



Arab National Bank
(A Saudi Joint Stock Company)

**Interim Condensed Consolidated Financial Statements
For the period ended March 31, 2023**

(Unaudited)

**KPMG Professional Services**

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P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
C.R. No. 1010425494

Headquarters in Riyadh

**Deloitte and Touche & Co.
Chartered Accountants**

Head office - Riyadh
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Date 10/3/1419
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**INDEPENDENT AUDITORS' REVIEW REPORT ON THE
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

To: The Shareholders of Arab National Bank
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Arab National Bank ("the Bank") and its subsidiaries (collectively referred to as "the Group") as of March 31, 2023, and the related interim consolidated statements of income and comprehensive income, changes in equity and cash flows for the three months period then ended, and other explanatory notes (collectively referred to as "the interim condensed consolidated financial statements"). Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

Other Regulatory Matters

As required by the Saudi Central Bank ("SAMA"), certain capital adequacy information has been disclosed in note (20) to the accompanying interim condensed consolidated financial statements. As part of our review, we traced the information in note (20) to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

KPMG Professional Services

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License No. 524

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Mazen A. Al-Omari
Certified Public Accountant
License No. 480



Shawwal 17, 1444H
(May 7, 2023)

ARAB NATIONAL BANK
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT
Amounts in SAR '000

	Notes	March 31 2023 (Unaudited)	December 31 2022 (Audited)	March 31 2022 (Unaudited)
ASSETS				
Cash and balances with SAMA	5	14,066,828	12,434,197	11,021,557
Due from banks and other financial institutions, net	6	4,753,813	6,048,035	4,013,029
Positive fair value of derivatives	13	2,405,786	2,959,669	2,021,764
Investments, net	7	41,788,256	41,017,758	42,731,453
Loans and advances, net	8	144,727,221	143,828,819	138,642,428
Investments in associates		982,685	978,683	949,194
Other real estate owned		1,268,150	1,318,150	154,870
Property, equipment and right of use assets, net		2,260,224	2,231,227	2,216,022
Other assets		1,789,481	1,811,555	2,869,771
Total assets		214,042,444	212,628,093	204,620,088
LIABILITIES AND EQUITY				
Liabilities				
Due to banks, SAMA and other financial institutions	11	13,660,174	13,511,268	14,040,600
Negative fair value of derivatives	13	1,755,246	2,164,241	1,656,740
Customers' deposits	12	155,247,260	154,871,266	148,138,429
Sukuk		2,852,524	2,829,092	2,852,402
Other liabilities		7,859,215	6,894,569	5,870,258
Total liabilities		181,374,419	180,270,436	172,558,429
Equity				
Equity attributable to equity holders of the Bank				
Share capital	18	15,000,000	15,000,000	15,000,000
Statutory reserve		9,630,000	9,630,000	8,862,000
Other reserves		127,312	58,504	825,973
Retained earnings		7,886,828	6,819,244	6,697,257
Proposed dividends	18	-	826,616	649,692
Total equity attributable to equity holders of the Bank		32,644,140	32,334,364	32,034,922
Non-controlling interests		23,885	23,293	26,737
Total equity		32,668,025	32,357,657	32,061,659
Total liabilities and equity		214,042,444	212,628,093	204,620,088

The accompanying notes 1 to 22 form an integral part of these interim condensed consolidated financial statements.



Latifa Al-Sabhan
Chief Financial Officer



Obaid Al-Rasheed
Managing Director



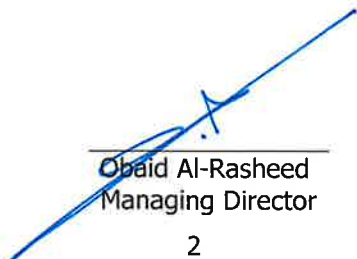
Hesham Al-Jabr
Authorized Board Member


ARAB NATIONAL BANK
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF INCOME
Amounts in SAR '000 (Unaudited)

		<u>For the three months ended March 31</u>	
	<u>Notes</u>	<u>2023</u>	<u>2022</u>
Special commission income		2,825,782	1,334,182
Special commission expense		1,093,164	149,676
Net special commission income		1,732,618	1,184,506
Fee and commission income		395,815	336,393
Fee and commission expense		244,718	208,799
Fee and commission income, net		151,097	127,594
Exchange income, net		85,429	71,335
(Loss)/ gain on FVSI financial instruments, net		(8,521)	10,870
Trading income, net		19,089	19,697
Dividend income		23,505	17,892
Gain on sale of non-trading investments, net		155,878	-
Other operating income, net		21,394	22,636
Total operating income		2,180,489	1,454,530
Salaries and employee related expenses		367,609	329,399
Rent and premises related expenses		11,764	12,240
Depreciation and amortisation		55,728	54,123
Other general and administrative expenses		224,078	178,883
Total operating expenses before impairment charges		659,179	574,645
Impairment charge for expected credit losses (ECL), net	9	248,145	155,458
Impairment charges for other real estate owned		50,000	-
Total operating expenses		957,324	730,103
Net operating income		1,223,165	724,427
Share in earnings of associates, net		10,057	12,515
Gain on disposal of investment in associate	10	-	36,050
Net income before zakat and income tax		1,233,222	772,992
Zakat	16	74,785	63,982
Income tax	16	98,761	60,599
Reversal of deferred tax		(8,500)	(2,406)
Net income for the period		1,068,176	650,817
Attributable to:			
Equity holders of the Bank		1,067,584	650,723
Non-controlling interests		592	94
Net income for the period		1,068,176	650,817
Basic and diluted earnings per share (expressed in SAR per share)	18	0.71	0.43

The accompanying notes 1 to 22 form an integral part of these interim condensed consolidated financial statements.


