	257,253	155,070	144,616	56,849	55,494
Zakat and income tax	(50,621)	(38,698)	(35,810)	(25,946)	(24,929)
Net income for the year	206,632	116,372	108,806	30,903	30,565

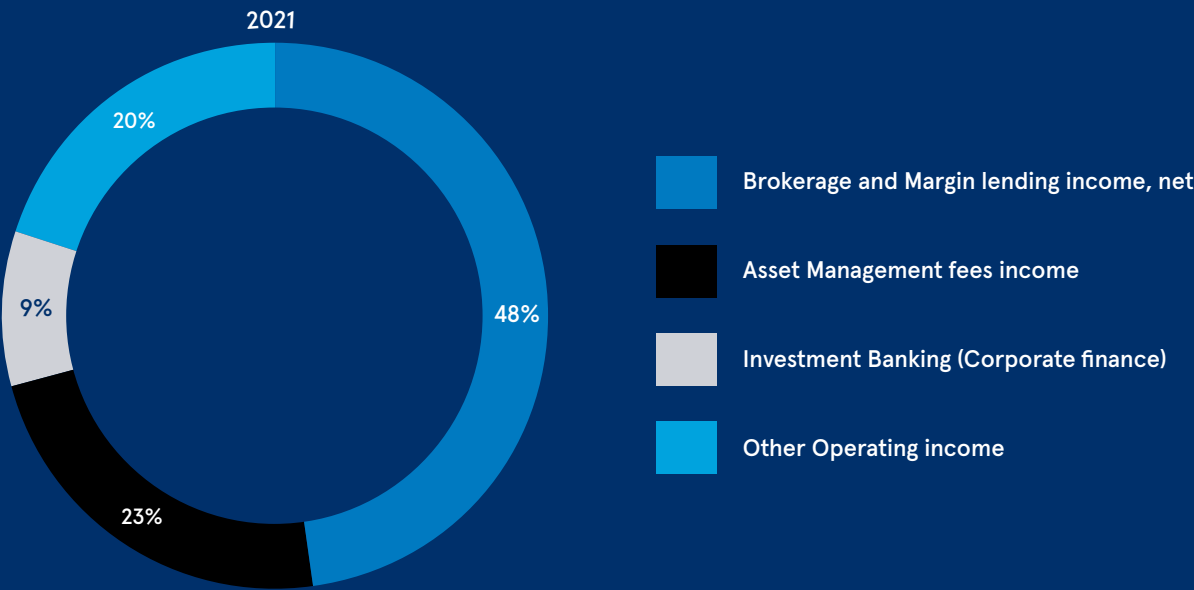
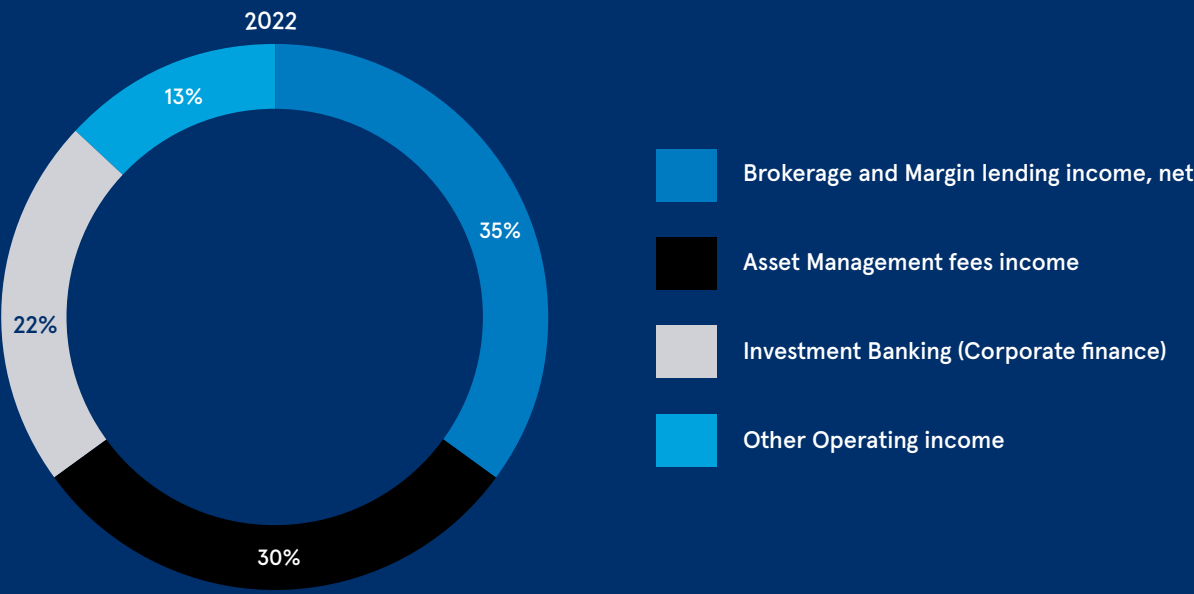
Year-on-Year Financial Performance – 2018–2022 (SAR'000)



SAR 533 million
Cash and cash
equivalent

anb capital's total assets increased by SAR 240 million (14%) in 2022 compared to 2021, primarily because of the increase in income generated through the Company's operations growth that result in cash generation during the year.

Cash and cash equivalents increased by SAR 298 million, from SAR 235 million on 31 December 2021 to SAR 533 million on 31 December 2022. This increase is mainly attributed to positive cash flows from operating and investing activities, amounting to SAR 239 million and SAR 60 million, respectively.



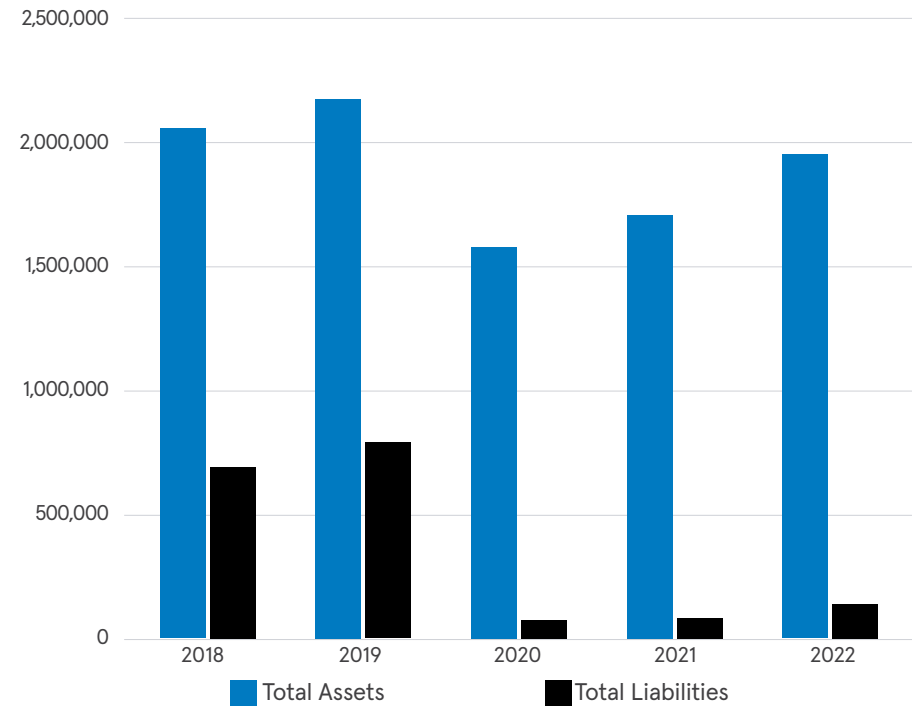
Our revenue growth in 2022 compared to 2021 was primarily driven by income generated from our Real Estate Advisory and Real Estate Fund Management businesses, supplemented by revenue from Brokerage business.

