



**Basel III Pillar 3 Qualitative & Quantitative Disclosures
31 December 2022**

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Under the directives of Saudi Arabian Monetary Agency (SAMA), banks operating in the Kingdom of Saudi Arabia, implemented Basel Capital Adequacy framework. In this regard, SAMA's aim is to encourage market discipline through disclosures, which will provide the reader more valuable information about the banks' risks and exposures. In this context, below are the necessary disclosures required under the revised Pillar-III disclosure framework.

B.1 - Table OVA: Bank Risk Management Approach

Business model determination and risk profile

ANB's (The Bank's) Risk Management strategy is intrinsically interlinked with the Bank's business strategy, i.e. Bank's risk appetite and its business strategy co-exist to achieve and enhance shareholder/stakeholder value. The Bank has a conservative approach towards conducting business and assuming risks, with significant importance attached to its brand and reputation. The Bank's philosophy is to proactively manage risks to ensure that risk-taking activities are commensurate with its size and complexity of operations. The Bank's approach towards risk management is governed by the following guidelines:

- Risks are identified, measured, monitored, controlled and managed within a robust risk management framework.
- Risks are managed proactively, based on collective oversight, experience and conservative judgment, well-supported by systems, controls and processes.

The Bank's Board (The Board) determines the business strategy, which primarily revolves around the following broad categories of business segments:

Corporate Banking manages the Loans, deposits and other credit products for large corporate and institutional customers as well as small to medium sized businesses.

Treasury Banking manages the Bank's trading and investment portfolio and its funding, liquidity, currency and commission rate risks with focus on filling the business gaps within the Bank to enhance Corporate/Consumer cross-sell opportunities, and managing Bank's liquidity requirements through prudent policies.

Retail Banking focuses on deposit, credit and investment products for individuals.

Investment and brokerage services focuses on Investment management services and asset management activities related to dealing, managing, arranging, advising and custody of securities regulated by CMA.

The formulation of Bank's strategy is a thorough process, developed on the basis of inputs provided by each business unit, which are consolidated to provide a macro-level picture of the whole Bank. The results are then further reviewed, in light of the projected macro-economic environment in general and banking prospects, in particular. The impact of strategy on the Bank's capital adequacy is considered and adjustments are made to

ensure that Bank's strategy is in line with the projected risk appetite and capital adequacy. The iterative process continues till business strategy is aligned with the risk strategy.

The Board is responsible for creating environment and organizational structure to ensure effective implementation of the strategy within the risk management framework. The Board or relevant Board Committee reviews and approves risk management policies to manage all material risks faced by the Bank. Risk Management Group (RMG) is mandated with the task to communicate approved policies relating to risk identification, measurement, monitoring and control to all functional/business units in the Bank to ensure that risks undertaken are consistent with stakeholder expectations, Bank's strategic plan and regulatory requirements.

Based on the current business model, major risks faced by the Bank are Credit, Market & Liquidity and Operational, all of which have well-defined limits, controls and reporting mechanism in place.

Risk Governance Structure

The Bank's approach to risk management is based on well-established governance processes and relies on both individual responsibility and collective oversight, supported by comprehensive reporting, thus ensuring the achievement of strategic objectives with prudence and foresight. Risk management activities occur simultaneously at the following levels.

Strategic level involves risk management functions performed by the Board & its committees and senior management. It includes provision of all resources, i.e. human resources, systems, and support required for effective risk management on bank-wide basis.

Macro Level involves risk management within a business area or across business lines. Generally the risk management activities performed by middle management or units devoted to risk management fall into this category.

Micro Level involves real-time management where risks are actually created. These are the risk management activities performed by individuals who take risk on behalf of the Bank such as front office and loan origination functions.

The Bank's risk governance is built upon the premise that each business line is responsible for monitoring the risks inherent in its business activities, which is augmented by the oversight provided by the Board and its relevant committees.

A summary of roles and responsibilities of Board/its committees and other entities within the Bank is as follows:

Board is responsible for providing oversight on the effective management of the Bank's overall risk. While recognizing the risks to which the Bank is exposed, they provide the required human resources, environment, practices and systems to address such risks.

Board Risk Committee (BRC) is responsible to assist the Board in overseeing the risk management processes and ensuring that there are adequate internal control systems in place. BRC is also responsible for developing a risk strategy for the Bank to spell out the overall risk appetite, providing guidance/clarifications to RMG and senior management from time to time, and discharging other related responsibilities as may be assigned to it by the Board.

Executive Committee (ExCom) has been vested by the Board with powers to manage the Bank efficiently, and mainly responsible for implementing the Bank's strategy successfully. Excom approves risk management policies ensuring that they are communicated down the line by senior management. It also ensures implementation of risk management framework and maintaining adequate infrastructure to support the framework. Excom is also responsible for managing risks within the risk appetite set by the Board and ensuring the effectiveness of internal controls.

Risk Management Group (RMG) is responsible for effective implementation of the risk management framework across the Bank, including the following main activities:

- Formulation of individual risk policies in line with Risk Management Policy, risk appetite and regulatory guidelines.
- Review of Credit, Market, Liquidity, Operational and other risks (Business Continuity, Fraud, Technology Risk etc.) across the Bank and implementation of Basel/SAMA requirements for capital adequacy.

RMG plays a pivotal role in monitoring the risks associated with all major activities of the Bank. Its role, as a risk manager, is to set parameters for risk activities and, as a strategic partner, to advise Business and Support units, on the best ways to identify risks.

Business/Support Units are accountable for managing risks associated with their respective activities within established tolerances. The purpose of this is to ensure that those who make business decisions understand the risks they are taking and incorporate this understanding in decision-making process in order to achieve acceptable risk-adjusted returns.

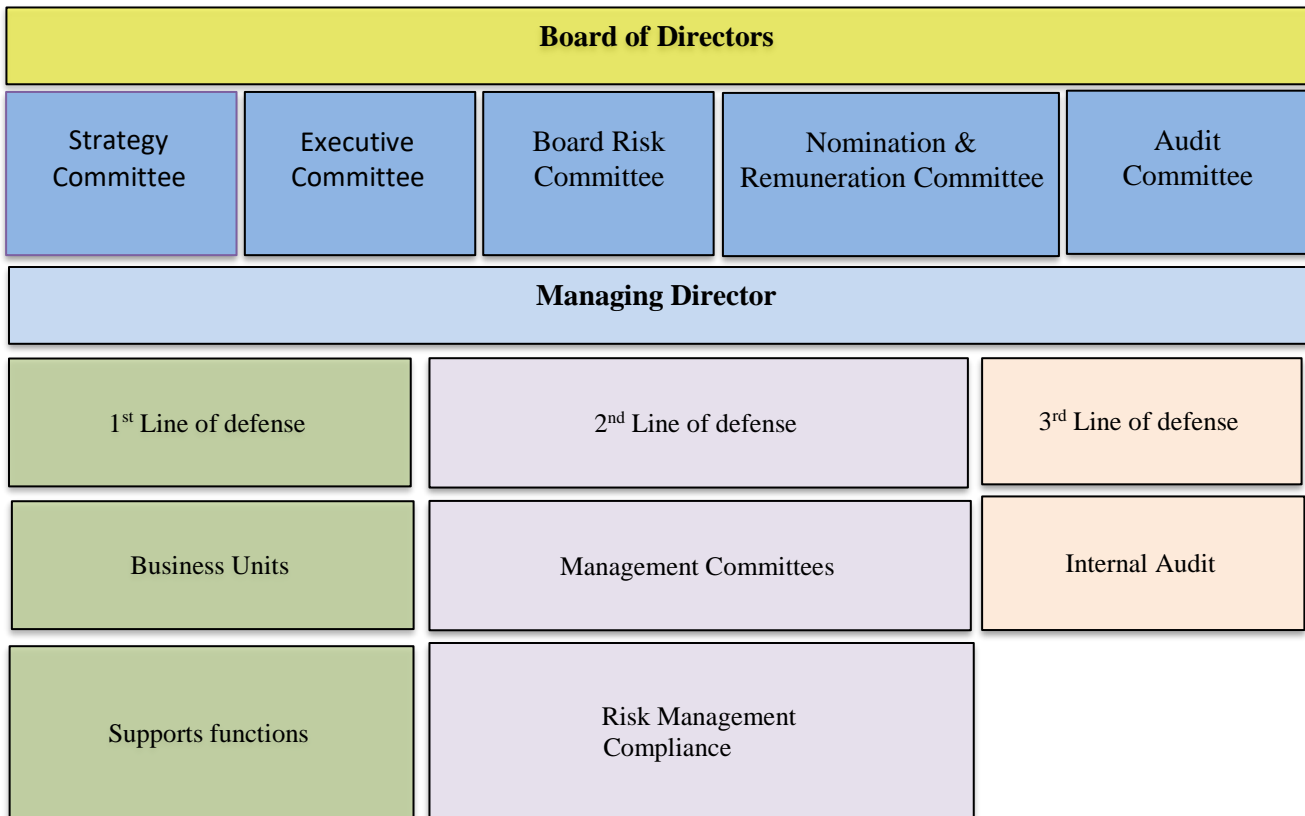
Compliance with the help of Business and Support functions, ensures Bank's compliance with the rules and regulations that govern banking business and implement Bank's Code of Ethical Behavior. Compliance is also responsible for implementing Anti-Money Laundering (AML) and Combat Terrorism Financing (CTF) rules. Fraud and Information Security risks are also managed by dedicated functions within Compliance.

The Compliance function assists in identifying, assessing, monitoring and reporting on compliance risk in Bank's operations and personnel conduct. The function contributes, in an independent manner, to the overall risk management of the Bank by protecting the integrity and reputation of the Bank and the staff, and in strengthening the accountability and transparency.