Latifa Al-Sabhan
Chief Financial Officer


Obaid Al-Rasheed
Managing Director


Hesham Al-Jabr
Authorized Board Member


ARAB NATIONAL BANK
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Amounts in SAR `000 (Unaudited)

	<u>For the three months ended March 31</u>	
	2023	2022
Net income for the period	1,068,176	650,817
Other comprehensive income:		
<i>Items that will not be reclassified to interim consolidated statement of income in subsequent periods</i>		
Equity instruments at FVOCI:		
- Net changes in fair value	28,457	327,418
<i>Items that may be reclassified to interim consolidated statement of income in subsequent periods</i>		
Debt instruments at FVOCI:		
- Net changes in fair value	18,580	3,959
Cash flow hedge:		
- Effective portion of change in the fair value	21,771	(48,272)
Total other comprehensive income for the period	68,808	283,105
Total comprehensive income for the period	1,136,984	933,922
Attributable to:		
Equity holders of the Bank	1,136,392	933,828
Non-controlling interests	592	94
Total comprehensive income for the period	1,136,984	933,922

The accompanying notes 1 to 22 form an integral part of these interim condensed consolidated financial statements.


Latifa Al-Sabhan
Chief Financial Officer


Obaid Al-Rasheed
Managing Director


Hesham Al-Jabr
Authorized Board Member

ARAB NATIONAL BANK
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022
Amounts in SAR '000 (Unaudited)

Attributable to equity holders of the Bank											
	Notes	Share capital	Statutory reserve	Other Reserves			Retained earnings	Proposed dividends	Total	Non-controlling interests	Total equity
				Instruments at FVOCI	Cash flow hedge reserve	Actuarial losses on defined benefit plan					
2023											
Balance at December 31, 2022		15,000,000	9,630,000	303,579	(116,139)	(128,936)	6,819,244	826,616	32,334,364	23,293	32,357,657
Changes in equity for the period:											
Net changes in fair values of FVOCI equity investments		-	-	28,457	-	-	-	-	28,457	-	28,457
Net changes in fair values of FVOCI debt instruments		-	-	18,580	-	-	-	-	18,580	-	18,580
Net changes in fair value of cash flow hedges		-	-	-	21,771	-	-	-	21,771	-	21,771
Net income for the period		-	-	-	-	-	1,067,584	-	1,067,584	592	1,068,176
Total comprehensive income for the period		-	-	47,037	21,771	-	1,067,584	-	1,136,392	592	1,136,984
2022 final dividends	18 (b)	-	-	-	-	-	-	(826,616)	(826,616)	-	(826,616)
Balance as at March 31, 2023		15,000,000	9,630,000	350,616	(94,368)	(128,936)	7,886,828	-	32,644,140	23,885	32,668,025
2022											
Balance at December 31, 2021		15,000,000	8,862,000	644,360	(423)	(101,069)	6,046,534	649,692	31,101,094	26,643	31,127,737
Changes in equity for the period:											
Net changes in fair values of FVOCI equity investments		-	-	327,418	-	-	-	-	327,418	-	327,418
Net changes in fair values of FVOCI debt instruments		-	-	3,959	-	-	-	-	3,959	-	3,959
Net changes in fair value of cash flow hedges		-	-	-	(48,272)	-	-	-	(48,272)	-	(48,272)
Net income for the period		-	-	-	-	-	650,723	-	650,723	94	650,817
Total comprehensive income for the period		-	-	331,377	(48,272)	-	650,723	-	933,828	94	933,922
Balance as at March 31, 2022		15,000,000	8,862,000	975,737	(48,695)	(101,069)	6,697,257	649,692	32,034,922	26,737	32,061,659

The accompanying notes 1 to 22 form an integral part of these interim condensed consolidated financial statements.


Latifa Al-Sabhan
Chief Financial Officer


Obaid Al-Rasheed
Managing Director


Hesham Al-Jabr
Authorized Board Member

ARAB NATIONAL BANK
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
Amounts in SAR '000
FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022 (Unaudited)

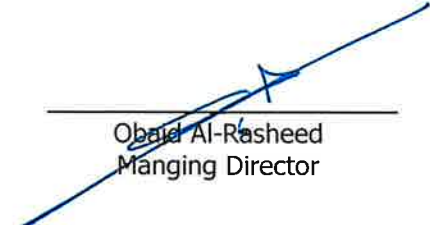
	Notes	2023	2022
OPERATING ACTIVITIES			
Net income before zakat and income tax		1,233,222	772,992
Adjustments to reconcile net income to net cash from/ (used in) operating activities:			
Amortisation of premium on investments not held as FVSI, net		(20,528)	9,542
Special commission expense on Sukuk		23,386	23,385
Gain on sale of non-trading investments, net		(155,878)	-
Loss/ (gain) on FVSI financial instruments, net		8,521	(10,870)
Dividend income		(23,505)	(17,892)
Depreciation and amortisation		55,728	54,123
Gain on disposal of property, equipment, net		(705)	(1,098)
Impairment charges for expected credit losses (ECL), net		248,145	155,458
Impairment charges for other real estate owned		50,000	-
Share in earnings of associates, net		(10,057)	(12,515)
Gain on disposal of investment in associate	10	-	(36,050)
		1,408,329	937,075
Net (increase)/ decrease in operating assets:			
Statutory deposit with SAMA		155,500	(439,711)
Investments held at FVSI		(8)	78,867
Positive fair value of derivatives		553,883	(1,054,279)
Loans and advances		(1,219,656)	(12,105,922)
Other real estate owned		-	24,193
Other assets		42,602	773,210
Net increase/ (decrease) in operating liabilities:			
Due to banks, SAMA and other financial institutions		148,906	(166,508)
Negative fair value of derivatives		(408,995)	(560,473)
Customers' deposits		375,994	12,424,544
Other liabilities		110,295	(389,672)
Net cash generated from/ (used in) operating activities		1,166,850	(478,676)
INVESTING ACTIVITIES			
Proceeds from sale and maturities of investments not held as FVSI		1,000,000	1,989,623
Purchase of investments not held as FVSI		(1,621,500)	(635,415)
Dividends received from investment in associates, net		6,055	15,026
Proceeds from sale of property and equipment		4,137	2,619
Purchase of property and equipment		(73,377)	(56,246)
Dividends received		23,505	17,892
Net cash (used in)/ generated from investing activities		(661,180)	1,333,499
FINANCING ACTIVITIES			
Payment of lease liabilities		(12,043)	(8,254)
Net cash used in financing activities		(12,043)	(8,254)
Net increase in cash and cash equivalents		493,627	846,569
Cash and cash equivalents at the beginning of the period		10,409,597	6,572,336
Cash and cash equivalents at the end of the period	15	10,903,224	7,418,905