While brokerage commissions decreased as the value traded on the Saudi Stock Exchange declined, overall brokerage revenue increased because of (i) increased margin lending through most of the period, (ii) higher interest rates on margin lending limits.

The Company maintains a large balance of liquid assets which are invested in high-quality instruments supporting its solvency. During the year, the Company's liquidity was mainly provided by its operations.

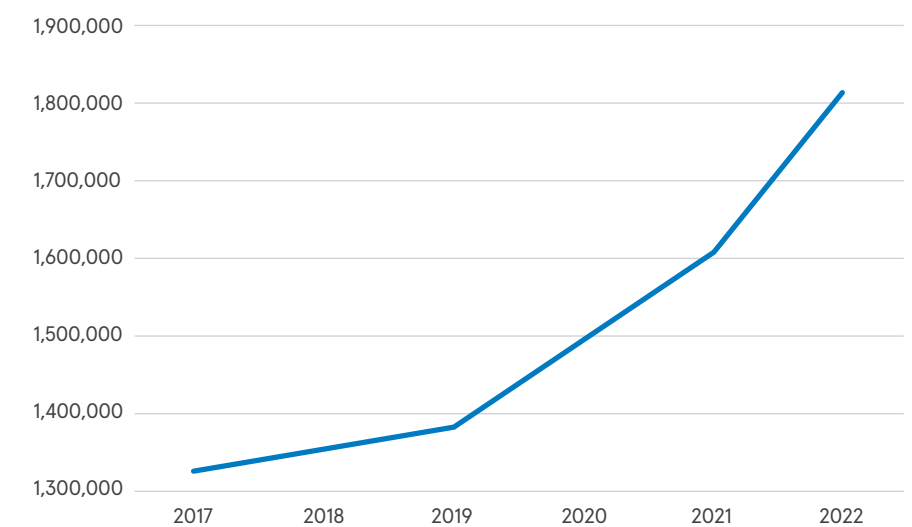
SAR 1,939 million
Total assets

Total Assets and Liabilities (SAR'000)



The total assets as at December 31, 2022 were approximately SAR 1.9 billion, higher than the SAR 1.7 billion as at the close of 2021. Our assets grew in line with our revenues during the year, as we recorded profits from operations.

Equity 2017–2022 (SAR'000)



As shown in the chart, anb capital's equity has been increasing over the last six years, owing to the fact that the Company's board of directors has not distributed dividends from its net income in recent years.

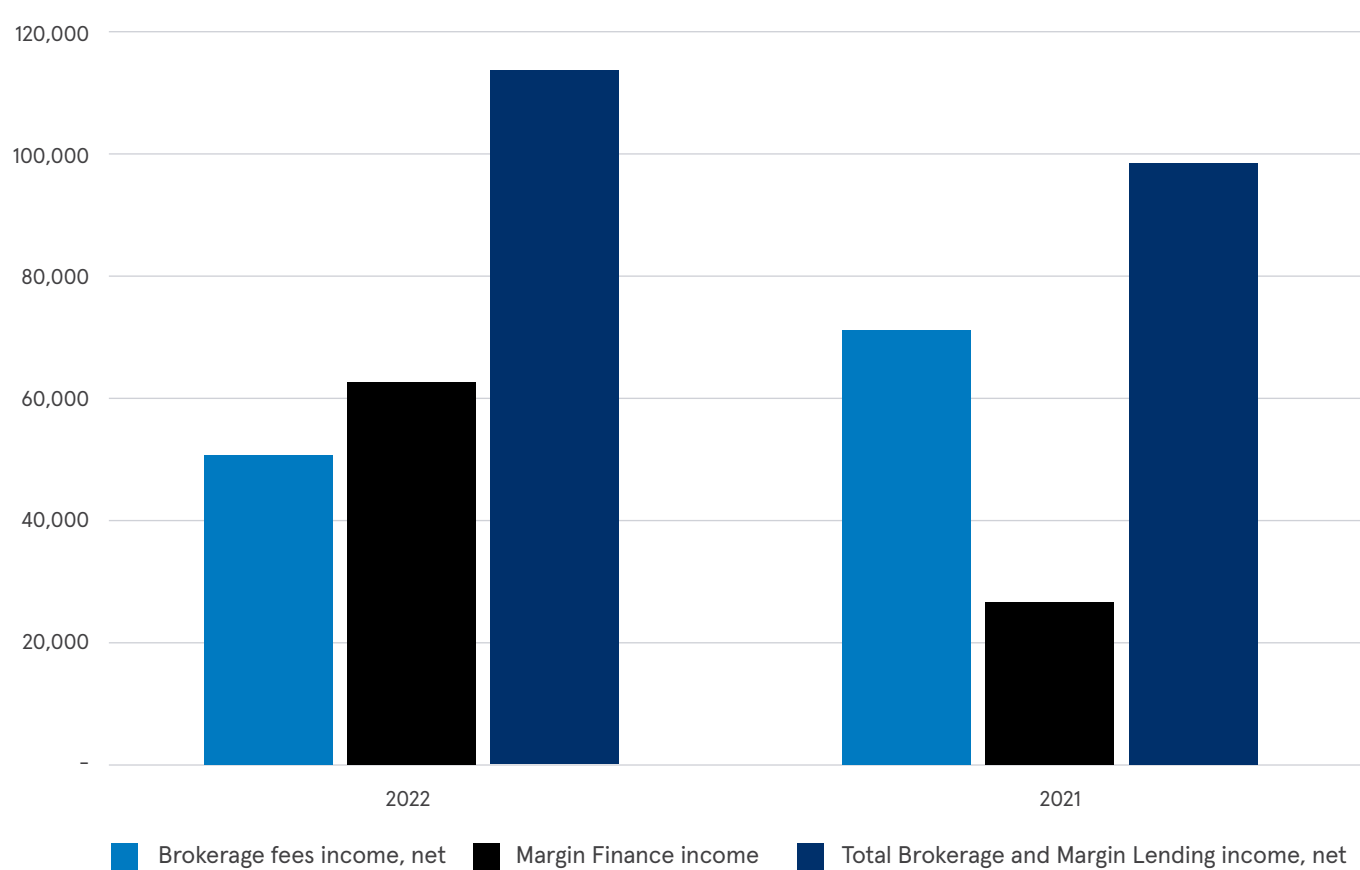
SAR 1,811 million
Total Equity

Our client trusted key business activities

Dealing Services: Brokerage and margin financing

The Kingdom of Saudi Arabia (KSA) continued to record strong listing activity during 2022. 18 companies (including 1 REIT) offered parts of their shares to public (IPOs) in 2022 on the Saudi Exchange's Main Market, raising SAR 37.5 billion in proceeds. Another 19 IPOs raised SAR 1.3 billion on Nomu – the Parallel Market.

Brokerage and Margin Financing income 2022 vs 2021 (SAR'000)



anb capital generated 35% of its operating income for 2022 through its Brokerage and Margin Lending services, capitalizing on IPO activities in the Saudi stock market as well as the increase in interest rates. In 2022, net Brokerage and Margin Lending income was SAR 114 million, up from SAR 99 million in 2021, an increase of 15%. Despite the highly competitive nature of the local brokerage services sector, anb capital increased its revenue by improving the customer journey and optimizing turnaround on service requests.