Internal Audit (IA) independently monitors the effectiveness of risk management policies, procedures and internal controls through periodic testing of the design and operation of the processes related to the identification, measurement, management, monitoring and reporting of risks. The findings of audit reviews are reported to the respective Business/Support Heads, relevant Committees and/or Audit Committee. The purpose of independent review is to ensure that those who take or accept risk on behalf of the Bank are not the only ones who measure, monitor and evaluate the risks. IA covers all perceived risks in the Bank including but not limited to Contingency, Fraud, Technology, Information Security risks, etc.

The Bank's Risk Governance structure follows 3 lines of defense model as shown below:

RISK GOVERNANCE STRUCTURE



Channels to communicate and enforce the risk culture

The Bank’s risk appetite and tolerance limits and policies relating to risk identification, measurement, monitoring and control are clearly communicated to all functional/business groups in the Bank to ensure that risks undertaken are consistent with shareholder’s expectations, Bank’s strategic plan and regulatory requirements. The purpose of effective communication is to ensure that the risk culture is understood throughout the Bank as intended.

RMG is responsible for inculcating risk culture and communication across the organization. The approach, inter alia, include development and dissemination of information through various documents/channels:

Policies define the Bank’s overall risk appetite developed based on best practices, requirements of regulatory authorities and inputs from business, senior management as well as ExCom/BRC/Board. Policies also provide guidance to businesses and risk management units by setting the boundaries on the types of risks the Bank is prepared and willing to take.

Guidelines are the directives provided to implement policies. Generally, they describe the risk exposures and conditions under which the Bank is prepared to do business. The guidelines may change from time to time, due to market or other circumstances. Risk taking outside of these guidelines requires exceptional approval by appropriate authorities.

Processes & Standards are the activities associated with identifying, evaluating, documenting, reporting and controlling risk. Standards define the breadth and quality of information required to make a decision, and the expectations in terms of quality of analysis and presentation.

Various Reporting tools are used to aggregate measures of risk across products and businesses for the purposes of ensuring compliance with policies, guidelines and standards, thus providing a mechanism for communicating the quantum and sensitivities of the various risks in the portfolio. This information is used by the senior management as well as ExCom/BRC/Board to understand the Bank's risk profile and performance of the portfolio against pre-defined goals.

The Bank ensures through its annual training and communication plans that risk management processes are understood and effectively practiced across the Bank. In addition to scheduled trainings, special training sessions, as per Business unit and Support functions' requests, are also conducted. Furthermore, interactive eLearning module which has been rolled-out across the Bank is also used for communicating risk-related issues.

Scope and main features of risk measurement systems

The Bank has developed various methodologies to measure and monitor major risks inherent in its operations. Risks are evaluated both quantitatively and qualitatively, as appropriate, on a recurring basis. The implications, advantages and shortcomings of any particular measurement approach are properly documented. Appropriate additional analysis is done to address potential shortcomings. Since all risks might not be readily quantifiable, where quantification is not an effective option, qualitative measures are developed. This enables understanding the nature and quantum of risk exposures and to make prudent decisions on the basis of such information.

Credit Risk tracks trends and identifies weaknesses in the quality of corporate, commercial, retail and private banking portfolio by employing Obligor & Facility risk rating system to assess the quality of obligor and riskiness of facilities. Rating system is established with the objective to place the responsibility on business units to regularly evaluate credit risk on exposures and identify problems within their portfolios as well as establishing early warning signals for detecting deterioration in credit quality

The Bank classifies its exposures into 13 risk categories, of which 10 are for performing obligors and 3 are for nonperforming obligors. Rating is assigned to a borrower through a system-based methodology, which takes into account financial and non-financial information, translating into a grade and Probability of Default (PD) for the relationship. Facility Risk Rating (FRR), which assesses the riskiness of facilities, is used for deriving the Loss Given Default (LGD) for a relationship, thus assigning separate rating for obligor and facility characteristics.

Market Risk identifies the risk through series of market factors in foreign exchange, interest rates, commodity prices, equity prices and their volatilities. To measure the market risk, the Bank uses fully integrated system to capture all live contracts. The system identifies all market factors from the traded contracts and measures the exposures accordingly. Market Risk Department (MRD) is responsible for the design and implementation of the Bank's market risk measurement system, which produces daily risk management reports that are closely evaluated based on the relationship between risk exposures and trading limits.

The Bank has established Risk & Control Self-Assessment (RCSA) framework to identify operational risks arising from products, procedures and activities and evaluate the effectiveness of controls over those risks. These risks & controls are self-assessed and monitored by the business/support units on a periodic basis. In addition,

products, policies and procedures are periodically reviewed to control and/or mitigate material operational risks, risk limits and control strategies to align business strategies with Bank's risk appetite.

The Bank's Operational Risk Loss Data Management process allows collection and analysis of loss events (actual, potential and near-miss) and identifies new risks or control weaknesses that caused the operational loss, escalating these to the Operational Risk Committee (ORC). The mechanism aims at minimizing any financial consequences of the events and addressing the root causes for refining the control mechanism to reduce recurrence of similar nature of losses in future.

Process of risk information reporting provided to the Board and Senior Management

Management reports are generated for monitoring and control purposes on periodical basis - monthly, quarterly, semi-annually and annually, as appropriate.

The Bank's credit portfolio and key risks inherent in these portfolios is provided to Bank's Senior Management and Senior Credit Committee for their overview.

Daily reports on Trading and Liquidity risks, showing exposures versus limits are provided to the senior management including CRO, CFO and Group Treasurer. Any breach of internal limits need ratification from the approving authority, and implementation of the remedial actions is monitored by MRD. ALCO/MRPC is responsible for deciding the form and content of the reports required to carry out its functions.

Detailed market risk reviews are submitted to the Board and Excom, Risk Committee and Audit Committee, on a quarterly or semi-annual basis, as appropriate. The reviews highlight major changes in the Bank's market and liquidity risk profiles as well as compositions of the investments portfolio.

Periodic Operational risk updates on the overall operational risk environment of the Bank and key operational risk loss events are provided to Operational Risk Committee (ORC). Risk review reports submitted to Board Risk Committee on a quarterly basis summarizes operational risk loss events and status of operational risk profiles.

Risk Review Report is provided to the Board (on annual basis), BRC/Audit Committee (on quarterly basis) which covers overall RMG quarterly reports and updates.

Qualitative information on stress testing

A stress-testing framework that is commensurate with the Bank's size, location and nature of activities is in place. Sensitivity and Scenario-based approaches to stress testing are used to assess Bank's vulnerability and possible impact of negative economic events on its capital. The stress-testing framework is forward-looking and subject to change based on experience and evolving techniques. At least three stress-testing scenarios are applied to arrive at the stressed capital ratios, with a view to ensure that the Bank remains adequately capitalized under stressed conditions during economic down-turns. Adequate stress-testing procedures are in place for Credit, Market (trading book), Interest Rate (Banking book), Liquidity and Operational Risks. All the other risks covered under Internal Capital Adequacy Assessment Plan (ICAAP) have built-in mechanism to account for the forward looking stressed conditions. Stress testing is carried out on semi-annual basis. However, in the event of imminent adverse changes in the overall economy, stress testing may be conducted more frequently.

Strategies and processes to manage, hedge and mitigate risks

The Bank's Credit Policy provides detailed guidelines to manage credit risk effectively; it is reviewed and updated from time to time based on experience, emerging issues, best market practices and directives from regulatory authorities. The Credit Policy is designed to provide objectives and credit risk management strategies, with a view to strengthen and enhance Bank's ability to measure and mitigate credit risks on pre-emptive basis to minimize credit losses.

The Bank believes that collateral security is an effective means of mitigating risk and improving credit quality. Although generally desirable to enhance credit quality, Bank does not entirely rely on collateral to make lending decisions since collateral is only considered as a secondary source of repayment. Accordingly, wherever possible, tangible security is obtained based on the Bank's risk assessment.

The Bank has implemented an interest rate hedging policy in compliance with the International Accounting Standards. Interest rate derivatives, mainly interest rate swaps and futures are used to hedge specific exposures with an aim to keep the interest rate risks within limits. The Bank also uses currency swaps to hedge specific positions in foreign currencies, when necessary. Effectiveness of all hedges is regularly monitored throughout their term.

The existing control environment is the foundation on which the Bank functions; it provides discipline and structure that influences the quality of internal control. New/updated products, policies, procedures and systems are periodically reviewed to control and/or mitigate material operational risks, risk limits and control strategies to align business strategies with Bank's risk appetite. As a risk transfer mechanism, the Bank has also taken necessary insurance covers.