Supplemental non-cash information

Net changes in fair value of investments held at FVOCI	47,037	331,377
Net changes in fair value of cash flow hedges	21,771	(48,272)

The accompanying notes 1 to 22 form an integral part of these interim condensed consolidated financial statements.


Latifa Al-Sabhan
Chief Financial Officer


Obaid Al-Rasheed
Managing Director


Hesham Al-Jabr
Authorized Board Member

ARAB NATIONAL BANK
(A Saudi Joint Stock Company)
Notes to the Interim Condensed Consolidated Financial Statements
For the three months ended March 31, 2023 and 2022

1. General

Arab National Bank (a Saudi Joint Stock Company) (the Bank) was formed pursuant to Royal Decree No. M/38 dated Rajab 18, 1399H (corresponding to June 13, 1979). The Bank commenced business on February 2, 1980 by taking over the operations of Arab Bank Limited in the Kingdom of Saudi Arabia. The Bank operates under Commercial Registration No. 1010027912 dated Rabi Awal 1, 1400H (corresponding to January 19, 1980) through its 126 branches (December 31, 2022: 127 and March 31, 2022: 130 branches), 75 remittance centres (December 31, 2022: 75 and March 31, 2022: 84 remittance centres) in the Kingdom of Saudi Arabia (the Kingdom) and one branch in the United Kingdom. The address of the Group's head office is as follows:

Arab National Bank
P.O. Box 56921
Riyadh 11564
Kingdom of Saudi Arabia

The objective of the Bank is to provide a full range of banking services. The Bank also provides its customers non-commission-based banking products that are approved and supervised by an independent Shariah Board established by the Bank.

The Bank is regulated by the Saudi Central Bank (SAMA).

The interim condensed consolidated financial statements comprise the interim condensed financial statements of the Bank and the following subsidiaries (collectively referred to as the Group):

ANB Capital (formerly ANB Invest)

In accordance with the Capital Market Authority (CMA) directives, the Bank has established ANB Invest, a wholly owned subsidiary and a Saudi closed joint stock company registered in the Kingdom under Commercial Registration No. 1010239908 issued on Shawwal 26, 1428H (corresponding to November 7, 2007), to takeover and manage the Bank's investment services and asset management activities consisting of dealing, managing, arranging, advising and custody of securities regulated by the CMA. The subsidiary commenced its operations effective Muharram 3, 1429H (corresponding to January 12, 2008). Accordingly, the Bank started consolidating the financial statements of the above-mentioned subsidiary on Muharram 3, 1429H (corresponding to January 12, 2008). On Muharram 19, 1436H (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 of Commissioners 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 Central Bank (SAMA) circular No. 371000014867 dated Safar 5, 1437H, and the CMA's circular No. S/6/16287/15 dated Rabi' Al-Awal 10, 1437H. The General Assembly of ANB Capital approved on Dhu Al-Qi'dah, 28, 1443H (corresponding to June 27, 2022) to change the name of the company from ANB Invest to ANB Capital.

Arabian Heavy Equipment Leasing Company (AHEL)

An 87.5% owned subsidiary incorporated in the Kingdom, as a Saudi closed joint stock company, under Commercial Registration no 1010267489 issued in Riyadh dated Jumada I 15, 1430H (corresponding to May 10, 2009). The company is engaged in the leasing of heavy equipment and operates in compliance with Shari'ah principles. The Bank started consolidating the subsidiary's financial statements effective May 10, 2009, the date the subsidiary started its operations.

ANB Insurance Agency

A Saudi limited liability company established during 2013 as a wholly owned subsidiary, registered in the Kingdom under Commercial Registration no. 1010396423 issued in Riyadh dated Muharram 28, 1435H (corresponding to December 1, 2013). The subsidiary obtained its license from SAMA to start its activities in insurance agency and related business on Jumada I 5, 1435H (corresponding to March 6, 2014).

ARAB NATIONAL BANK
(A Saudi Joint Stock Company)
Notes to the Interim Condensed Consolidated Financial Statements
For the three months ended March 31, 2023 and 2022

1. General (continued)

ANB Insurance Agency (continued)

In reference to the Article No (75) of the Insurance Company Control Law, the company requested to discontinue its operation on July 19, 2020 (corresponding to Dhul Qadah 28, 1441H). The request was approved by SAMA on Rabia' Al-Akher 4, 1442H (corresponding to November 19, 2020). The same was communicated to the Ministry of Commerce. The Company is currently in the process of completing the closure procedures with the relevant regulatory bodies.

Al-Manzil Al-Mubarak Real Estate Financing Limited

A wholly owned limited liability company, registered in the Kingdom under the commercial registration no. 1010199647 issued in Riyadh dated Jumada I 18, 1425H (corresponding to July 6, 2004). The subsidiary is engaged in the purchase of land and real estate and invest them through sale or rent in favor of the company, maintenance and management of owners' assets as guarantee, sale and purchase of real estates for financing purposes as per SAMA approval No. 361000109161 dated Shaban 10, 1436H.