Dealing Services: As Principal for Own Investments

anb capital also deals as a principal for its own investments and has invested in various associates, funds, and equity instruments which generated significant returns for us last year. Our share of earnings of associates amounted to SAR 34.1 million in 2022 compared to SAR 33 million the previous year.

anb capital also witnessed an increase in its share of earnings of associates which amounted to SAR 34.1 million in 2022

SAR 96 million
Assets management
revenue

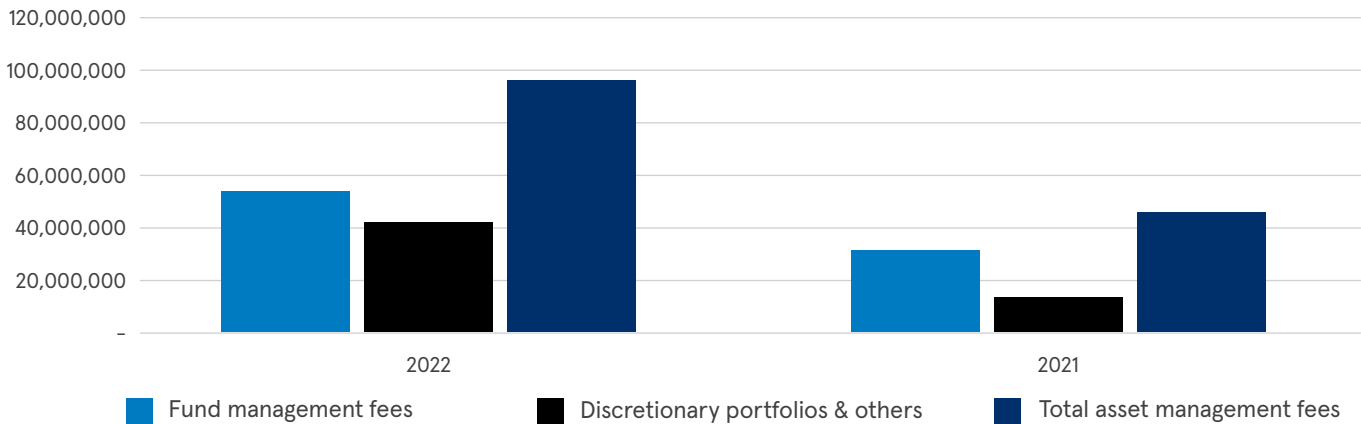
Managing Services: Asset Management

anb capital’s asset management division provides a diverse range of mutual funds, as well as private portfolio management services, to meet the diverse risk appetites and liquidity requirements of its individual and institutional clients.

Shariah-compliant and conventional mutual funds are available in our product portfolio. These funds invest in stocks, bonds, Sukuk, real estate, money market instruments, Murabahas, REITs and other asset classes. anb capital’s mutual funds are managed internally by some of Saudi Arabia’s most knowledgeable fund managers, with the assistance of a professional research team.

Asset Management also offers customized investment solutions for our clients’ private investment portfolios (discretionary portfolio management, or “DPM”). Our DPM funds are invested in stocks, Sukuk, money market instruments, and Murabahas, among other asset classes. These investments are made locally, regionally, and globally in accordance with clients’ investment objectives, risk tolerance, and investment time horizon.

Asset Management 2022 vs 2021 (SAR’000)



Asset Management revenues were SAR 96 million for the twelve months of 2022 compared to SAR 47 million for the same period of last year, an increase of SAR 49 million or 104%. This increase is mainly attributable to:

- Real estate fund management revenues which grew 279% from SAR 16.7 million in 2021 to SAR 63.4 million in 2022, as we have launched 5 new real estate funds that generated SAR 47.4 million revenue in the form of management, administration and subscription fees
- Our DPM business, where our revenues rose by SAR 0.9 million, an increase of 6% over last year’s figure of SAR 14.4 million, and
- Equity and Money Markets funds, which contributed revenue increase of SAR 2.2 million.

As of now, we are in the process of launching at least 3 new funds during Q1 2023. We are now building resources and infrastructure, and we expect our Asset Management business to grow significantly in 2023.

The total value of anb capital’s AUM was SAR 11.2 billion at the close of 2022, compared to SAR 7.4 billion at the close of 2021.

SAR 73 million
Advisory and
Investment Banking
services’ revenues

Arranging and Advising Services:
Advisory and Investment Banking

We continued to build up our investment banking presence during 2022 as we acted as joint bookrunner on the SAR 1.4 billion IPO of Riyadh Cables, as the sole financial adviser, underwriter and lead manager on a SAR 200 million rights issue for Wataniya Insurance Company, and as co-underwriter for the IPOs of Al Dawaa Medical Services Company and Petro Rabigh. anb capital also supported the Public Investment Fund with its USD 3 billion green bond issuance which was completed during the year.

Investment banking revenue increased from SAR 8 million in 2021 to SAR 9 million in 2022, an increase of 16%. Real estate advisory revenues were SAR 64 million for 2022 compared to SAR 10.0 million for 2021, mainly generated from structuring and acquisition fees from our increased activity in the real estate space during the year.

anb capital’s associates



A- ANBC Business Gate Fund Real Estate Fund

In 2015, anb capital subscribed to 25.47% of the units of the ANBC Business Gate Fund, amounting to SAR 242 million. This is a privately placed closed-end real estate investment fund. The fund’s purpose is to acquire real estate assets – an income generating real estate property located in the city of Riyadh – from which the fund receives rental and hotel operating income over the fund term. The fund’s term ends on December 31, 2025.

In May 2021, anb capital sold 50% of its holding in the ANBC Business Gate Fund and now has a 12.74% holding in the fund. anb capital retains significant influence over the ANBC Business Gate Fund because it manages the fund under an agreement with the fund’s unitholders.

Our profit and loss account for 2022 included an amount of SAR 9.05 million which was our share of profit from this fund, compared to SAR 5.27 million in 2021. Furthermore, the fund distributed dividends of SAR 19 million during the year, resulting in a decrease in the book value of our investment from SR 50.7 million to SR 40.6 million.



B- Sara Second Real Estate Fund

On May 21, 2020, the Company paid SR 325 million for 23.76% of the units in the Sara Second Real Estate Fund. This is a closed-ended privately placed real estate investment fund launched on May 21, 2020 for a period of 12 years beginning with the closing of the first offering. The fund may be terminated and liquidated early upon the decision of the fund manager and the approval of the fund’s board of directors, and/or in accordance with the relevant provisions of the fund’s terms and conditions.

Since anb capital exercises significant influence on the above two funds by virtue of its shareholding in them, these investments have been classified as “investment in associate companies.”

An amount of SAR 25.1 million was accounted for in our profit & loss account as our share of profit in the fund for 2022 compared to SAR 27.6 million for 2021.

* The Company has no local or foreign subsidiaries. Furthermore, the Company also does not jointly manage or exercise significant influence over any foreign company or has any private equity investments where the Company owns majority of the voting rights.

Board of Directors

Our business is overseen by our Board of Directors. The Company’s board of directors consists of (6) members, including (3) independent members. The Board’s policy is to appoint and retain non-executive Directors who bring relevant expertise as well as broad perspectives to the Company and its decision-making framework.



Samra Abdullah Al-Kuwaiz
Chairperson
Independent Member

Background

Ms. Al-Kuwaiz’s experience encompasses managing partner and co-founder roles at many Saudi companies as well as an academic position at King Saud University where she was a lecturer. She was previously the board member, partner and CFO of Osool Capital, the first independent licensed brokerage firm in Saudi Arabia. In 2011, Ms. Al-Kuwaiz was named among the most powerful Arab women by Arabian Business.