KM1: Key metrics (at consolidated group level) - December 2022		(Figures in SR 000's)				
		a	b	c	d	e
		31-Dec-22	30-Sep-22	30-Jun-22	31-Mar-22	31-Dec-21
Available capital (amounts)						
1	Common Equity Tier 1 (CET1)	31,875,272	32,116,347	31,395,764	31,752,755	31,002,690
1a	Fully loaded ECL accounting model	31,507,747	31,748,821	31,028,238	31,385,229	30,451,402
2	Tier 1	31,875,272	32,116,347	31,395,764	31,752,755	31,002,690
2a	Fully loaded ECL accounting model Tier 1	31,507,747	31,748,821	31,028,238	31,385,229	30,451,402
3	Total Capital	35,829,105	35,948,580	35,132,439	35,627,324	35,020,332
3a	Fully loaded ECL accounting model total capital	35,461,580	35,581,054	34,764,913	35,259,799	34,469,044
Risk-weighted assets (amount)						
4	Total risk-weighted assets (RWA)	181,102,417	181,079,616	179,441,365	176,109,266	164,005,477
Risk-based capital ratios as a percentage of RWA						
5	Common Equity Tier 1 ratio (%)	17.60%	17.74%	17.50%	18.03%	18.90%
5a	Fully loaded ECL accounting model Common Equity Tier 1 (%)	17.40%	17.53%	17.29%	17.82%	18.57%
6	Tier 1 ratio (%)	17.60%	17.74%	17.50%	18.03%	18.90%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	17.40%	17.53%	17.29%	17.82%	18.57%
7	Total capital ratio (%)	19.78%	19.85%	19.58%	20.23%	21.35%
7a	Fully loaded ECL accounting model total capital ratio (%)	19.58%	19.65%	19.37%	20.02%	21.02%
Additional CET1 buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement (%)	0.03%	0.03%	0.05%	0.04%	0.07%
10	Bank G-SIB and/or D-SIB additional requirements (%)					
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	2.53%	2.53%	2.55%	2.54%	2.57%
12	CET1 available after meeting the bank's minimum capital requirements (%)	10.57%	10.71%	10.45%	10.99%	11.83%
Basel III Leverage ratio						
13	Total Basel III leverage ratio exposure measure	234,540,860	229,700,288	233,408,040	227,885,499	214,392,714
14	Basel III leverage ratio (%) (row 2 / row 13)	13.59%	13.98%	13.45%	13.93%	14.46%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a / row13)	13.43%	13.82%	13.29%	13.77%	14.20%
Liquidity Coverage Ratio						
15	Total HQLA	40,180,543	39,760,947	42,315,064	42,406,820	44,324,952
16	Total net cash outflow	22,340,140	22,701,136	22,024,400	25,030,087	24,692,766
17	LCR ratio (%)	180%	175%	192%	169%	180%
Net Stable Funding Ratio						
18	Total available stable funding	136,597,363	132,205,156	131,865,358	131,901,904	122,928,961
19	Total required stable funding	112,152,648	112,420,016	107,386,879	108,452,783	102,144,731
20	NSFR ratio	122%	118%	123%	122%	120%

B.2 - OV1: Overview of RWA - December 2022

(Figures in SR 000's)

	a	b	c
	RWA		Minimum capital requirements
	31-Dec-22	30-Sep-22	31-Dec-22
1 Credit risk (excluding counterparty credit risk) (CCR) *	158,211,765	157,606,273	12,656,941
2 Of which standardised approach (SA)	158,211,765	157,606,273	12,656,941
3 Of which internal rating-based (IRB) approach			-
4 Counterparty credit risk	2,059,970	2,372,953	164,798
5 Of which standardised approach for counterparty credit risk (SA-CCR)**	2,059,970	2,372,953	164,798
6 Of which internal model method (IMM)			-
7 Equity positions in banking book under market-based approach			-
8 Equity investments in funds – look-through approach	2,937,403	2,940,048	234,992
9 Equity investments in funds – mandate-based approach			-
10 Equity investments in funds – fall-back approach	195,138	193,086	15,611
11 Settlement risk			-
12 Securitisation exposures in banking book			-
13 Of which IRB ratings-based approach (RBA)			-
14 Of which IRB Supervisory Formula Approach (SFA)			-
15 Of which SA/simplified supervisory formula approach (SSFA)			-
16 Market risk	1,981,945	2,572,955	158,556
17 Of which standardised approach (SA)	1,981,945	2,572,955	158,556
18 Of which internal model approaches (IMM)			-
19 Operational risk	15,716,196	15,394,301	1,257,296
20 Of which Basic Indicator Approach			-
21 Of which Alternate Standardised Approach	15,716,196	15,394,301	1,257,296
22 Of which Advanced Measurement Approach			-
23 Amounts below the thresholds for deduction (subject to 250% risk weight)			-
24 Floor adjustment			-
25 Total (1+4+7+8+9+10+11+12+16+19+23+24)	181,102,417	181,079,616	14,488,193

B.3 - LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories - December 2022 (Figures in SR 000's)

(Figures in SR 000's)

	a	b	c	d	e	f	g
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				Not subject to capital requirements or subject to deduction from capital
			Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	
Assets							
Cash and balances with SAMA	12,434,197	12,434,197	12,434,197				
Due from banks and other financial institutions	6,048,035	6,048,035	6,048,035				
Positive fair value derivatives	2,959,669	2,959,669		2,959,669			
Investments, net	41,017,758	41,017,758	41,017,758				
Loans and advances, net	143,828,819	143,828,819	147,756,119				
Investments in associates	978,683	978,683	978,683				
Other real estate	1,318,150	1,318,150	1,318,150				
Investment property, net	-	-	-				
Property and equipment, net	2,231,227	2,231,227	2,231,227				
Other assets	1,811,555	1,811,555	1,917,355				
Total assets	212,628,093	212,628,093	213,701,524	2,959,669	-	-	-
Liabilities							
Due to banks and other financial institutions	13,511,268						13,511,268
Negative fair value derivatives	2,164,241						2,164,241
Customers' deposits	154,871,266						154,871,266
Other liabilities	6,894,569						6,894,569
Sukuk	2,829,092						2,829,092
Total liabilities	180,270,436		-	-	-	-	180,270,436

B.4 - LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements - December 2022

(Figures in SR 000's)

(Figures in SR 000's)

		a	b	c	d	e
		Total	Items subject to:			
			Credit risk framework	Securitisation framework	Counterparty credit risk framework	Market risk framework
1	Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	212,628,093	213,701,524		2,959,669	
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)					
3	Total net amount under regulatory scope of consolidation	212,628,093	213,701,524	-	2,959,669	
4	Off-balance sheet amounts	56,841,286	17,225,612			
5	Differences in valuations					
6	Differences due to different netting rules, other than those already included in row 2					
7	Differences due to consideration of provisions					
8	Differences due to prudential filters					
9	Derivatives	56,841,286			3,966,177	46,007,691
10	Exposure amounts considered for regulatory purposes	326,310,665	230,927,136	-	6,925,846	46,007,691

CC1 - Composition of Regulatory Capital - December 2022 (Figures in SR 000's)

	Amounts	Source based on reference numbers / letters of the balance sheet under regulatory scope of consolidation
Common Equity Tier 1 capital: Instruments and reserves		
1	15,000,000	H
2	16,816,768	G + J
3	58,504	C
4		
5		
6	31,875,272	
Common Equity Tier 1 capital: Regulatory adjustments		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
29	31,875,272	
Additional Tier 1 capital: instruments		
30		
31		
32		
33		
34		
35		
36		
Additional Tier 1 capital: regulatory adjustments		
37		
38		
39		
40		
41		
42		
43		
44		
45	31,875,272	

	Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	2,812,500	B
47	<i>Directly issued capital instruments subject to phase out from Tier 2</i>		
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)		
49	<i>of which: instruments issued by subsidiaries subject to phase out</i>		
50	Provisions	1,141,333	A
51	Tier 2 capital before regulatory adjustments	3,953,833	
	Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments		
53	Reciprocal cross-holdings in Tier 2 instruments		
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)		
54a	Investments in the other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10% of the issued common share capital of the entity: amount previously designated for the 5% threshold but that no longer meets the condition (for G-SIBs only)		
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	0	
56	National specific regulatory adjustments		
57	Total regulatory adjustments to Tier 2 capital		
58	Tier 2 capital (T2)	3,953,833	
59	Total regulatory capital (TC = T1 + T2)	35,829,105	
60	Total risk weighted assets	181,102,417	
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	17.60%	
62	Tier 1 (as a percentage of risk weighted assets)	17.60%	
63	Total capital (as a percentage of risk weighted assets)	19.78%	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement expressed as a percentage of risk weighted assets)	7.03%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: bank specific countercyclical buffer requirement	0.03%	
67	of which: G-SIB buffer requirement		
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets) available after meeting the bank's minimum capital requirements	10.57%	
	National minima (if different from Basel 3)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)		
70	National Tier 1 minimum ratio (if different from Basel 3 minimum)		
71	National total capital minimum ratio (if different from Basel 3 minimum)		
	Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital of other financials		
73	Significant investments in the common stock of financials		
74	Mortgage servicing rights (net of related tax liability)		
75	Deferred tax assets arising from temporary differences (net of related tax liability)		
	Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	1,141,333	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	2,042,553	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)		
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach		
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements		
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		
82	Current cap on AT1 instruments subject to phase out arrangements		
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		
84	Current cap on T2 instruments subject to phase out arrangements		
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		