ANB Global Markets Limited

The Bank established ANB Global Markets Limited on on Jumada I 3, 1438H (corresponding to January 31, 2017), as a limited liability company registered in the Cayman Islands. The Bank has 100% (2022: 100%) ownership. The objective of ANB Global Markets Limited is trading in derivatives and Repo activities on behalf of the Bank.

2. Basis of preparation

The interim condensed consolidated financial statements of the Group as at and for the three months ended March 31, 2023 have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting (IAS 34), as endorsed in the Kingdom and other standards and announcements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

These interim condensed consolidated financial statements do not include all information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2022.

These interim condensed consolidated financial statements are expressed in Saudi Arabian Riyals (SAR) and are rounded off to the nearest thousand, except where indicated otherwise.

3. Impact of changes in accounting policies due to adoption of new standards

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2022, except for the adoption of new standards effective as of January 1, 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2023, but do not have an impact on the interim condensed consolidated financial statements of the Group.

- Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8: The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. Effective annual periods beginning on or after January 1, 2023.
- Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction: These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences. Effective annual periods beginning on or after January 1, 2023.
- IFRS 17, 'Insurance contracts', as amended in December 2021: This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. Effective annual periods beginning on or after January 1, 2023.

ARAB NATIONAL BANK
(A Saudi Joint Stock Company)
Notes to the Interim Condensed Consolidated Financial Statements
For the three months ended March 31, 2023 and 2022
Amounts in SAR '000

3. Impact of changes in accounting policies due to adoption of new standards (continued)

New standards, interpretations and amendments adopted by the Group (continued)

Accounting standards issued but not yet effective

- Amendments to IAS 1, Presentation of financial statements', on classification of liabilities: These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period.

Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

Note that the IASB has issued a new exposure draft proposing changes to this amendment. Effective date is deferred until accounting periods starting not earlier than January 1, 2024.

- Amendments to IFRS 10 and IAS 28: Sale or contribution of Assets between an Investor and its Associate or Joint Ventures. Available for optional adoption/effective date deferred indefinitely.
- Amendment to IFRS 16, Lease Liability in a Sale and Leaseback: Lease Liability in a Sale and Leaseback amends IFRS 16 by adding subsequent measurement requirements for sale and leaseback transactions. Effective date is January 1, 2024.
- Amendments to IAS 1, Non-current Liabilities with Covenants: Non-current Liabilities with Covenants amends IAS 1 Presentation of Financial Statements. The amendments improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. The amendments also respond to stakeholders' concerns about the classification of such a liability as current or non-current. Effective date is January 1, 2024.

4. Significant accounting policies and estimates

The accounting policies, estimates and assumptions used in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2022, except for the adoption of new standards effective as of January 1, 2023 as disclosed in note 3 above.

ARAB NATIONAL BANK
(A Saudi Joint Stock Company)
Notes to the Interim Condensed Consolidated Financial Statements
For the three months ended March 31, 2023 and 2022
Amounts in SAR '000

5. Cash and balances with SAMA

	March 31 2023 (Unaudited)	December 31 2022 (Audited)	March 31 2022 (Unaudited)
Cash in hand	1,279,606	1,200,580	1,399,174
Cash held with others*	561,923	421,275	354,615
Statutory deposit	7,920,897	8,076,397	7,618,836
Reverse repo with SAMA	4,304,402	2,722,000	1,648,932
Current account with SAMA	-	13,945	-
Total	14,066,828	12,434,197	11,021,557

* Cash held in custody with others.

6. Due from banks and other financial institutions, net

	March 31 2023 (Unaudited)	December 31 2022 (Audited)	March 31 2022 (Unaudited)
Current accounts	838,135	911,515	541,232
Money market placements	3,919,158	5,140,282	3,474,952
Less: ECL allowance	(3,480)	(3,762)	(3,155)
Total	4,753,813	6,048,035	4,013,029

7. Investments, net

Investment securities are classified as follows:

	March 31 2023 (Unaudited)	December 31 2022 (Audited)	March 31 2022 (Unaudited)
Investments at amortised cost	36,260,401	36,758,208	38,198,246
Investments at FVOCI - equity	2,477,543	2,335,427	2,743,300
Investments at FVOCI - debt	2,461,978	1,327,381	1,261,174
Investments at FVSI	610,298	618,811	545,732
Less: ECL allowance	(21,964)	(22,069)	(16,999)
Total	41,788,256	41,017,758	42,731,453

Equity investment designated as at FVOCI

Dividend income recognised from equity investment at FVOCI in the interim consolidated statement of income amounted to SAR 15,485 thousand for the three months ended March 31, 2023 (March 31, 2022: SAR 17,577 thousand).

ARAB NATIONAL BANK
(A Saudi Joint Stock Company)
Notes to the Interim Condensed Consolidated Financial Statements
For the three months ended March 31, 2023 and 2022
Amounts in SAR '000

8. Loans and advances, net

Loans and advances are held at amortised cost and comprise the following:

		Credit cards	Consumer loans	Commercial loans and others	Total
March 31, 2023 (Unaudited)	Overdrafts				
Performing loans and advances, gross	3,269,902	781,858	38,693,337	103,390,916	146,136,013
Non-performing loans and advances, net	26,495	13,387	77,886	2,705,619	2,823,387
Total loans and advances	3,296,397	795,245	38,771,223	106,096,535	148,959,400
Less: ECL allowance	(219,988)	(65,026)	(380,903)	(3,566,262)	(4,232,179)
Loans and advances, net	3,076,409	730,219	38,390,320	102,530,273	144,727,221
December 31, 2022 (Audited)	Overdrafts	Credit cards	Consumer loans	Commercial loans and others	Total
Performing loans and advances, gross	3,018,285	726,303	36,202,582	105,154,502	145,101,672
Non-performing loans and advances, net	26,729	12,076	70,894	2,537,256	2,646,955
Total loans and advances	3,045,014	738,379	36,273,476	107,691,758	147,748,627
Less: ECL allowance	(183,314)	(63,458)	(366,072)	(3,306,964)	(3,919,808)
Loans and advances, net	2,861,700	674,921	35,907,404	104,384,794	143,828,819
March 31, 2022 (Unaudited)	Overdrafts	Credit cards	Consumer loans	Commercial loans and others	Total
Performing loans and advances, gross	3,512,979	559,873	33,725,130	101,881,228	139,679,210
Non-performing loans and advances, net	11,582	8,293	48,055	2,146,343	2,214,273
Total loans and advances	3,524,561	568,166	33,773,185	104,027,571	141,893,483
Less: ECL allowance	(92,073)	(51,096)	(346,683)	(2,761,203)	(3,251,055)
Loans and advances, net	3,432,488	517,070	33,426,502	101,266,368	138,642,428