Other positions and membership

- Board member at
- Al-Hasel Holding Company
 - Noat AlTageer Company
- Executive director at
- Akon company
 - Areej elegance company



Obaid A. Al-Rasheed
Vice Chairman of
Board of Directors
& Non-Executive Member

Background

Mr. Al-Rasheed was appointed member of the Board of Directors at anb capital on 20 February, 2021.

Mr. Obaid A. Alrasheed is the Managing Director and Chief Executive Officer of Arab National Bank. He has more than 37 years of banking experience, during which he has held several leadership positions at Arab National Bank.

Other positions and membership

- Board member at
- Saudi Home Loans Company (SHL)
 - Saudi Chemical Company
 - Dr. Sulaiman Al Habib Medical Services Group Company
- Managing Director at
- Arab National Bank

Mr. Al-Rasheed holds a bachelor’s degree in business administration from San Jose State University, California, USA.



Section 2
Corporate Governance



Bassam R. Al-Mubarak
Non-Executive Member

Background

Mr. Bassam Al-Mubarak was appointed as a member of the Company’s Board of Directors on March 02, 2015.

Mr. Al-Mubarak was the Chief Executive Officer and Board Member at anb capital from 2014 until May 2021, when he moved to the Bank as the Head of Strategic Investments. He continues to remain a Board Member at anb capital.

Mr. Al-Mubarak joined the Bank in June 2007 and headed the brokerage department at anb capital before being appointed as the CEO of the Company in September 2014.

Mr. Al-Mubarak holds a Political Science Degree from King Saud University in Riyadh, KSA.

Other positions and membership

- Board member at
- Saudi Home Loans (SHL)
 - Al Arabi Heavy Equipment Lease Co.



Abdulaziz Al-Bassam
Independent member

Background

Mr. Al-Bassam began his career at McKinsey before moving on to Saudi Aramco as a portfolio manager, where he stayed for nearly seven years.

Mr. Al-Bassam then co-founded a technology company and a venture capital platform in the United States while pursuing his MBA before joining Jadwa as an investment advisor.

He has been the CEO of Abdullah Ibrahim Mohammed Al Subeaei Investment Company (AIMS) since 2019. He completed his bachelor’s degree from Northeastern University in Boston and his MBA from Harvard University in the same city.

Other positions and membership

- Board member at
- Alawwal Invest
 - Pergola Investment
 - Beach Holdings Investment
 - Beech Design and Development
 - Al Jomaih Power and Energy
 - Aldara Real Estate Development
 - Sulaiman AlRajhi Holding
 - Khebrat AIA’mal
 - Ataa Almohamadia

CEO at:

- Abdullah Ibrahim Mohammed AISubeaei (AIMS) holding



Khalid S. Al-Ghamdi
Executive Member

Background

Mr. Al-Ghamdi was appointed as a member of the Company’s board of directors on 16 August 2022.

Mr. Al-Ghamdi has completed over USD 50 billion of transactions acting as advisor and arranger to private sector and government entities in KSA including over USD 40 billion in IPOs in the Saudi market alone.

He has also participated on several committees set up by the CMA and the Saudi Stock Exchange to assist in the development of the regulatory framework for the Saudi Capital Markets.

Al-Ghamdi completed his MBA in Finance from the University of Colorado at Boulder, USA.

Other positions and membership

- No other memberships



Raad Al-Abdulkader
Independent member

Background

Mr. Al-Abdulkader is a leading Saudi businessman with varied interests. He has also previously held board positions at other financial institutions and brings years of expertise and relationships to anb capital’s board. Mr. Al-Abdulkader completed his bachelor’s degree in finance from Lebanon.

Other positions and membership

- Board member and executive director at
- AMA Group
 - Abdulkader Furniture Co.
- Executive director at
- Raad Abdulaziz Kader Trading
 - Raad Abdulaziz Alabdulkader Est.

Powers of the Board of Directors

With the exception of the various powers entrusted to the General Assembly of the Shareholders, the Board of Directors has powers to manage the Company’s business, organize and direct the affairs of the Company and formulate its strategies in order to achieve the Company’s objectives. The Board of Directors, in the performance of its duties, exercises all these powers and performs all such acts in accordance with the Company’s by-laws and all relevant laws, regulations and corporate governance standards.

Board of Directors meetings attendance details

Name	Position	18 Apr, 2022	19 Jul, 2022	2 Nov, 2022	25 Jan, 2023
Samra A. Al-Kuwaiz**	Chairman of Board of Directors	-	-	✓	✓
Raied A. Al-Seif*	Former Chairman of Board of Directors*	✓	✓	-	-
Zuhair S. Al-Herbish*	Former Vice Chairman of Board of Directors & Non-Executive Member	✓	-	-	-
Obaid A. Al-Rasheed	Vice Chairman of Board of Directors & Non-Executive Member	✓	✓	✓	✓
Fahad A. Al-Kadi*	Non-Executive Member	✓	✓	-	-
Sami A. Al-Omran*	Independent member	✓	✓	-	-
Bassam R. Al-Mubarak	Non-Executive Member	✓	✓	✓	✓
Raad Al-Abdulkader**	Independent member	-	-	✓	✓
Abdulaziz Al-Bassam**	Independent member	-	-	✓	✓
Nizar Al-Twajjri** +	Non-Executive Member	-	-	✓	-
Khalid Al-Ghamdi**	Executive Member	-	-	✓	✓

* These members stepped down from their roles on the Board of Directors of anb capital on 16th August, 2022.

** New members who joined the Board of Directors of anb capital on 16th August, 2022.

+ Mr. Nizar Al-Twajjri resigned from his Board of Director membership on 31st December, 2022.

Board’s Committees

anb capital Board						
Audit Committee	Risk Management Committee	Nomination and Remuneration Committee	Underwriting Committee	Principal Investment Committee	Executive Credit Committee	Compliance Committee

The Board has established various committees (the “Committees”) that oversee and make recommendations to the Board on important issues of policy and governance. The Committees operate within specific terms of reference approved by the Board.

The following is a description of the main tasks and membership of the Committees:

Audit Committee

The Audit Committee consists of 3 members, including two independent members and one Non-Executive member of the Board of Directors. The Audit Committee assists the Board in discharging its responsibilities for financial reporting, internal control and the relationship with the external auditors.

Name	Position	Background
Raad Al-Abdulkader	Independent Member & Chairman of Audit Committee	Mr. Al-Abdulkader is a leading Saudi businessman with varied interests. He has also previously held board positions at other financial institutions and brings years of expertise and relationships to anb capital’s board. Mr. Al-Abdulkader completed his bachelor’s degree in finance from Lebanon.
Latifa Al-Sabhan	Non-Executive Member	Ms. Al-Sabhan holds the position of Chief Financial Officer at Arab National Bank.
Mohammed Al-Gassim	Independent Member	Mr. Mohammad Al-Gassim holds the position of Chief Executive Officer at Kafaa Investment Company. Mr. Al-Gassim also serves as an Independent Member and Chairman of audit Committee at Umm Al-Qura for Development and Construction, and as Head of the Audit and Risk Committee at Dar Al-Majid Real Estate Development Company. He is also an Independent Member of the Audit and Risk Committee at Hassana Investment Company and at GEMS Education. He also holds several positions at the General Organization for Social Insurance and at Arsan Contracting Company. He also acts as a financial advisor to a number of other companies.