CC2 - Reconciliation of regulatory capital to balance sheet - December 2022

(Figures in SR 000's)

	a	b	c
	Balance Sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at 31-December-2022	As at 31-December-2022	
Assets			
Cash and balances at central banks	12,434,197	12,434,197	
Items in the course of collection from other banks	0	0	
Trading portfolio assets	0	0	
Financial assets designated at fair value	0	0	
Derivative financial instruments	2,959,669	2,959,669	
Deposits with banks and other financial institutions	6,048,035	6,048,035	
Loans and advances to customers	143,828,819	143,828,819	
Reverse repurchase agreements and other similar secured trading	0	0	
Investments, net	41,017,758	41,017,758	
Current and deferred tax assets	75,502	75,502	
Prepayments, accrued income and other assets	3,054,203	3,160,003	
Investments in associates and joint ventures	978,683	978,683	
Goodwill and intangible assets	0	0	
Of which: goodwill	0	0	(a)
Of which: other intangible (excluding MSRs)	0	0	(b)
Of which: MSRS	0	0	(c)
Property, plant and equipment	2,231,227	2,231,227	
Total assets	212,628,093	212,733,893	
Liabilities			
Deposits from banks and other financial institutions	13,511,268	13,511,268	
Items in the course of collection due to other banks	0	0	
Customer accounts	154,871,266	154,871,266	
Repurchase agreements and other similar secured borrowing	0	0	
Trading portfolio liabilities	0	0	
Financial liabilities designated at fair value	0	0	
Derivative financial instruments	2,164,241	2,164,241	
Debt securities in issue	0	0	
Accruals, deferred income and other liabilities	5,328,463	5,434,263	
Current and deferred tax liabilities	510,447	510,447	
Of which: DTLs related to goodwill	0	0	(d)
Of which: DTLs related to intangible (excluding MSRs)	0	0	(e)
Of which: DTLs related to MSRS	0	0	(f)
Subordinated liabilities / Sukuk	2,829,092	2,829,092	
Provisions for credit related commitments and contingencies	488,232	488,232	
End of service benefits	567,427	567,427	
Total liabilities	180,270,436	180,376,236	
Shareholders' equity			
Paid-in share capital	15,000,000	15,000,000	
Of which: amount eligible for CET1	15,000,000	15,000,000	(h)
Of which: amount eligible for AT1	-	-	(i)
Statutory reserves	9,630,000	9,630,000	
Accumulated other comprehensive income	58,504	58,504	
Retained earnings	6,819,244	6,819,244	
Proposed dividends	826,616	826,616	
Non-controlling Interest	23,293	23,293	
Total Shareholders' equity	32,357,657	32,357,657	
Total Liabilities and equity	212,628,093	212,733,893	

**CCA - Main features of regulatory capital instruments and of other TLAC-eligible instruments -
December 2022**

	Quantitative / qualitative Information
1 Issuer	ANB Sukuk Ltd
2 Unique identifier (eg CUSPIN, ISIN or Bloomberg identifier for private placement)	XS2250029167
3 Governing law(s) of the instrument	English law (except for certain provisions relating to the status and subordination of the Certificates, the Purchase Agreement and any Sale/Transfer Agreement, which shall be governed by the laws of the Kingdom of Saudi Arabia)
3a Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for other TLAC-eligible instruments governed by foreign law)	
4 Transitional Basel III rules	N/A
5 Post-transitional Basel III rules	Tier 2
6 Eligible at solo/group/group&solo	Solo & Group
7 Instrument type (types to be specified by each jurisdiction)	Unsecured Subordinated Sukuk
8 Amount recognized in regulatory capital (Currency in millions, as of most recent reporting date)	USD 750 Million
9 Par value of instrument	USD 750 million
10 Accounting classification	Liability- Held at Amortised Cost
11 Original date of issuance	28-Oct-20
12 Perpetual or dated	Dated
13 Original maturity date	28-Oct-30
14 Issuer call subject to prior supervisory approval	Yes
15 Option call date, contingent call dates and redemption amount	First Call date 28th Oct 2025,
16 Subsequent call dates if applicable	NA
Coupons / dividends	Semi Annually
17 Fixed or Floating dividend/coupon	Fixed Rate Re-settable
18 Coupon rate and any related index	3.326
19 Existence of a dividend stopper	No
20 Fully discretionary, partially discretionary or mandatory	Mandatory
21 Existence of step up or other incentive to redeem	No
22 Non cumulative or cumulative	Non-cumulative
23 Convertible or non-convertible	Non-convertible
24 If convertible, conversion trigger (s)	N/A
25 If convertible, fully or partially	N/A
26 If convertible, conversion rate	N/A
27 If convertible, mandatory or optional conversion	N/A
28 If convertible, specify instrument type convertible into	N/A
29 If convertible, specify issuer of instrument it converts into	N/A
30 Write-down feature	At the point of Non-viability
31 If write-down, write-down trigger (s)	Determined by the Banking Regulator
32 If write-down, full or partial	Determined by the Banking Regulator
33 If write-down, permanent or temporary	Determined by the Banking Regulator
34 If temporary writedown, description of the write-up mechanism	Determined by the Banking Regulator
34a Type of subordination	Unsecured
35 Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated in right and priority of payment, to the prior payment in full of all deposit liabilities and all other unsubordinated liabilities of the Issuer except all other present and future unsecured and subordinated obligations of the Issuer which by their terms rank equally in right and priority of payment with the Instrument
36 Non-compliant transitioned features	No
37 If yes, specify non-compliant features	N/A

CCyB1 – Geographical distribution of credit exposures used in the countercyclical buffer - December 2022

a	b	c
Geographical Breakdown	Countercyclical capital buffer rate	Bank-specific Countercyclical capital buffer rate
KSA	0.0%	0.0000%
GCC & ME	2.5%	0.0177%
Europe	0.0% to 2.5%	0.0070%
North America	0.0% to 2.5%	0.0000%
South East Asia	0.0% to 2.5%	0.0000%
Others	0.0% to 2.5%	0.0018%
Total		0.0265%

LR1: Summary comparison of accounting assets vs leverage ratio exposure measure - December 2022

(Figures in SR 000's)

		a
1	Total consolidated assets as per published financial statements	212,628,093
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	
4	Adjustments for derivative financial instruments	3,079,752
5	Adjustment for securities financing transactions (ie repos and similar secured lending)	
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	14,774,086
7	Other adjustments	
8	Leverage ratio exposure measure	230,481,931

LR2: Leverage ratio common disclosure- December 2022

(Figures in SR 000's)

		a	b
		31-Dec-22	30-Sep-22
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	213,965,023	210,951,594
2	(Asset amounts deducted in determining Basel III Tier 1 capital)		
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 and 2)	213,965,023	210,951,594
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	1,505,386	2,079,934
5	Add-on amounts for PFE associated with all derivatives transactions	694,437	977,810
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework		
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)		
8	(Exempted CCP leg of client-cleared trade exposures)		
9	Adjusted effective notional amount of written credit derivatives		
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)		
11	Total derivative exposures (sum of rows 4 to 10) *	3,079,752	4,280,841
Securities financing transaction exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	2,722,000	65,994
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)		
14	CCR exposure for SFT assets		
15	Agent transaction exposures		
16	Total securities financing transaction exposures (sum of rows 12 to 15)	2,722,000	65,994
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	50,973,597	46,343,334
18	(Adjustments for conversion to credit equivalent amounts)	-36,199,511	-31,941,475
19	Off-balance sheet items (sum of rows 17 and 18)	14,774,086	14,401,859
Capital and total exposures			
20	Tier 1 Capital	31,875,272	32,116,347
21	Total exposures (sum of lines 3,11,16 and 19)	234,540,860	229,700,288
Leverage ratio			
22	Basel III leverage ratio	13.59%	13.98%

* As per SA-CCR Exposure at Default is 1.4 * (Replacement Cost + PFE)

LIQA - Liquidity Risk Management

Liquidity Risk Management

ANB's liquidity risk management philosophy is predicated upon a conservative business model. The primary objective of the Bank's Liquidity Risk management framework is to ensure that it has sufficient liquidity to meet its obligations in both normal and stressed conditions. The Bank should be able to satisfy its funding needs through normal sources without having to make unplanned sales of assets or borrow expensive funds under emergency conditions.

The Board of Directors (the Board) defines the Bank's liquidity risk strategy, and in particular its appetite for liquidity risk, based on recommendations made by the Asset and Liability Committee (ALCO). The Board reviews and approves the liquidity management policies and ensures that senior management manages liquidity risk effectively in the context of the Bank's business plan and long-term funding strategy, as well as the prevailing economic and financial conditions. The Bank uses liquidity ratios and stressed liquidity gaps as key metrics to establish its liquidity risk tolerance levels. These metrics measure the Bank's ability to fulfill all its payment obligations stemming from ongoing business operations under various stress scenarios. The tolerance levels are defined either in the form of limits or management action triggers (MAT) and are part of the Bank's overall liquidity management framework which is approved and reviewed by the Board on an annual basis.

At least once a year the Board reviews and approves the limits that are applied to measure and control liquidity risk on a bank-wide basis. ALCO/Market Risk Policy Committee (MRPC) sets the direction for the Bank's liquidity management subject to the liquidity risk limits and tolerance levels established by the Board. The Board delegates these limits to the Treasury Group through ALCO.

Treasury Group is responsible for managing day-to-day funding activities within the established liquidity risk management policies and limits. It is responsible for establishing appropriate procedures and effective communication channels with operational and business areas to alert the funding desks of imminent funding requirements including loan drawdowns, deposit withdrawals and off-balance sheet commitments. It monitors market developments, understands their implications for the Bank's liquidity risk exposure and recommends appropriate risk management measures to ALCO.

Market Risk Department (MRD), part of the independent Risk Management Group (RMG), periodically reviews liquidity risk policies and procedures, the adequacy of the risk measurement system, including key assumptions and scenarios used and reports their findings and recommendations to ALCO. It is also responsible for monitoring adherence to the various liquidity ratios and limits, both internal and regulatory.

Funding strategy

The Bank's funding strategy is to develop a diversified funding base, while providing protection against unexpected fluctuations. It aims to align sources of funding with their use. As such, earning assets (Loans and Investments) are largely funded with customer deposits. The funding gap for these assets is met using secured funding and long term debt issuance.

The Bank maintains access to a variety of sources of wholesale funds in multiple currencies across a variety of distribution channels and geographies, including those available from money markets, repo markets and term depositors. It is an active participant in the money market and has direct access to local and international liquidity providers. As a result, wholesale funding is well diversified by product, investor, maturity, and currency.