The movement in the expected credit losses of loans and advances to customers is as follows:

	March 31 2023 (Unaudited)	December 31 2022 (Audited)	March 31 2022 (Unaudited)
Balance at the beginning of the period	3,919,808	3,113,457	3,113,457
Charge for the period/ year, net	335,701	1,076,393	259,962
Bad debts written off against impairment allowance	(23,330)	(270,042)	(122,364)
Balance at the end of the period	4,232,179	3,919,808	3,251,055

The net impairment charge for credit losses for the period ended March 31, 2023 amounted to SAR 303,490 thousand (December 31, 2022: SAR 896,672 thousand; March 31, 2022: SAR 212,381 thousand), including bad debts directly written-off to interim consolidated statement of income amounting to SAR 2,480 thousand (December 31, 2022: SAR 39,575 thousand; March 31, 2022: SAR 1,785 thousand) and net of recoveries amounting to SAR 34,691 thousand (December 31, 2022: SAR 219,296 thousand; March 31, 2022: SAR 49,366 thousand).

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8. Loans and advances, net (continued)

An analysis of changes in the ECL allowance of loans and advances as follows:

	Stage1 (12-month ECL)	Stage 2 (Life time ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
March 31, 2023 (Unaudited)				
Balance at January 1, 2023	1,012,772	1,348,817	1,558,219	3,919,808
Transfer to 12-month ECL	19,494	(16,364)	(3,130)	-
Transfer to lifetime ECL not credit impaired	(13,926)	21,101	(7,175)	-
Transfer to lifetime ECL credit impaired	(186)	(14,434)	14,620	-
Net charge for the period	71,994	193,807	69,900	335,701
Write-offs	-	-	(23,330)	(23,330)
Balance at March 31, 2023	1,090,148	1,532,927	1,609,104	4,232,179

	Stage1 (12-month ECL)	Stage 2 (Life time ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
March 31, 2022 (Unaudited)				
Balance at January 1, 2022	1,014,039	948,641	1,150,777	3,113,457
Transfer to 12-month ECL	54,869	(54,082)	(787)	-
Transfer to lifetime ECL not credit impaired	(12,712)	17,013	(4,301)	-
Transfer to lifetime ECL credit impaired	(227)	(26,725)	26,952	-
Net (reversal)/ charge for the period	(110,042)	245,421	124,583	259,962
Write-offs	-	-	(122,364)	(122,364)
Balance at March 31, 2022	945,927	1,130,268	1,174,860	3,251,055

Life time ECL credit impaired (stage 3) loans and advances includes loss allowance for the non-performing loans portfolio along with the impact of other factors of IFRS 9.

9. Impairment charge for expected credit losses (ECL), net

Net ECL allowance charges as reflected in the interim consolidated statement of income are detailed as follows:

	For the three months ended	
	March 31 2023 (Unaudited)	March 31 2022 (Unaudited)
ECL allowance charges for loans and advances, net	303,490	212,381
Other ECL allowance charges, net	4,316	3,451
Reversal of provisions for credit-related commitments and contingencies, net	(59,661)	(60,374)
Total	248,145	155,458

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10. Investments in associates

Saudi Home Loans Company

The Bank participated in the setting up of Saudi Home Loans Company (SHL). The associate's authorised capital was SAR 1 billion and its issued and paid-up capital was SAR 1 billion. The Bank's share of the paid-up capital amounted to SAR 400 million, (40 million shares at SAR 10 per share), representing 40% of the issued share capital of the associate.

The associate is a specialised Islamic home and real estate finance company with all its products and services being fully Shariah compliant. The associate was launched at the end of the fourth quarter of 2007 and is equity accounted.

During Q1 2022, the Group offered 30% of its shareholding (12 million shares) as part of the company's initial public offering (IPO) for a gain of SAR 36.05 million, which was recognised as a realised gain on partial disposal of an investment in an associate in the interim consolidated statement of income.

In Q2 2022, the Group purchased 1.4 million shares for an amount of SAR 28 million (SAR 20 per share), representing 1.4% of the issued share capital of SHL.

The Group continues to classify its remaining interest of 29.4% in the company (29.4 million shares) as an Associate as the Bank still exercises significant influence over SHL. Details of the Group's other investments in associates can be found in the annual financial statements for the year ended December 31, 2022.

11. Due to banks, SAMA and other financial institutions

	March 31 2023 (Unaudited)	December 31 2022 (Audited)	March 31 2022 (Unaudited)
Current accounts	74,854	264,253	143,952
Money market deposits	2,133,210	1,565,181	2,111,135
Repo with SAMA	3,359,913	3,699,076	3,489,627
Deposits from SAMA	8,092,197	7,982,758	8,295,886
Total	13,660,174	13,511,268	14,040,600

12. Customers' deposits

	March 31 2023 (Unaudited)	December 31 2022 (Audited)	March 31 2022 (Unaudited)
Demand	73,960,818	75,063,732	76,406,034
Time	75,816,517	73,200,002	63,286,809
Saving	338,817	311,438	309,805
Others	5,131,108	6,296,094	8,135,781
Total	155,247,260	154,871,266	148,138,429

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13. Derivatives

The table below sets out the positive and negative fair values of derivative financial instruments, together with their notional amounts, analysed by their term to maturity. The notional amounts provide an indication of the volumes of transactions outstanding at the end of the period. It does not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Group's exposure to credit risk, which is generally limited to the positive fair value of derivatives, nor to market risk.