The duties and responsibilities of the committee include the following:

<ul style="list-style-type: none">Supervising the Company’s internal audit function, in-house or outsourced to Arab National Bank’s internal auditor, to ensure its effectiveness.Reviewing the internal audit work program, key internal audit findings and ensuring the implementation of corrective measures taken against those findings.Recommending the appointment, dismissal and the remuneration of external auditors to Board.Supervising the activities of the external auditors, ensuring their compliance with auditor independence requirements, and approving the scope of the audit and other related work and fees.Reviewingthe external auditor’s audit plan and recommending changes if required.	<ul style="list-style-type: none">Reviewing the interim (if any) and annual financial statements and recommending them to the Board.Reviewing the appropriateness of accounting policies.Meeting the external and internal auditors (separately) at least once a year to discuss issues arising from their audits.Reviewing the compliance manual and policies and procedures for the Compliance Department and monitoring the effectiveness of the Company’s compliance activities.Reviewing Compliance Committee’s reports and receiving periodic status updates from the Compliance Division on compliance/AML matters.Reviewing inspection reports issued by CMA and other regulatory bodies.
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The Audit Committee meets on a quarterly basis or more if required. The committee held (4) meetings for the fiscal year 2022.

Name	Position	17 Mar, 22	22 Jun, 22	16 Oct, 22	17 Jan, 23
Fahad A. Al-Kadi*	Chairman of Audit Committee till 16th of October 2022	✓	✓	✓	-
Latifa Al-Sabhan	Member	✓	✓	✓	✓
Sami Al-Omran*	Member	✓	✓	✓	-
Samra A. Al-Kuwaiz**	Member	✓	✓	✓	-
Mohammad Al-Gassim	Member	-	-	-	✓
Raad Al-Abdulkader	Chairman of Audit Committee	-	-	-	✓

*These members resigned from the Audit Committee on 16th October, 2022.

**Mrs Samara Al-Kuwaiz resigned from her role as Audit Committee member to assume the role of the Chairperson of anb capital’s Board of Directors.

Risk Management Committee

The Board Risk Committee consists of 5 members who meet twice a year or more, if required.

Name	Position	Background
Nizar Al-Twajjri*	Chairman	Ms. Al-Twajjri is a member of the Company’s Board of Directors.
Samra A. Al-Kuwaiz	Member	Ms. Al-Kuwaiz is the Board Chairperson at anb capital.
Khalid S. Al-Ghamdi	Member	Mr. Al-Ghamdi is the CEO of anb capital.
Kamal Khodr	Member	Mr. Khodr is the CRO of Arab National Bank.
Bassam R. Al-Mubarak	Member	Mr. Al-Mubarak is a member of the Company's Board of Directors.

* Mr. Nizar Al-Twajjri resigned from the Board and Committee on 31st December, 2022.

The responsibilities of the committee include the following:

- Reviewing, on regular basis, processes which identify, measure, control and monitor risks within the Company and annually reporting to the Board on the adequacy of such processes.
 - Reviewing and approving the Company’s Internal
- Capital Adequacy Assessment Process.
 - Reviewing the Capital Adequacy Model (CAM) monthly reports submitted to the CMA.
 - Reviewing the adequacy and effectiveness of any significant outsourcing.

The Committee held (2) meetings during the year 2022

Name	Position	29 May, 2022	24 Oct, 2022
Khalid S. Al Ghamdi	Chairman of the Committee till 2nd Nov, 2022	✓	✓
Bilal Raghib*	Member	✓	✓
Randa Al-Jarboua*	Member	✓	✓
Loay Al-Salman*	Member	✓	✓
Kashif UI Haq Khan*	Member	✓	✓
Subramani Prakash*	Member-Risk team	✓	-
Mohid Sajid*	Member-Risk team	-	✓

* The board approved the new committee memberships on 2 November, 2022. Therefore, these members are no longer part of the committee.



Nominations and Remunerations Committee:

The Nomination and Remuneration Committee consists of 3 members who meet twice a year or more if required:

Name	Position	Background
Obaid A. Al-Rasheed	Chairman & non-executive board member	Mr. Al-Rasheed is the Managing Director and Chief Executive Officer of Arab National Bank. He has more than 37 years of banking experience, during which he held several leadership positions at Arab National Bank.
Abdulaziz Al-Bassam	Independent Board member	Mr. Al-Bassam began his career with McKinsey and later joined Saudi Aramco as portfolio manager. He is currently the CEO of AIMS.
Bader Al-Otaibi	Member	Mr. Al-Otaibi holds the position of Head of Human Resources at Arab National Bank.

The responsibilities of the committee include the following:

- Recommending Board appointments in accordance with the approved policies and standards; the committee ensures that no person who has been previously convicted of any offense affecting honor or honesty is nominated for such membership.
 - Annual review of the suitability of skills available to the Board and, where relevant, the identification of the set of skills and capabilities required to enhance the performance of the Board, including the time that a director should reserve for this responsibility.
 - Review the structure of the Board and, where needed, recommend changes.
 - Assess Board performance to establish strengths and weaknesses and make recommendations to the Board accordingly.
- Ensure on an annual basis the independence of the independent members and the absence of any conflict of interest in case a Board member also acts as a member of the Board of Directors of another company.
 - Approve the compensation of top executives.
 - Determine clear policies regarding the indemnities and remunerations of the Board members and top executives. In laying down such policies, the committee ensures that the standards related to performance are followed.
 - Supervise the development of a compensation policy for submission to the Board for approval.

The committee held (3) meetings for the fiscal year related to the year 2022:

Name	Position	9 Feb, 2022	26 Jun, 2022	8 Dec, 2022
Obaid A. Al-Rasheed	Chairman of the Committee/ non-executive board member	✓	✓	✓
Raied Al-Saif*	Member	-	-	-
Bader Al-Otaibi	Member	✓	✓	✓
Abdulaziz Al-Bassam	independent member	-	-	✓

* The members resigned from the Nominations and Remunerations Committee on 16th August, 2022.

Compliance and Anti-Money Laundering Committee

The Compliance and Anti-Money Laundering Committee consists of 6 members who meet four times a year or more, if required.

Name	Position	Background
Marzouk Hammouda	Chairman	Mr. Hammouda holds the position of assistant Head of Compliance at Arab National Bank.
Khalid S. Al-Ghamdi	Member	Mr. Al-Ghamdi is the CEO of anb capital.
Randa Al-Jarboua	Member	Ms. Al-Jarboua is the Chief of Compliance and Anti-Money Laundering at anb capital.
Hesham Al-Haqbani	Member	Mr. Al-Haqbani is a Director of Compliance at anb capital.
Bilal Raghib	Member	Mr. Raghib is the Chief Operating Officer of anb capital.
Loay Al-Salman	Member	Mr. Al-Salman is the Chief Financial officer of anb capital

The committee held (4) meetings during the year 2022:

Name	Position	7 Mar, 2022	15 Jun, 2022	9 Oct, 2022	11 Jan, 2023
Mazin Malki**	Chairman of the Committee till 20th October 2022	✓	✓	-	-
Marzouk Hammouda	Chairman of the Committee from 2nd November, 2022	-	-	-	✓
Khalid S. Al-Ghamdi	Member	✓	✓	✓	✓
Bilal Raghib	Member	✓	✓	✓	-
Randa Al-Jarboua	Member	✓	✓	✓	✓
Abdulrahman Al-Nami*	Member	✓	-	-	-
Waleed Al-Omary*	Member	✓	✓	✓	-
Saeed Al-Omari*	Member	-	✓	-	-
Muneera Al-Dossary*	Member	-	✓	-	-
Hesham Al-Haqbani	Member	-	-	-	✓
Loay Al-Salman	Member	-	-	-	✓

** The chairman of the Committee resigned on 20th October, 2022 & Mr. Marzouk Hammouda assumed the chair of the Committee.