Liquidity risk mitigation techniques

The Bank maintains excess liquidity in the form of cash and high-quality liquid unencumbered securities that together serve as the Bank's primary means of liquidity risk mitigation. It further limits the composition of high quality, liquid, unencumbered securities to high quality sovereign bonds.

Diversification of funding is another important area to mitigate liquidity risk. The Bank remains focused on diversifying funding sources. Its most stable funding source is retail clients. Other customer deposits and borrowing from wholesale clients are additional sources of funding.

The Bank is an active participant in money markets and has direct access to local and international liquidity providers. It maintains strong relationships with a number of local and international banks through extensive trading and funding transactions over a number of years. Accesses to both local and international money markets allow the Bank to maintain liquidity in both local and foreign currencies.

Stress Testing

The Bank uses stress testing and scenario analysis to evaluate the impact of sudden and severe stress events on its liquidity position. It uses multiple scenario types to cover the Bank specific and market related events. The purpose of liquidity stress testing is to ascertain the incremental funding that may be required under the defined scenarios and whether the Bank will be able to withstand the stress.

Stress testing is fully integrated in the Bank's liquidity risk management framework. It assesses the Bank's ability to generate sufficient liquidity under extreme conditions and is a key input when defining its target liquidity risk position.

Contingency Funding Plan

The Bank's contingency funding plan sets out the action the Bank will take to fund business activity in crisis situations and periods of market stress. It outlines a list of potential risk factors, key reports and metrics that are reviewed on an ongoing basis to assist in assessing the severity of a liquidity crisis and/or market dislocation. It also describes in detail the Bank's potential responses if the assessments indicate it has entered a liquidity crisis, which include funding its potential cash and collateral needs as well as utilizing secondary sources of liquidity. Mitigates and action items to address specific risks are also described and assigned to individuals responsible for execution.

The contingency funding plan identifies key groups of individuals to ensure effective coordination, control and distribution of information that are critical in the management of a crisis or period of funding stress. It also details the responsibilities of these groups and/or individuals, which include making and disseminating key decisions, coordinating all contingency activities throughout the duration of the crisis or period of market stress, implementing liquidity maintenance activities and managing internal and external communication.

Other Qualitative Information

The Liquidity Coverage Ratio (LCR) is a Basel III metric that measures the sufficiency of High Quality Liquid Assets (HQLA) available to meet net short-term financial obligations over a thirty day period in an acute stress scenario. The SAMA regulatory minimum coverage level for LCR is currently 100%.

In August 2014, SAMA released the final guideline on “Liquidity Coverage Ratio Disclosure Standards”, requiring Saudi banks to disclose LCR beginning Q1 2015. LCR is disclosed using the standard Basel disclosure template and is calculated using the average of daily observations during the quarter.

Net Stable Funding Ratio (NSFR) is another Basel III Liquidity Metric, which requires ANB to hold a minimum amount of stable funding relative to the funding requirements of its asset positions as per the corresponding liquidity risk profile as defined by the standards. The minimum requirement is 100%.

LIQ1 - Liquidity Coverage Ratio - December 2022		(Figures in SR 000's)	
Amount in SAR '000		TOTAL UNWEIGHTED^a VALUE (average)	TOTAL WEIGHTED^b VALUE (average)
High Quality Liquid Assets			
1	Total high-quality liquid assets (HQLA)		40,180,543
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:		
3	Stable deposits		
4	Less stable deposits	46,210,799	4,621,080
5	Unsecured wholesale funding, of which:		
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks		
7	Non-operational deposits (all counterparties)	63,347,912	32,472,472
8	Unsecured debt	0	0
9	Secured wholesale funding		
10	Additional requirements, of which:		
11	Outflows related to derivative exposures and other collateral requirements	2,003,839	2,003,839
12	Outflows related to loss of funding on debt products		
13	Credit and liquidity facilities	1,409,777	140,978
14	Other contractual funding obligations		
15	Other contingent funding obligations	45,263,429	1,127,096
16	TOTAL CASH OUTFLOWS		40,365,465
CASH INFLOWS			
17	Secured lending (eg. reverse repos)		
18	Inflows from fully performing exposures	26,156,648	15,958,251
19	Other cash inflows	2,067,074	2,067,074
20	TOTAL CASH INFLOWS	28,223,722	18,025,325
			TOTAL ADJUSTED ^c VALUE
21	TOTAL HQLA		40,180,543
22	TOTAL NET CASH OUTFLOWS		22,340,140
23	LIQUIDITY COVERAGE RATIO (%)		180%

a Unweighted values must be calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows).

b Weighted values must be calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows).

c Adjusted values must be calculated after the application of both

(i) haircuts and inflow and outflow rates

(ii) any applicable caps (ie cap on Level 2B and Level 2 assets for HQLA and cap on inflows).

Data presented in the disclosure is based on simple average of daily observation over the previous quarter.

LIQ2 - Net Stable Funding Ratio (NSFR) - December 2022						(Figures in SR 000's)
(in currency amount)		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
ASF Item						
1	Capital:	33,000,013	-	-	2,829,092	35,829,105
2	Regulatory Capital	33,000,013			2,829,092	35,829,105
3	Other capital instruments					
4	Retail deposits and deposits from small business customers:	43,356,245	12,803,968	2,433,619	260,874	52,995,323
5	Stable deposits					
6	Less stable deposits	43,356,245	12,803,968	2,433,619	260,874	52,995,323
7	Wholesale funding:	35,429,482	58,860,195	5,389,392	6,206,683	47,772,935
8	Operational deposits					
9	Other wholesale funding	35,429,482	58,860,195	5,389,392	6,206,683	47,772,935
10	Liabilities with matching interdependent assets					
11	Other liabilities					
12	NSFR derivative liabilities		2,164,241			
13	All other liabilities and equity not included in the above categories	5,862,575				-
14	Total ASF					136,597,363
RSF Item						
15	Total NSFR high-quality liquid assets (HQLA)					1,583,839
16	Deposits held at other financial institutio for operational purpose					
17	Performing loans and securities:	5,158,903	69,022,142	9,746,251	80,230,622	103,114,240
18	Performing loans to financial institution secured by level 1 HQLA		3,554,076	88,000	90,253	311,957
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	455,813	8,385,499	167,878	364,899	1,706,663
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSE, of which:	4,703,089	57,075,701	9,483,474	74,399,403	96,519,080
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk					
22	Performing residential mortgages, of which:					
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk					
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities		6,866	6,900	5,376,067	4,576,540
25	Assets with matching interdependent liabilities					
26	Other assets:	6,586,073	-	-	820,224	7,359,914
27	Physical traded commodities, including gold	-				-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				309,222	262,839
29	NSFR derivative assets				78,153	78,153
30	NSFR derivative liabilities before deduction of variation margin posted				432,848	432,848
31	All other assets not included in the above categories	6,586,073				6,586,073
32	Off-balance sheet items				2,507,031	94,655
33	Total RSF					112,152,648
34	Net Stable Funding Ratio (%)					121.80%

B.6 - Table CRA: General qualitative information about credit risk

Business model translation into the components of the Bank's credit risk profile

The Bank's credit risk exposures mainly arises from lending activities like loans & advances as well as exposures arising from off-balance sheet instruments like commitments, guarantees, letters of credit etc. Moreover, investments in the banking book also exposes the Bank to credit risk. The Bank's credit risk mainly arises from the following lending activities, being the major components of Bank's overall strategy: -

Corporate Market serviced by the Corporate Banking Group with focus on corporations in KSA, Project Finance & Syndication deals.

Commercial/SME Market serviced by Commercial Banking Department with focus on small to medium merchants and businesses engaged in commerce, manufacturing, services & construction projects.

Consumer Market serviced by Retail Banking Group provide personal loans, auto-lease and credit card facilities to employees of government entities and eligible corporations, whereas high Net-Worth individuals serviced by Private banking and Treasury Group, provide conventional facilities as well as margin trading and FX-trading facilities.

Criteria and approach used for defining credit risk management policy and setting credit risk limits

Credit Risk policies and procedures are established to provide control on credit risk portfolios through periodic assessment of the credit worthiness of obligors, quantifying maximum permissible exposure to specific obligor and continuous monitoring of individual exposures and portfolios. The Credit Risk policy of the Bank is designed to provide objectives and credit risk management strategies, which include:

- Strengthening and enhancing Bank's ability to measure and mitigate credit risks on pre-emptive basis to minimize credit losses.
- Strengthening and enhancing Bank's systems and procedures for early problem recognition.
- Strengthening and enhancing credit portfolio management process.
- Compliance with local regulatory requirement and industry's best practices for credit risk management.

The Bank's Credit Risk policy addresses all functions and activities related to the credit lending process, ranging from defining the minimum required information for assessing obligor credit worthiness to developing the clear risk-based approval authority mechanism.

The limits/benchmarks for credit risk are spread across various dimensions which include Industry Exposure Limits, Country Risk Exposure Limits and Counterparty Exposure Limits. Quantitative limits are set at different levels ranging from obligor to portfolio.

Structure and organization of the credit risk management and control function

The Credit Risk Department, part of Risk Management Group, is responsible for Policy formulation and Portfolio management for all type of credit risks undertaken by the Bank.

The Bank has adopted centralized credit approval process and follows the philosophy of joint approval authority, which is directly linked to the borrower's Probability of Default (PD) and its facility characteristics measured by Loss Given Default (LGD) estimates. Based on afore-mentioned factors, there are three main layers of approval authorities. The highest credit authority is vested in the Executive committee, a Board level committee. The second level of credit approval authority is vested in the Senior Credit Committee and third layer consists of four levels of approval authorities, which draws its members from the business units and the Credit Review Department.