	March 31, 2023 (Unaudited)			December 31, 2022 (Audited)			March 31, 2022 (Unaudited)		
	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value	Notional amount
Held for trading:									
Commission rate and cross currency swaps	994,738	957,556	32,703,093	880,647	842,540	27,343,969	592,311	560,045	30,270,543
Commission rate futures and options	672,879	670,645	8,481,073	1,172,982	1,170,846	14,855,479	747,697	748,237	14,598,868
Forward foreign exchange and commodity contracts	53,195	31,328	4,907,853	58,254	34,502	3,756,307	52,270	34,464	7,591,836
Currency and commodity options	92	1,060	331,492	30	142	51,937	602	429	425,698
Held as fair value hedges:									
Commission rate swaps	684,882	289	8,952,686	847,756	72	9,033,594	628,884	264,870	23,106,850
Held as cash flow hedges:									
Commission rate swaps	-	94,368	1,800,000	-	116,139	1,800,000	-	48,695	1,600,000
Total	2,405,786	1,755,246	57,176,197	2,959,669	2,164,241	56,841,286	2,021,764	1,656,740	77,593,795

Derivatives have not been netted off by cash margins placed or received.

14. Commitments and contingencies

a) Legal proceedings

The Group is subject to legal proceedings in the ordinary course of business. There was no material change in the status of legal proceedings as disclosed in December 31, 2022 annual financial statements.

b) Credit related commitments and contingencies

The Group's consolidated credit related commitments and contingencies are as follows:

	March 31 2023 (Unaudited)	December 31 2022 (Audited)	March 31 2022 (Unaudited)
Letters of credit	4,614,510	4,482,890	4,593,226
Letters of guarantee	18,927,936	18,893,151	16,987,448
Acceptances	1,188,895	1,142,586	984,251
Irrevocable commitments to extend credit	4,417,271	1,926,584	2,153,658
Others	13,500	13,500	13,499
Total	29,162,112	26,458,711	24,732,082

The unutilised portion of non-firm commitments as at March 31, 2023 that can be revoked unilaterally at any time by the Group, amounted to SAR 27,903 million (December 31, 2022: SAR 24,516 million; March 31, 2022: SAR 19,875 million).

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15. Cash and cash equivalents

Cash and cash equivalents included in the interim consolidated statement of cash flows comprise the following:

	March 31 2023 (Unaudited)	December 31 2022 (Audited)	March 31 2022 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	6,145,931	4,357,800	3,402,721
Due from banks and other financial institutions maturing within 90 days from the acquisition date	4,757,293	6,051,797	4,016,184
Total	10,903,224	10,409,597	7,418,905

16. Zakat and Income Tax

Zakat attributable to Saudi shareholders for the period ended March 31, 2023 amounted to approximately SAR 74.7 million (March 31, 2022: SAR 64 million). Income tax attributable to the non-Saudi shareholder on the current period's share of net income is SAR 98.8 million (March 31, 2022: SAR 60.6 million). The provision of zakat and income tax is estimated based on the respective interim consolidated financial position as at March 31, 2023 and the results of the operations of the Group for the three months then ended. There are no significant changes in the Bank's zakat and income tax assessments to those discussed in the Group's annual financial statements for the year ended December 31, 2022.

17. Operating segments

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief executive officer in order to allocate resources to segments and to assess their performance.

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

Retail banking

Deposit, credit and investment products for individuals and the Bank's London Branch.

Corporate banking

Loans and advances, deposits and other credit products for corporate and institutional customers, small to medium sized businesses.

Treasury

Manages the Bank's trading and investment portfolios and the Bank's funding, liquidity, currency and commission rate risks.

Investment and brokerage services

Investment management services and asset management activities related to dealing, managing, arranging and advising, and custody of securities.

Other

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

Transactions between the operating segments are reported as recorded in the Group's transfer pricing system. The basis for determining intersegment operating income/expense for the current period are consistent with the basis used for the year ended December 31, 2022. Segment assets and liabilities comprise mainly operating assets and liabilities.

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

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17. Operating segments (continued)

The Group's total consolidated assets and liabilities as at March 31, 2023 and 2022 and its total operating income, expenses and net income for the three months then ended, by operating segments, are as follows:

March 31, 2023 (Unaudited)	Retail banking	Corporate banking	Treasury	Investment and brokerage services	Other	Total
Total assets	58,558,959	91,881,859	61,433,457	590,553	1,577,616	214,042,444
Investments in associates	-	-	-	347,868	634,817	982,685
Total liabilities	77,823,546	81,712,372	19,244,970	140,087	2,453,444	181,374,419
Operating income from external customers	460,191	1,512,530	172,320	72,600	(37,152)	2,180,489
Intersegment operating income/(expense)	444,720	(621,125)	71,783	-	104,622	-
Total operating income	904,911	891,405	244,103	72,600	67,470	2,180,489
Of which:						
Net special commission income	906,146	722,698	(18,432)	38,834	83,372	1,732,618
Impairment charge for expected credit losses (ECL), net	60,890	182,938	4,317	-	-	248,145
Depreciation and amortization	40,431	8,088	176	1,181	5,852	55,728
Total operating expenses	457,391	378,173	44,374	29,829	47,557	957,324
Share in earnings of associates, net	-	-	-	7,230	2,827	10,057
Net income before zakat and income tax	447,520	513,232	199,729	50,001	22,740	1,233,222
March 31, 2022 (Unaudited)	Retail banking	Corporate banking	Treasury	Investment and brokerage services	Other	Total
Total assets	52,618,218	90,301,137	59,411,466	518,411	1,770,856	204,620,088
Investments in associates	-	-	-	354,868	594,326	949,194
Total liabilities	68,977,106	83,005,142	19,082,939	102,034	1,391,208	172,558,429
Operating income from external customers	538,498	745,454	150,044	56,275	(35,741)	1,454,530
Intersegment operating income/(expense)	(54,262)	(235,849)	237,152	-	52,959	-
Total operating income	484,236	509,605	387,196	56,275	17,218	1,454,530
Of which:						
Net special commission income	471,427	359,253	299,254	13,806	40,766	1,184,506
Impairment charge for expected credit losses (ECL), net	(18,810)	170,817	3,451	-	-	155,458
Depreciation and amortization	37,906	7,485	164	1,042	7,526	54,123
Total operating expenses	299,557	379,782	28,824	21,330	610	730,103
Share in earnings of associates, net	-	-	-	7,730	40,835	48,565
Net income before zakat and income tax	184,679	129,823	358,372	42,675	57,443	772,992

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18. Share capital, dividends and basic and diluted earnings per share

Share capital

As at March 31, 2023, the authorised, issued and fully paid share capital of the Bank consists of 1,500 million shares of SAR 10 each (March 31, 2022 and December 31, 2022: 1,500 million shares of SAR 10 each).

Dividends

- a) In December 12, 2021 the Board recommended to pay cash dividends of SAR 675 million from net income for the year after deducting zakat for the second half of 2021. This proposed final dividend resulted in a net payment of SAR 0.45 per share to Saudi shareholders. The income tax liability of the foreign shareholders for the current and prior period (if any) was deducted from their share of the dividend. This cash dividend distribution was approved in the Extraordinary General Assembly meeting dated April 12, 2022.
- b) In December 20, 2022 the Board recommended to pay cash dividends of SAR 900 million from net income for the year after deducting zakat for the second half of 2022. This proposed final dividend resulted in a net payment of SAR 0.60 per share to Saudi shareholders. The income tax liability of the foreign shareholders for the current and prior period (if any) will be deducted from their share of the dividend. This cash dividend distribution was approved by the General Assembly in the meeting held in March 28, 2023.

Basic and diluted earnings per share

Basic and diluted earnings per share for the periods ended March 31, 2023 and 2022 are calculated by dividing the net income for the period attributable to the equity holders of the Bank by 1,500 million shares. The diluted earnings per share is the same as the basic earnings per share.

19. Fair values of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction takes place either:

- i) In the accessible principal market for the asset or liability; or
- ii) In the absence of a principal market, in the most advantageous accessible market for the asset or liability.

The fair values of on-balance sheet financial instruments are not significantly different from their carrying amounts included in the interim condensed consolidated financial statements.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: quoted prices in active markets for the same instrument (i.e., without modification or repacking);
- Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and
- Level 3: valuation techniques for which significant inputs are not based on observable market data.

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19. Fair values of financial assets and liabilities (continued)

a. Carrying amounts and fair value

The following table shows the carrying amount and fair value of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value hierarchy information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Financial assets

		Fair value			
	Carrying value	Level 1	Level 2	Level 3	Total
March 31, 2023 (Unaudited)					
Financial assets measured at fair value					
Investments at FVSI	610,298	-	135,693	474,605	610,298
Investments at FVOCI	4,939,521	2,477,543	2,461,085	893	4,939,521
Positive fair value of derivatives	2,405,786	-	2,405,786	-	2,405,786
Financial assets not measured at fair value					
Investments at amortised cost, net	36,238,437	-	36,685,293	-	36,685,293
Loans and advances, net	144,727,221	-	-	142,397,882	142,397,882
December 31, 2022 (Audited)					
Financial assets measured at fair value					
Investments at FVSI	618,811	-	134,673	484,138	618,811
Investments at FVOCI	3,662,808	2,335,427	1,326,488	893	3,662,808
Positive fair value of derivatives	2,959,669	-	2,959,669	-	2,959,669
Financial assets not measured at fair value					
Investments at amortised cost, net	36,736,139	-	34,737,144	-	34,737,144
Loans and advances, net	143,828,819	-	-	142,194,677	142,194,677
March 31, 2022 (Unaudited)					
Financial assets measured at fair value					
Investments at FVSI	545,732	-	102,871	442,861	545,732
Investments at FVOCI	4,004,474	2,877,688	1,125,893	893	4,004,474
Positive fair value of derivatives	2,021,764	-	2,021,764	-	2,021,764
Financial assets not measured at fair value					
Investments at amortised cost, net	38,181,247	-	38,087,352	-	38,087,352
Loans and advances, net	138,642,428	-	-	141,532,911	141,532,911

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19. Fair values of financial assets and liabilities (continued)

a. Carrying amounts and fair value (continued)

Financial Liabilities

		Fair value			
March 31, 2023 (Unaudited)	Carrying value	Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value					
Negative fair value of derivatives	1,755,246	-	1,755,246	-	1,755,246
Financial liabilities not measured at fair value					
Sukuk	2,852,524	-	2,642,203	-	2,642,203
December 31, 2022 (Audited)	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value					
Negative fair value of derivatives	2,164,241	-	2,164,241	-	2,164,241
Financial liabilities not measured at fair value					
Sukuk	2,829,092	-	2,654,409	-	2,654,409
March 31, 2022 (Unaudited)	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value					
Negative fair value of derivatives	1,656,740	-	1,656,740	-	1,656,740
Financial liabilities not measured at fair value					
Sukuk	2,852,402	-	2,746,378	-	2,746,378

b. Measurement of fair values

i. Transfer between levels of the fair value hierarchy

There have been no transfers within levels of the fair value hierarchy during the three months period ended March 31, 2023 and 2022.

ii. Level 3 fair values

The following table shows the movement of Level 3 fair values.