* The board has approved the new Committee membership on 2nd November, 2022. The members are no longer part of the new committee membership.

The responsibilities of the committee include the following:

- Ensuring that appropriate policies and procedures are in place.
 - Safeguarding the Company’s reputation with clients and regulatory agencies including the CMA and Tadawul.
 - Reviewing and understanding changes in compliance and governance requirements and ensuring their implementation.
- Overseeing the implementation of a formal corporate compliance program and performing annual review of the corporate compliance program.
 - Ensuring compliance with the Company’s Code of Ethical Behavior.
 - Ensuring findings from internal auditors, external auditors or CMA inspection teams are closed in a timely fashion.

Underwriting Committee

Committee membership includes:

Name	Position	Background
Obaid A. Al-Rasheed	Chairman	Mr. Al-Rasheed is the Managing Director and Chief Executive Officer of Arab National Bank. He has more than 37 years of banking experience, during which he held several leadership positions at Arab National Bank.
Bassam R. Al-Mubarak	Member	Mr. Al-Mubarak is a member of anb capital’s Board of Directors.
Loay Al-Salman	Member	Mr. Al-Salman is the CFO of anb capital.
Khalid S. Al-Ghamdi	Member	Mr. Al-Ghamdi is the CEO of anb capital.

The committee did not hold any meeting in 2022 and all underwriting proposals for IPO or right issues were approved by circulation. The authority and key responsibilities of the committee include:

- Assessing and taking suitable decisions on underwriting proposals of equity or debt issues submitted to the committee by the Investment Banking Department.
- Reviewing and managing assets held-on-book as a result of prior underwritings and taking appropriate decisions, including as to provisioning or orderly disposal, related to such assets.

Principal Investment Committee

Members of the committee include:

Name	Position	Background
Abdulaziz Al-Bassam	Chairman	Mr. Al-Bassam is an independent Board member at anb capital.
Khalid S. Al-Ghamdi	Member	Mr. Al-Ghamdi is the CEO of anb capital.
Loay Al-Salman	Member	Mr. Al-Salman is the CFO of anb capital.
Mohammed Ahab Minhas	Member	Mr. Minhas is the Chief Strategy Officer of anb capital.

No meeting was held during the year 2022 and all investment proposals were approved by circulation. The following is the summary of key responsibilities and functions of the committee:

- Approval or disapproval of any offer made by the management to invest or exit from the investment in any security in the Kingdom of Saudi Arabia or the GCC countries.
- Review the Company’s investment activities and performance.
 - Recommending to the Board of Directors any changes to investment limits

The Principal Investment Committee can only approve the following transactions.

- High risk investments/divestments of up to SAR 50 million
- Low risk investments/divestments of above SAR 50 million

Investments beyond the above thresholds are referred to the Board for approval.

Executive Credit Committee

The ECC comprise a two-tier membership (**Tier-1 and Tier-2**). The Board has approved the following memberships for the ECC.

Members of the committee include:

Tier 1 – Credit applications for margin lending of **up to SAR 100 million** to be approved by:

Name	Position	Background
Abdulaziz Al-Subaihen	Chairperson	Mr. Al-Subaihen is the Head of Credit – Retail & Private Bank at Arab National Bank.
Khalid S. Al-Ghamdi	Member	Mr. Al-Ghamdi is the CEO of anb capital.
Loay Al-Salman	Member	Mr. Al-Salman is the CFO of anb capital.

Tier 2 – Credit applications for margin lending **above SAR 100 million** and any other exceptions, such as PEP or related party transactions, to be approved by:

Name	Position	Background
Obaid Al-Rasheed	Chairperson	Mr. Al-Rasheed is the Managing Director of Arab National Bank.
Khalid Al-Ghamdi	Member	Mr. Al-Ghamdi is the CEO of anb capital.
Abdulaziz Al-Subaihen	Member	Mr. Al-Subaihen is the Head of Credit – Retail & Private Bank at Arab National Bank.
Loay Al-Salman	Member	Mr. Al-Salman is the CFO of anb capital.

No meeting was held during the year 2022 and all credit proposals were approved by circulation and [17] credit proposals were approved during the year 2022. The following is the summary of key responsibilities and functions of the committee:

<ul style="list-style-type: none">Setting credit limits for other committees.Deciding to write off customer debts.Approving exposure to related parties on a fully secured basis.	<ul style="list-style-type: none">Approving margin trading facilities to politicians (including politically exposed persons) and charitable organizations.Approving exposures to capital market institutions & financial Institutions.
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Directors’ and Senior Executive remuneration report

Statement	Executive Board Members*	Non-Executive Board Members	Independent Board Members
Allowance for attendance of the board of directors’ sessions	-	-	400,000
Allowance for attendance of the committees’ sessions	-	-	100,000
Periodic and annual remunerations	-	-	-
Incentive plans	-	-	-
Any compensations or other in-kind benefits paid monthly or annually	-	-	-
Total	-	-	500,000

* As members of the board of directors.

- According to the Company’s regulations, Non-Independent Board Members (Executive and Non-Executive) do not receive any remuneration for their membership in the Board.
- Only Independent Members of the Board/committee received remuneration for their membership in the respective Board/ committee.

Statement	Five of the senior executives who received the highest remunerations and compensations in addition to the CEO and CFO, if they are not among them*
Salaries and wages	5,441,591
Allowances	2,212,039
Periodic and annual remunerations	2,976,030
Incentive plans	-
Commissions	-
Any compensations or other in-kind benefits paid monthly or annually	951,549
Total	11,581,209

There have been no arrangements whereby any member of the Board of Directors or the executive management waived any compensation or remuneration.

* Six senior executives who received the highest remuneration and compensation (including the CEO and the Chief Financial Officer).

Board of Directors and Senior Management Interests

Any contractual interest, securities and warrants that are beneficially owned by the directors or executive management and their families in any of the Company’s stocks or debt instruments

During the year 2022, margin credit facilities for local share trading for a period of 12 months were extended to the following Board of directors:

Name	Position	Limit (SAR)	Average utilization (SAR)
Mr. Raed A. Al-Saif	Chairman of the Board till 16 August 2022 – Independent	5,000,000	1,797,605
Mr. Fahd A. Alkadi	Non-Executive board member till 16 August 2022	15,000,000	6,065,361
Mr. Bassam R. Al-Mubarak	Non-Executive board member	10,000,000	8,209,036
Mr. Khalid S. Al-Ghamdi	Executive board member and CEO of anb capital	5,000,000	4,854,999

The Board confirms that there are no other facilities granted to any member of the Board or executive management and their family members other than the above mentioned until December 31, 2022, and the facilities granted to them were approved by the Company’s Executive Committee. These facilities are subject to a coverage ratio of 200%, margin call at 175%, and liquidation threshold of 150%, and there are no preferential terms on the facility contracts granted to the members of the Board of Directors mentioned above.

Any business or contracts in which the Authorized Person is a party thereto and a director, the chief executive officer, or Head of Finance, or any related person has an interest therein

The Board confirms that none of its Members or the Chief Executive Officer and the Chief Financial Officer or any related person has any business or contracts to which anb capital is party and there is no agreement with any member of the Board or executive management and their families other than those mentioned above.