Credit Review Department and Credit Administration & Control (CAC) are part of the credit management process; Credit Review Department is engaged in the day-to-day activities of the approval process, whereas CAC is part of the administrative, activation, control, monitoring, documentation and follow-up process.

Relationships between the credit risk management, risk control, compliance and internal audit

The Bank follows the philosophy of 3 lines of defense, wherein functional units are responsible for risks arising from their activities and act as first line of defense. The second line of defense comprises of relevant Management Committees, RMG and Compliance Functions. Credit Risk being part of RMG responsible for monitoring and controlling the credit risk inherent in all the activities undertaken across the Bank.

The Compliance function assists in identifying, assessing, monitoring and reporting on compliance risk in matters relating to credit risks faced by the Bank. The function contributes, in an independent manner, to credit risk management pertaining to regulatory compliance.

Internal Audit (IA) being the third line of defense, independently monitors the effectiveness of credit risk management policies, procedures and internal controls through periodic testing of the design and operation of the processes.

Scope of the reporting on credit risk exposure and on the credit risk management function to the executive management and to the board of directors

Management reports are generated for monitoring and control purposes on periodical basis - monthly, quarterly, semi-annually and annually, as appropriate. These reports are comprehensive, have wide scope and address several issues including:

- Portfolio quality, Industry concentration and large exposures;
- Product concentration, credit monitoring and concentration of shares held by the Bank as collateral; □
Past due follow-up, customer-provisioning details and provision movement report.

Credit Risk Department also submits for review, periodic reports to Board, Board Risk Committee and Audit Committee, covering its observation on key credit risks faced by the Bank.

B.7 - CR1: Credit quality of assets - December 2022

(Figures in SR 000's)

		(Figures in SR 000's)			
		a	b	c	d
		Gross carrying values of		Allowances/ impairments	Net values (a+b-c)
		Defaulted exposures	Non-defaulted exposures		
1	Loans	3,136,090	144,620,029	1,558,220	146,197,899
2	Debt Securities		38,085,588		38,085,588
3	Off-balance sheet exposures	798,147	23,719,698	356,307	24,161,538
4	Total	3,934,237	206,425,315	1,914,527	208,445,025

The following criteria are used to determine obligor default. The obligor:

- Has an obligation which is 90 (or more) days past due.
- Has an obligation for which the bank has stopped accruing interest.
- Has an obligation that is classified as non-performing by the bank.

B.8 - CR2: Changes in stock of defaulted loans and debt securities - December 2022 (Figures in SR 000's)

		(Figures in SR 000's)
		a
1	Defaulted loans and debt securities at end of the previous reporting period	3,106,208
2	Loans and debt securities that have defaulted since the last reporting period	313,629
3	Returned to non-defaulted status	38,579
4	Amounts written off	99,847
5	Other changes	-145,321
6	Defaulted loans and debt securities at end of the reporting period	
	(1+2-3-4±5)	3,136,090

B.9 - Table CRB: Additional disclosure related to the credit quality of assets

Scope and definitions of “past due” and “impaired” exposures

Definition of Past Due

Exposures that are not settled on their due date are classified as “Past Due” and reflected as such on the Bank’s books the following day. The appearance of a loan as past due, does not imply that there is a problematic credit, as the business units often successfully prompt the customers to settle such amounts within a few days.

Definition of Impaired Assets

In determining whether an individually assessed exposure has become impaired, Bank makes judgments as to whether there is any observable data indicating decrease in the estimated future cash flows. This evidence may include an indication that there has been an adverse change in the payment status of borrowers. Management uses estimates based on historical loss experience for loans with similar credit risk characteristics, when estimating the cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Extent of past-due exposures (more than 90 days) that are not considered to be impaired

Generally, individually assessed customers with 90+ DPDs are considered impaired. The only exception is, when relevant credit authorities approve certain selected customers to continue as performing despite the 90+ DPDs – such approvals are invariably supported by adequate justification provided by the concerned business units, which may include possibility of collection from receivable and/or availability of high quality collateral, good past-track, etc.

Description of methods used for determining impairments

The Bank reviews its portfolios to assess specific and collective impairment on a quarterly basis. In determining whether an impairment loss should be recorded, management applies judgement as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group. Management uses estimates based on historical loss experience for loans with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating its cash flows. The methodology and assumptions used for estimating both the amount and the timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. In addition to specific allowances against individually significant loans and advances, the Bank also makes a collective impairment allowance against exposures that, although not specifically identified as requiring a specific allowance, have relatively greater risk of default than when originally granted. The collective impairment allowance is determined after taking into account:

- Historical loss experience in portfolios of similar credit risk characteristics (for example industry sector, borrower grade or product);
- The estimated period between impairment occurring and the loss being identified and evidenced by the establishment of an appropriate allowance against the individual loan; and
- Management’s judgement as to whether current economic and credit conditions are such that the actual level of inherent losses at the consolidated statement of financial position date is likely to be greater or less than that suggested by historical experience.

The period between a loss occurring and its identification is estimated by management for each identified portfolio based on economic and market conditions, customer behavior, portfolio management information, credit management techniques and collection and recovery experience in the market.

Bank’s definition of a restructured exposure

The Bank treats those exposures as restructured where any principal/interest (including penalty) is written-off prior to creation of a new loan, or any loan is granted at pricing lower than the cost (SIBOR/LIBOR) or problem customers (with Risk Rating 10 or worse) whose exposures are restructured and agreement signed. The revised amount of debt agreed with the customer is classified as a ‘Restructured Loan’ which the borrower agrees to settle through phased repayment over a period of time.

Quantitative Disclosures

The Quantitative Disclosures are provided separately in the following sections

B.9 - CRB : Breakdown of exposures by Geographical Areas - December 2022							(Figures in SR 000's)
Asset classes/ Geographical Area	Saudi Arabia	Other GCC & Middle East	Europe	North America	South East Asia	Other Countries	Total credit exposures amount (post CCF and post-CRM)
Sovereigns and their central banks	46,033,399	417,606					46,451,005
Non-central government public sector entities (PSEs)							-
Multilateral development banks (MDBs)							-
Banks	5,302,916	1,104,413	1,295,877	825,306	153,167	217,755	8,899,434
Securities firms							-
Corporates	121,547,981	327,441	232,254			146,169	122,253,845
Regulatory retail portfolios	19,359,066						19,359,066
Secured by residential property	17,534,044						17,534,044
Secured by commercial real estate							-
Equity	2,455,835	481,568					2,937,403
Past-due loans	1,099,240						1,099,240
Higher-risk categories	1,067,778	58,288	97	419	19,636		1,146,218
Other assets	10,048,410						10,048,410
Total	224,448,669	2,389,316	1,528,228	825,725	172,803	363,924	229,728,665

B.9 - CRB : Breakdown of exposures by Industry - December 2022													(Figures in SR 000's)
Asset classes/ Industry Sector	Government and quasi government	Banks and other financial institutions	Agriculture and fishing	Manufacturing	Mining and quarrying	Electricity, water, gas and health services	Building and construction	Commerce	Transportation and communication	Services	Consumer Loans and Credit Cards	Others	Total credit exposures amount (post CCF and post-CRM)
Sovereigns and their central banks	46,451,005												46,451,005
Non-central government public sector entities (PSEs)													-
Multilateral development banks (MDBs)													-
Banks		8,899,434											8,899,434
Securities firms													-
Corporates		5,365,134	1,626,166	13,915,807	1,268,837	11,172,856	12,475,564	13,922,481	8,289,271	7,249,749		46,967,980	122,253,845
Regulatory retail portfolios											19,359,066		19,359,066
Secured by residential property												17,534,044	17,534,044
Secured by commercial real estate													-
Equity		459,926		344,131		1,052,842			190,232	750,751		139,521	2,937,403
Past-due loans				229,978		731	265,196	74,178	1,130	2,322	39,901	485,804	1,099,240
Higher-risk categories		998,835				58,288						89,095	1,146,218
Other assets												10,048,410	10,048,410
Total	46,451,005	15,723,329	1,626,166	14,489,916	1,268,837	12,284,717	12,740,760	13,996,659	8,480,633	8,002,822	19,398,967	75,264,854	229,728,665

B.9 - CRB : Breakdown of exposures by Residual Maturity - December 2022										(Figures in SR 000's)
Asset classes/ Residual Maturity	Less than 8 days	8-30 days	30-90 days	90-180 days	180-360 days	1-3 years	3-5 years	Over 5 years	No Fixed Maturity	Total credit exposures amount (post CCF and post-CRM)
Sovereigns and their central banks	2,722,000			48,808	238,531		15,464,895	19,886,429	8,090,342	46,451,005
Non-central government public sector entities (PSEs)										-
Multilateral development banks (MDBs)										-
Banks						164,677	921,309	562,493	7,250,955	8,899,434
Securities firms										-
Corporates	454,826	4,567,137	18,183,702	16,105,948	12,158,157	18,927,278	21,845,453	27,121,747	2,889,597	122,253,845
Regulatory retail portfolios			338,105	1,243,764	1,714,079	15,516,797	546,321			19,359,066
Secured by residential property		94	461	854	4,390	79,062	251,646	17,197,537		17,534,044
Secured by commercial real estate										-
Equity									2,937,403	2,937,403
Past-due loans									1,099,240	1,099,240
Higher-risk categories					74,000		58,288		1,013,930	1,146,218
Other assets									10,048,410	10,048,410
Total	3,176,826	4,567,231	18,522,268	17,399,374	14,189,157	34,687,814	39,087,912	64,768,206	33,329,877	229,728,665