	March 31, 2023		March 31, 2022	
	Investments at FVSI	Investments at FVOCI	Investments at FVSI	Investments at FVOCI
Balance at the beginning of the period	484,138	893	431,713	893
Total unrealised (loss)/ gain in the interim consolidated statement of income	(8,521)	-	10,364	-
Settlements / adjustments	(1,012)	-	784	-
Balance at the end of the period	474,605	893	442,861	893

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19. Fair values of financial assets and liabilities (continued)

b. Measurement of fair values (continued)

iii. Valuation technique and significant unobservable inputs

The following table shows the valuation techniques used in measuring level 2 and Level 3 fair values at March 31, 2023 and 2022 and December 31, 2022 as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
FVSI investments	Fair value is determined based on the investee fund's most recent reported net assets value.	None	Not applicable
FVOCI investments classified as Level 2 include plain vanilla bonds for which market quotes are not available	Fair valued using discounted cash flow techniques that use observable market data inputs for yield curves and credit spreads.	None	Not applicable
FVOCI investments classified as Level 3 include Private Equity Funds	Fair value is determined based on the fund's most recent reported net assets value.	None	Not applicable
Derivatives classified as Level 2 are comprised of over the counter special commission rate swaps, currency swaps, options, spot and forward foreign exchange contracts, currency and commodity options and other derivative financial instruments	These instruments are fair valued using the Bank's proprietary valuation models that are based on discounted cash flow techniques. The data inputs on these models are based on observable market parameters relevant to the markets in which they are traded and are sourced from widely used market data service providers.	None	Not applicable
Financial assets and liabilities that are disclosed at fair value and classified as Level 2 include investments held at amortized cost	These instruments are fair valued using discounted cash flow techniques that use observable market data inputs for yield curves and credit spreads.	Additional buffer is added to account for any potential model discrepancy or any stressed market conditions.	Not applicable

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19. Fair values of financial assets and liabilities (continued)

b. Measurement of fair values (continued)

iii. Valuation technique and significant unobservable inputs (continued)

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets and liabilities that are disclosed at fair value and classified as Level 3 include loans and advances and debt issuances	These instruments are fair valued using discounted cash flow techniques that use observable market data inputs for yield curves and credit spreads.	Additional buffer is added to the credit spreads to account for any potential model discrepancy or any stressed market conditions.	The higher the credit spread, the lower is the valuation; vice versa.
Other real estate asset	Earning Before Tax, Depreciation and Amortization (EBITDA) margins has been forecasted based on market and similar properties, assuming construction of a hotel on the property, taking into account the expected growth rate, room occupancy rate, rate per room, discount rate, yield, construction cost and other costs.	<ul style="list-style-type: none"> – EBITDA forecast – Discount rate and Yield rate – Room occupancy rate – Rent per room 	<ul style="list-style-type: none"> – EBITDA has been forecasted as higher or (lower). – The discount rate or yield were lower or (higher). – The occupancy rate were higher or (lower). – The rent per room were higher or (lower).

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20. Capital Adequacy

The Group's objectives when managing capital are to comply with the capital requirements set by SAMA; to safeguard the Group's ability to continue as a going concern; and to maintain a strong capital base. During the period, the Group has fully complied with regulatory capital requirements.

The Group monitors the adequacy of its capital using ratios established by SAMA. These ratios measure capital adequacy by comparing the Group's eligible capital with its interim consolidated statement of financial position assets, commitments and notional amounts of derivatives at a weighted amount to reflect their relative risk.

The current period figures are presented as per Basel III revised framework issued by SAMA effective from January 1, 2023 and applied prospectively. The prior periods figures are not restated, but are presented based on Basel III previous framework and guidance.

Accordingly, the Group's Pillar I consolidated Risk Weighted Assets (RWA), total capital and related ratios are as follows:

	March 31 2023 (Unaudited)	December 31 2022 (Audited)	March 31 2022 (Unaudited)
Credit Risk RWA	157,499,804	163,404,276	155,068,292
Operational Risk RWA	9,116,218	15,716,196	14,504,194
Market Risk RWA	1,112,177	1,981,945	1,639,885
Total Pillar-I RWA	167,728,199	181,102,417	171,212,371
Tier I Capital	32,827,901	31,875,272	31,752,755
Tier II Capital	4,042,026	3,953,833	3,874,569
Total Tier I & II Capital	36,869,927	35,829,105	35,627,324
Capital Adequacy Ratio %			
Tier I ratio	19.57%	17.60%	18.55%
Tier I + Tier II ratio	21.98%	19.78%	20.81%

The Group maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision as adopted by the SAMA in supervising the Bank.

ARAB NATIONAL BANK
(A Saudi Joint Stock Company)
Notes to the Interim Condensed Consolidated Financial Statements
For the three months ended March 31, 2023 and 2022
Amounts in SAR '000

21. IBOR Transition (Interest Rate Benchmark Reforms):

A fundamental review and reform of major profit rate benchmarks are being undertaken globally. The IASB has published, in two phases, amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 in order to address issues that might affect financial reporting after the reform of a profit rate benchmark, including the replacement of an existing Inter-bank Offer Rate ("IBOR") with an alternative Risk-Free Rate ("RFR").

Management is running a project on the Group's overall transition activities and continues to engage with various stakeholders to support an orderly transition. The project is significant in terms of scale and complexity and will impact products, internal systems and processes. The Group complied with the regulatory deadline of the LIBOR transition i.e., 31 December 2021 and is now offering products based on overnight SOFR and Term SOFR.

22. Board of Directors' approval

The interim condensed consolidated financial statements were approved by the Board on Shawwal 05, 1444 (corresponding to April 25, 2023).