Internal Control, Risk and Compliance Functions

Internal Control Systems

Internal Control Systems are an integral part of any organization’s Risk Management. The Directors have the responsibility to ensure that the effectiveness of the Company’s internal control in order to achieve the Company’s strategic objectives. The senior management is responsible for the development and implementation of the internal control processes in addition to their effectiveness and accuracy.

The Audit Committee is responsible for overlooking the effectiveness of the internal controls and reports to the Board about the ongoing effectiveness of the Company’s internal controls systems.

Even if the internal control systems are effectively designed, the continuous development and improvement of the systems should take place to highlight the management’s desire to address any gaps in the systems.

Internal Audit Department

The Internal Audit Department of Arab National Bank, in accordance with the service level agreement, regularly conducts the activity of reviewing the effectiveness of internal controls of all business units and departments to ensure compliance with the approved policies and procedures of the Company.

The Internal Audit Departments follows a Risk based Methodology taking into account organizational, residual and other relevant risks within the activities and processes of the business. The control weakness observed are highlighted based on their risk category in the internal audit report along with necessary remediation plans, and the findings are submitted to the senior management and the compliance management for their actions.

Internal Audit reports are submitted to the Audit Committee through semi-annual reports. All business units and business process owners make efforts to improve the control environment by executing procedures to prevent and remediate control deficiencies. Each business unit is handed the task of mitigating the risk pertaining to its respective business unit and the senior management is entrusted with the task to monitor the said implementation of corrective actions and controls that have been highlighted by both internal and external auditors.

Monitoring the effectiveness and adequacy of the internal control system is the responsibility of the Audit Committee to ensure that the risks are addressed appropriately and in a time manner to protect the interests of the Company and its stakeholders.

Compliance Department and Anti-Money Laundering

An Anti-Money Laundering (AML) compliance program helps businesses to uncover suspicious activity associated with criminal acts, including money laundering. Compliance and AML department is responsible for approving the institution’s overall AML strategy and for overseeing its implementation. This means that the body must collectively possess adequate knowledge, skills and experience to understand the money laundering risks for the institution’s activities and business model. They must also have knowledge of the national legal and regulatory framework.

The Compliance and AML department is subject to periodic reviews by the Internal Audit department to ensure that it carries out its responsibilities effectively. The annual compliance programs defines the compliance plan and addresses matters such as the implementation and review of policies and procedures, the assessment of the risks of non- compliance, independent reviews by management, and the education of employees about the importance of compliance.

Risk Management

The role of the Company’s risk management is to design, develop, evaluate and manage organizational and business risks, monitor those risks, and report to the Risk Management Committee and senior management. The concerned business units document and follow the design and accordingly manage the risks, identify and document controls, and evaluate and self-assess the effectiveness of those controls.

The concerned business units, in coordination with the Risk Management Department, identify their key risk indicators (“KRIs”), so that those risks are evaluated and categorized into high, medium and low categories based on pre-defined criteria. The concerned business units also determine all risks that are included in Control Risk Self-Assessment (“CRSA”), in order to carry out a self-assessment of such risks. Finally, the assessments are communicated to the Risk Committee and Senior Management for their review and evaluation.

Business continuity

The Company’s business continuity requirements are implemented under the service agreement executed with Arab National Bank, which generally includes providing the appropriate support to the Company as summarized below:

- Developing the Company’s business continuity policies and procedures in line with best practices.
- Developing plans to enable the Company to continue and to implement its basic and critical operations in cases of failure.
- Conducting continuous tests of the business continuity plan to validate its operating effectiveness for Company’s operations and activities.
- Promote awareness and understanding of business continuity requirements among Company employees.

Based on the results of the continuous evaluation of the internal controls related to business continuity that the Company carried out during the year 2022, the Company believes that its current continuity processes are designed appropriately and are operating effectively. It is worth noting that the Company’s management constantly strengthens and develops its process and control systems.



Results of the Annual Audit for the Effectiveness of the Internal Control Procedures of the Company

The Audit Committee and the Risk Management Committee supervise, follow up and review the internal control systems on an ongoing basis and work to inform the Board of Directors of the steps taken in this regard, which contributes to enabling the Board to assess the effectiveness of the internal control systems.

The Audit Committee and the Risk Management Committee review the reports related to the Company’s internal control systems, the most important of which are the reports of the Internal Audit Department, Risk Management and Compliance Department. Through its meetings with the heads of these departments, the Audit Committee and Risk Management Committee assess the effectiveness of the procedures performed and discusses the contents of periodic department reports. The two committees communicate the results of the reports prepared by the various departments to the Board of Directors.

Regarding the accounting policies, the Audit Committee performs the following:

- Assess the appropriateness of the policies adopted by the Company considering the requirements of the CMA and other regulatory bodies.
- Discuss any changes in such policies or International Financial Reporting Standards (“IFRS”) as issued by International Accounting Standards Board (“IASB”), as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”), with Company officials and external auditors to ensure their compliance with the requirements of the relevant standards and pronouncements.

Opinion of the Audit Committee:

Based on the periodic reports presented by the Internal Audit Department, the Compliance Department, the external auditors and the Compliance and Anti-Money Laundering Committee during the fiscal year ending 31 December, 2022, the Audit Committee confirms that the internal control systems were in place throughout the year and that the system of internal controls was operating effectively and that there had been no significant (high risk) weaknesses noted during the year ended 31 December, 2022.

Risk Management

The Company’s objectives with respect to managing risk are the creation and protection of shareholder value. Risk is inherent in the Company’s activities, but is managed through a process of ongoing identification, measurement and monitoring. The process of risk management is critical to the Company’s continuing profitability. The Company is exposed to market risk (which includes interest rate risk, currency risk and equity price risk), liquidity risk, and credit risk and investment holding period risk arising from the financial instruments that it holds.

Risk management structure

The Company’s Board of Directors is ultimately responsible for the overall risk management of the Company.

Risk measurement and reporting system

The Company’s risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses that are an estimate of the ultimate actual loss based on statistical models. The models make use of the probabilities derived from historical experience, adjusted to reflect the economic environment.

Monitoring and controlling risks is primarily set up to be performed based on limits established by the Board of Directors. These limits reflect the business strategy, including the risk that the Company is willing to accept and the market environment of the Company. In addition, the Board monitors and measures the overall risk in relation to the aggregate risk exposure across all risk type and activities.

Risk mitigation

The Company has investment guidelines that set out its overall business strategies, its tolerance for risk and its general risk management philosophy.

Excessive risk concentration

Concentration indicates the relative sensitivity of the Company’s performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowing facilities or reliance on a particular

market in which to realize liquid assets. Concentrations of foreign exchange risk may arise if the Company has a significant net open position in a single foreign currency, or aggregate net open positions in several currencies that tend to move together.



Credit Risk

In order to avoid excessive concentrations of risk, the Company’s policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. The investment manager is instructed to reduce exposure or to use derivative instruments to manage excessive risk concentrations when they arise.

Credit risk refers to the risk that a party to a financial instrument will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties, for whom the credit risk is assessed to be low. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific non-related counterparties, and continually assessing the creditworthiness of such non-related counterparties. The Company maintains bank accounts with financial institutions that have high credit ratings.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

No significant concentrations of credit risk were identified by the management at end of 2022

The Company also provides margin financing for local share trading where the shares are pledged as a guarantee in order to reduce exposure to credit risk. The facilities offered to investors are subject to a coverage ratio of 200%, a demand ratio of 175%, and a liquidation ratio of 150%.

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The maximum risk resulting from financial instruments equals their fair value. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board of Directors has established limits on the interest gaps for stipulated periods.