B.9 - CRB - Impaired Loans, Past Due Loans and Allowances - December 2022										(Figures in SR 000's)
Industry sector	Impaired loans *	Defaulted **	Aging of Past Due Loans (days)				Specific allowances			General allowances
			Less than 90	90-180	180-360	Over 360	Charges during the Year To Date	Charge-offs during the Year To Date	Balance at the end of the Year To Date	
Government and quasi government	-	-	-	-	-	-	-	-	-	-
Banks and other financial institutions	2,283	2,283	329,682	1,738	545	-	-	-	2,396	-
Agriculture and fishing	13,759	13,759	933	13,355	-	404	-	-	13,776	-
Manufacturing	705,661	700,942	135,735	651,153	11,418	38,371	-	-	459,524	-
Mining and quarrying	-	-	1,904	-	-	-	-	-	-	-
Electricity, water, gas and health services	3,081	3,602	1,143	483	16	3,102	-	-	2,872	-
Building and construction	696,711	691,519	136,266	161,407	49,851	480,261	-	-	423,095	-
Commerce	331,677	339,368	355,038	184,835	99,292	55,241	-	40,396	259,595	-
Transportation and communication	4,901	5,561	12,167	3,773	1,429	359	-	-	3,278	-
Services	20,609	13,976	49,697	7,095	3,396	3,485	-	-	5,740	-
Consumer loans and credit cards	115,396	82,970	1,220,292	82,970	-	-	-	229,646	7,306	-
Others	834,647	792,974	181,147	105,704	12,145	757,983	-	-	380,637	-
Total	2,728,724	2,646,955	2,424,005	1,212,514	178,092	1,339,206	652,082	270,042	1,558,219	2,361,589

* Impaired loans defined as any loan with specific provision

** Defaulted loans defined as non-performing loans

B.9 - CRB : Impaired Loans, Past Due Loans And Allowances - December 2022						(Figures in SR 000's)	
Geographic area	Impaired loans*	Aging of Past Due Loans (days)				Specific allowances	General allowances
		Less than 90	90-180	180-360	Over 360		
Saudi Arabia	2,490,481	2,424,005	1,212,514	178,092	1,100,963	1,495,041	2,361,589
Other GCC & Middle East	238,243	0	0	0	238,243	63,178	0
Europe	0	0	0	0	0	0	0
North America	0	0	0	0	0	0	0
South East Asia	0	0	0	0	0	0	0
Others countries	0	0	0	0	0	0	0
Total	2,728,724	2,424,005	1,212,514	178,092	1,339,206	1,558,219	2,361,589

* Impaired loans defined as any loan with specific provision

B.9 - CRB : Reconciliation Of Changes In The Allowances For Loan Impairment - Funded Exposures - December 2022 (Figures in 000'S)

Particulars	Funded Exposures
Balance, beginning of the year	3,113,457
Amounts restated through opening retained earnings	..
Adjusted Balance, beginning of the year	3,113,457
Charge-offs taken against the allowances during the period	(270,042)
Amounts set aside (or reversed) during the period	1,076,393
Other adjustments:	-
- exchange rate differences	-
- business combinations	-
- acquisitions and disposals of subsidiaries	-
- etc.	-
Transfers between allowances	-
Balance, end of the year	3,919,808

▪ Charge-offs and recoveries that have been recorded directly to the income statement are SAR 39,575 thousand and SAR 219,296 thousand, respectively.

B.9 - CRB : Reconciliation Of Changes In The Allowances For Impairment of Non-Funded Credit Facility - December 2022 (Figures in 000'S)

Particulars	Non Funded Exposures
Balance, beginning of the year	515,402
Amounts restated through opening retained earnings	-
Adjusted Balance, beginning of the year	515,402
Charge-offs taken against the allowances during the period	-
Amounts set aside (or reversed) during the period	(27,170)
Other adjustments:	-
- exchange rate differences	-
- business combinations	-
- acquisitions and disposals of subsidiaries	-
- etc.	-
Transfers between allowances	-
Balance, end of the year	488,232

B.10 - Table CRC: Qualitative disclosure requirements related to credit risk mitigation techniques

Features of policies and processes for, and an indication of the Extent to which the Bank makes use of, on- and off-balance sheet netting.

The Bank reduces its exposures for capital adequacy calculations only, in cases where deposits/cash is in the form of collateral with a specific charge or lien in favor of the Bank.

Core features of policies and processes for collateral evaluation and management

The Bank believes that collateral security is an effective means of reducing risk and improving credit quality. Although collateral is generally desirable to enhance credit quality, Bank does not entirely rely on collateral to make lending decisions since collateral is only considered as a secondary source of repayment. The Bank's policy is to consider a credit exposure secured, if it is fully supported by tangible collateral/ security and in accordance with minimum requirement in terms of coverage ratios.

Information about market or credit risk concentrations under the credit risk mitigation instruments

For capital adequacy purposes, Bank only uses cash and bank guarantees as credit risk mitigants, thus presenting minimal market or concentration risk for mitigants used. As part of its regular monitoring, Bank also review it's holding vis-à-vis total market capitalization of the companies, whose shares are held as collateral.

B.11 - CR3: Credit risk mitigation techniques – Overview - December 2022

(Figures in SR 000's)

	a	b	c	d	e	f	g
	Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1 Loans	127,356,847	18,841,052	2,089,799	5,674,642	1,948		
2 Debt securities	38,085,588						
3 Total	165,442,435	18,841,052	2,089,799	5,674,642	1,948	-	-
4 Of which defaulted	3,136,090	-	-				

B.12 - Table CRD: Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk

Names of the external credit assessment institutions (ECAIs) used by the Bank

As per the guidelines provided by SAMA, Bank is using i) Moody's, ii) Standard & Poor's, and iii) Fitch for assigning Risk Weight and calculating Risk Weighted Assets (RWAs) under the Standardized Approach. Obligors, which are not rated by any of these three ECAIs are considered as "un-rated". Only the solicited ratings from the eligible ECAIs are being used for capital adequacy calculations.

Asset classes for which ECAIs are used

External Credit ratings of ECAIs are used for the asset classes comprising of Sovereign, Banks & Securities Firms, Corporate, and Off-Balance items, wherever applicable.

Description of the process used to transfer the issuer to issue credit ratings

Under Standardized approach for Credit Risk, Bank uses issue-specific rating if such a rating is available for the issue in which the bank has invested. In circumstances where only issuer assessment is available, Bank consider high quality issuer assessment only for the senior claims on that issuer; other unassessed claims of the highly assessed issuer are treated as unrated. Applicable Basel guidelines for Issuer versus Issues assessment are complied with at all times.

Alignment of the alphanumerical scale of each agency used with risk buckets

For determining risk weighted exposure under Standardized approach, alignment of ECAIs scales to risk buckets is applied as per mapping guidelines provided by SAMA.

B.13 - CR4: Standardised approach – Credit risk exposure and Credit Risk Mitigation (CRM) effects - (Figures in SR 000's)
December 2022

Asset classes	a	b	c	d	e	f
	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1 Sovereigns and their central banks	46,451,005	0	46,451,005	0	421,709	0.91%
2 Non-central government public sector entities						
3 Multilateral development banks						
4 Banks	7,568,719	2,345,104	7,568,552	1,330,882	4,780,254	53.71%
5 Securities firms						
6 Corporates	109,038,445	48,534,804	107,042,760	15,211,085	117,436,000	96.06%
7 Regulatory retail portfolios	19,359,066		19,359,066		14,519,300	75.00%
8 Secured by residential property	17,534,044		17,534,044		8,767,022	50.00%
9 Secured by commercial real estate						
10 Equity	2,937,403		2,937,403		2,937,403	100.00%
11 Past-due loans	1,146,212		1,099,240		1,186,331	107.92%
12 Higher-risk categories	1,072,218	80,169	1,072,218	74,000	2,869,731	250.37%
13 Other assets	10,048,410	13,500	10,048,410	-	8,426,556	83.86%
14 Total	215,155,522	50,973,577	213,112,698	16,615,967	161,344,306	70.23%

B.14 - CR5: Standardised approach – Exposures by asset classes and risk weights - December 2022

(Figures in SR 000's)

Asset classes/ Risk weight	a	b	c	d	e	f	g	h	i	j
	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
1 Sovereigns and their central banks	45,862,021		209,094				379,890			46,451,005
2 Non-central government public sector entities (PSEs)										-
3 Multilateral development banks (MDBs)										-
4 Banks			684,235		7,143,584		1,071,615			8,899,434
5 Securities firms										-
6 Corporates					2,356,277		95,632,857		24,264,711	122,253,845
7 Regulatory retail portfolios						19,359,066				19,359,066
8 Secured by residential property					17,534,044					17,534,044
9 Secured by commercial real estate										-
10 Equity							2,937,403			2,937,403
11 Past-due loans							925,058	174,182		1,099,240
12 Higher-risk categories								151,923	994,295	1,146,218
13 Other assets	1,621,854						8,426,556			10,048,410
14 Total	47,483,875		893,329		27,033,905	19,359,066	109,373,379	326,105	25,259,006	229,728,665

B.21 - Table CCRA: Qualitative disclosure related to counterparty credit risk

Risk management objectives and policies related to counterparty credit risk

The primary objective of counterparty credit risk management function is to effectively identify, measure and manage all derivatives related counterparty exposures through regular review of counterparty limits and daily monitoring of exposures vis-a-vis limits.

Method used to assign the operating limits defined in terms of internal capital

Credit Risk Limits are established on a Credit Equivalent basis, taking into consideration the product type, tenor and notional amounts. As part of its efforts in managing the counterparty credit risk, the Bank gradually increases exposures towards the central counterparties, which are mostly trades in interest rate swaps and futures, options and derivative trade through clearing brokers. All other derivative exposures are bilateral in nature.