Equity price risk

Equity price risk is the risk of unfavorable changes in the fair values of equity instruments as a result of changes in the value of individual shares. The equity price risk exposure arises from the Company's investments in equity securities. The Company's investments are susceptible to market price risk arising from uncertainties about future prices. The Board manages this risk through diversification of its investment portfolio in terms of geographical distribution and/or industry concentration.

Operational risks

Operational risk is defined as the risk of loss resulting from inadequacy or failure in internal processes, people and systems or from external events. Operational risks are related to all activities and operations of the concerned business units, and the Company ensures appropriate policies, process, procedures, and systems are put in place to manage operational losses. The Company has taken an adequate insurance policy and has developed a well-documented Business Continuity Plan to manage unforeseen crises and ensure continuity of operations efficiently.

Regulatory risks

Regulatory risks relate to the risk of direct or indirect losses (including fines from regulatory authorities) arising from non-compliance with relevant regulations and guidance. Risks are mainly managed by the Company through the Compliance and Anti-Money Laundering and Terrorist Financing function, which is an independent body that has been entrusted with the tasks of reviewing the organizational risks faced by the Company and taking the necessary steps to manage and mitigate those risks through compliance programs.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by ensuring that sufficient funds are available from Shareholders and related parties at all times to meet any future commitments, and financing facilities are available.

For more information and details related to risks and the policy for managing and monitoring these risks, you can refer to the Company's website (www.anbcapital.com.sa) within the third pillar disclosures.



Statement of the responsibilities of the members of the Board of Directors related to the financial statements

The Board of Directors, to the best of its knowledge, confirms the following:

- The account records have been properly prepared.
- The internal control system was prepared on sound bases and was effectively implemented.
- That there is no doubt about the company's ability to continue as going concern.
- These financial statements were approved by the Board of Directors on 01 Ramdan 1444H – 23 March 2023.
- Please also refer to the Company's website www.anbcapital.com.sa for the independent auditor's report and audited financial statements with related notes for 2022, 2021 and 2020.





Section 3

Other Information

Related party balances

The Company’s transactions during the year with related parties:

Name	Relationship
Arab National Bank	Shareholder
Investment Funds	Managed Funds
Senior Management Staff	Higher Management
Board of Directors	Board of Directors

Balances arising from transactions with related parties included in the financial statements:

Description	Dec 31, 2022	Dec 31, 2021	Duration	Nature and terms of business
Assets				
Cash & Cash Equivelant and investments includes:				
Current account	266,052,437	18,284,789	Indefinate	Company’s current accounts with ANB
Demand deposits	266,782,892	216,957,795	Indefinate	Company’s savings accounts with the ANB
Fee receivables and Receivables against margin lending:				
Accrued corporate finance fees	351,563	1,559,063	Indefinate	Credit and strategic advice to the ANB under a service provision agreement and advisory agreements that are subject to termination by either party
Accrued special commission income	579,083	547,916	Indefinate	Accrued interest of funds managed by the company
Accrued management fees	42,228,241	18,896,209	Indefinate	Management fees of funds managed by the company
Other receivables from managed funds	837,513	177,894	Indefinate	Other receivables from managed funds
Receivables against margin lending	6,315,976	12,841,620	One year	Receivables against margin lending from board members

Transactions with related parties included in the financial statements:

Description	Dec 31, 2022	Dec 31, 2021	Duration	Nature and terms of business
Operating income:				
Fee includes:				
Income from bank	6,207,486	6,667,038	Indefinite	Fees received by the company for managing private portfolios of the ANB under a portfolio management contract.
Income from Mutual Funds	80,817,886	32,161,982	Indefinite	Management fees from the funds managed by the company under the terms and conditions the related funds
Corporate finance income from ANB	1,800,000	2,550,000	Indefinite	Credit and strategic advice to the ANB under a service provision agreement and advisory agreements that are subject to termination by either party
Special commission income	40,510,163	10,464,625	Indefinite	Special commission on demand deposit with ANB
Advisory fee	10,000,000	10,000,000	Indefinite	Consulting services for transactions with ANB or investment funds under a service provision agreement and advisory agreements that can be terminated by either party
Special commission income on margin lending	785,565	391,760	Indefinite	Special commission income on margin lending on facilities extended to board members
Expenses				
Shared service cost allocated by ANB	(6,422,844)	(6,422,844)	Indefinite	Cost of administrative and support services provided by various department of ANB under service provision agreements
Fees of independent board members & committees	(500,000)	(370,000)	Defined by Companies' law	Meeting Fees and compensation for independent board members and sub-committees
Salaries and related benefits for key management	(16,658,820)	(15,893,234)	Indefinite	Salaries of senior company executives

Code of Ethical Business Conduct

The Company ensures that its activities are conducted in accordance with the requirements of ethical standards, statutory requirements and related regulations issued by the regulatory authorities.

The Company’s board of directors, through its senior management, emphasizes the development and application of the required professional values and standards through effective and continuous awareness programs.

The management and all employees ensure to fulfil their ethical responsibilities in accordance with the professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia.

Statutory payments

Description	SR ‘000
Tadawul brokerage fees	55,776
Zakat for Saudi Shareholders	20,079
Income tax for non-Saudi shareholders	12,712
GOSI charges	3,079
CMA License fees	275
Tadawul License fees	205
Withholding Tax	135
CMA fees for employee registration	70
Ministry of Commerce registration fees	5
Total	92,336

Fines and Penalties

The Company conducts its activities in accordance with the Capital Market Law and its implementing regulations. During the year ended December 31, 2022, the Company was subjected to two fines imposed by the Capital Market Authority amounting to a total of SAR 100,000.

1.The Company was fined SAR 50,000 a result of a violation of subparagraph (a) of paragraph (2) of Article 5 of the Implementing Regulations of the Anti-Money Laundering Law, based on Paragraph (4) of Article 25 of the Anti-Money Laundering Law. This was due to the Company’s failure to perform proper due diligence when assessing money laundering risks with a number of its customers.

2.The Company was fined SAR 50,000 a result of a violation of paragraph (2) of Article 7 paragraph (14) of the Implementing Regulations of the Anti-Money Laundering Law, due to non-compliance with determining the extent and depth of applying due diligence measures under Article 7 of the Anti-Money Laundering Law relating to the types and levels of risks posed by the customer or a specific business relationship.

Borrowings

The Company does not have any borrowings from any bank. However, the Company maintains a credit line with Arab National Bank of SAR 2 billion to finance any credit requirements for margin lending purposes.

Statutory reserve

In accordance with the Companies’ Law in the Kingdom of Saudi Arabia, the Company must transfer 10% of its annual net income to statutory reserves until the reserve equals 30% of its capital and this reserve is not available for-profit distribution.

Pillar III Disclosure

These disclosures were prepared in accordance with the requirements of the capital adequacy rules, and according to the prescribed formula the CMA published regarding the quantitative and qualitative disclosures related to the Pillar III. To view the disclosures, please visit the Company’s website link at <https://anbcapital.com.sa>

Audited Financial Statements

Accounting Standards

The Company prepares its financial statements in accordance with International Financial Reporting Standards (“IFRS”) as issued by International Accounting Standards Board (“IASB”), as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants (“SOCPA”) to meet the requirements of the Companies’ Law, the rules and regulations of the CMA and the Company’s by-laws.

External auditors

In the meeting of the Extra Ordinary General Assembly held on [28/11/1443 AH] corresponding to [27/06/2022], the Assembly agreed to appoint Messrs. Ernst & Young as the Company’s external auditor for the fiscal year 2022, noting that the certified accountant’s report did not include any qualification or reservations on the annual financial statements.



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