Policies relating to guarantees and other risk mitigants and assessments

The Bank has signed Credit Support Annexure with all the major derivative financial counterparties to mitigate counterparty credit risk.

Policies with respect to wrong-way risk exposures

Wrong-way risk occurs when exposure to a counterparty is adversely correlated with the credit quality of that counterparty. The Bank considers its exposure to such risk limited, which is mitigated through common collateral management practice. Impact in terms of the amount of collateral that the bank would be required to provide given a credit rating downgrade The Bank is only providing variation margin in bilateral trades with financial counterparties. The impact of any increase in variation margin due to potential credit rating downgrade at present is considered minimal.

B.22 - CCR1: Analysis of counterparty credit risk (CCR)[1] exposure by approach - December 2022

(Figures in SR 000's)

	a	b	c	d	e	f
	Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1 SA-CCR (for derivatives)	578,080	444,832		1.4	1,432,077	938,501
2 Internal Model Method (for derivatives and SFTs)						
3 Simple Approach for credit risk mitigation (for SFTs)						
4 Comprehensive Approach for credit risk mitigation (for SFTs)						
5 VaR for SFTs						
6 Total						938,501

**B.23 - CCR2: Credit valuation adjustment (CVA) capital charge -
December 2022**

(Figures in SR 000's)

		a	b
		EAD post-CRM	RWA
	Total portfolios subject to the Advanced CVA capital charge		
1	(i) VaR component (including the 3×multiplier)		
2	(ii) Stressed VaR component (including the 3×multiplier)		
3	All portfolios subject to the Standardised CVA capital charge	1,432,077	1,088,516
4	Total subject to the CVA capital charge	1,432,077	1,088,516

B.24 - CCR3: Standardised approach – CCR exposures by regulatory portfolio and risk weights -December 2022

(Figures in SR 000's)

	a	b	c	d	e	f	g	h	i
Regulatory portfolio/ Risk weight	0%	10%	20%	50%	75%	100%	150%	Others	Total credit exposures
Sovereigns and their central banks									-
Non-central government public sector entities (PSEs)									-
Multilateral development banks (MDBs)									-
Banks			230,944	617,644		2,503			851,091
Securities firms									-
Corporates						580,987			580,987
Regulatory retail portfolios									-
Other assets									-
Total	-	-	230,944	617,644	-	583,490	-	-	1,432,078

B.26 - Template CCR5: Composition of collateral for CCR exposure - December 2022

(Figures in SR 000's)

	a	b	c	d	e	f
	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – domestic currency				150		
Cash – other currencies		1,004,196	309,395	286,851		
Domestic sovereign debt					2,720,979	3,699,076
Other sovereign debt						447,938
Government agency debt						
Corporate bonds						105,052
Equity securities						
Other collateral						
Total	-	1,004,196	309,395	287,001	2,720,979	4,252,066

B.29 - CCR8: Exposures to central counterparties - December 2022

(Figures in SR 000's)

		a	b
		EAD (post-CRM)	RWA
1	Exposures to QCCPs (total)	1,647,674	32,953
	Exposures for trades at QCCPs (excluding initial margin and default		
2	fund contributions); of which	1,647,674	32,953
3	(i) OTC derivatives		
4	(ii) Exchange-traded derivatives	1,647,674	32,953
5	(iii) Securities financing transactions		
6	(iv) Netting sets where cross-product netting has been approved		
7	Segregated initial margin		
8	Non-segregated initial margin		
9	Pre-funded default fund contributions		
10	Unfunded default fund contributions		
11	Exposures to non-QCCPs (total)	-	-
	Exposures for trades at non-QCCPs (excluding initial margin and		
12	default fund contributions); of which	-	-
13	(i) OTC derivatives		
14	(ii) Exchange-traded derivatives		
15	(iii) Securities financing transactions		
16	(iv) Netting sets where cross-product netting has been approved		
17	Segregated initial margin		
18	Non-segregated initial margin		
19	Pre-funded default fund contributions		
20	Unfunded default fund contributions		

B.35 - Table MRA: Qualitative disclosure requirements related to market risk

Risk management objectives and policies for market risk

The primary objective of Bank's market risk management function is to provide a coherent policy and operating framework for a strong Bank-wide management of market risk and liquidity risk.

Bank's Strategies and processes

The Board approves market risk appetite, in terms of limits, for all types of market risks including foreign currency risk, interest rate risk and equity risk. These limits are based on notional amount, sensitivity, stop-loss and/or VaR (Value at Risk). The Board has also approved Market Risk Policy that provides guidance to identify, measure and monitor the Bank's exposure to market risk.

The Bank's Trading portfolio mainly consists of FX, interest rate trading positions and fixed income securities. The Bank maintains a prudent risk profile in derivatives trading which mainly consists of plain vanilla contracts with limited open positions across all market risk factors. The Bank's trading book has typically remained small with only a limited exposure in the proprietary trading positions. Trading deals are predominantly performed to off-set the risks arising as a result of deals done with corporate customers. The Board approves the trading limits keeping in view the overall business strategy of the Treasury Group. All traded products are covered by individual product programs, which lay down product description, business strategy, target customers, risk management, back office and accounting processes.

The Bank has implemented an interest rate hedging policy in compliance with the International Accounting Standards. Interest rate derivatives, mainly interest rate swaps and futures are used to hedge specific exposures with the aim to keep the interest rate risks within limits. The Bank also uses currency swap to hedge specific positions in foreign currencies, when necessary. Effectiveness of all hedges is regularly monitored throughout their term.

For liquidity risk management, please refer to section called "LIQA - Liquidity Risk Management".

Structure and organisation of the market risk management function

Market risk and Liquidity risk are overseen by two management committees – Asset Liability Committee (ALCO) and Market Risk Policy Committee (MRPC). ALCO deals with Bank-wide market risk issues while MRPC deals with Treasury specific issues. ALCO meets on a regular basis to discuss the risk exposures vis-à-vis the prevailing market conditions and sets guidelines to manage these risks within the risk appetite set by the Board. MRPC acts as a sub-committee of ALCO with authority to monitor and control Treasury-related activities. MRPC has the authority to restrict utilization of the ALCO-approved limits. Market Risk Department, which is independent of the business function, monitors all limits and provides periodic market risk reports to ALCO and MRPC members.

Treasury Middle Office is an independent unit reporting to MRD and is responsible for ensuring that all Treasury related internal controls are functioning effectively and all non-adherences are brought to management's attention on a timely basis.

Scope and nature of risk reporting and/or measurement systems.

Daily Report is provided to Senior Management that covers the trading activity and liquidity ratios. Stress testing for interest rate risk, foreign exchange risk and liquidity risk is conducted on a regular basis and results are presented to ALCO for review. Market Risk Department submits the following reports to ALCO, MRPC and Board on regular basis

- VaR analysis
- Interest rate gap Analysis
- Liquidity Risk Ratios
- Interest rate stress testing

Detailed market risk reviews are submitted to the Board, Excom, Risk Committee and Audit Committee, on a quarterly or semi-annual basis, as appropriate. The reviews highlight major changes in the Bank's market and liquidity risk profiles as well as compositions of the investments portfolio.

B.37 - MR1: Market risk under standardised approach - December 2022

(Figures in SR 000's)

		a
		RWA
	Outright products	1,979,919
1	Interest rate risk (general and specific)	797,611
2	Equity risk (general and specific)	-
3	Foreign exchange risk	1,172,198
4	Commodity risk	10,110
	Options	2,025
5	Simplified approach	2,025
6	Delta-plus method	
7	Scenario approach	
8	Securitisation	
9	Total	1,981,945

B.41 - Operational risk

Qualitative disclosure for Bank's operational risk capital approach

The Bank calculates Operational Risk capital charge under Alternative Standardized Approach (ASA), which uses Gross Income and Loans/Advances as proxy indicator for estimating capital charge (i.e. loans/advances are used for Basel business lines 'Retail Banking' and 'Commercial Banking' whereas gross income is used for remaining Basel business lines).

B.42 - Interest rate risk in the banking book (IRRBB)

Qualitative disclosure requirement on IRRBB

Interest Rate Risk in Banking Book refers to the current or prospective risk to earnings and capital arising from adverse movements in interest rates affecting the Banking book assets, liabilities and off-balance-sheet positions. IRRBB arises principally from mismatches between the assets and their funding liabilities in terms of the future interest rates, maturities or cash flow profiles in the context of interest rates changes. IRRBB represents the most significant market risk exposure in the Bank's banking book balance sheet.

Interest rate risk in the Banking Book forms part of the Bank's overall risk management framework, which is driven from the Board down to each management levels. The Board defines the Bank's IRRBB risk appetite and ensures that the Bank has in place an adequate framework, policies/procedures and processes to manage IRRBB effectively. At operational level, IRRBB is overseen by two management committees, Asset Liability Committee (ALCO) and Market Risk Policy Committee (MRPC) under the delegated authority by the Board.

IRRBB is assessed and monitored at both macro level through gap analysis, EaR and EVE measurement, as well as micro level by analyzing the interest rate risk in light of the rate outlook and funding options. The assessment results may lead to Interest Rate Risk (IRR) hedging decision either by each individual transaction or by portfolio of homogenous IRR exposures. In both cases, the Bank designs the IRR hedge in such a way that the IFRS / IAS hedge accounting is always applied to minimize potential volatility in accounting profits and losses (P&L). All the IRRBB measures are monitored against approved limits and/or management action triggers (MAT).

The outcome of the monitoring and control tools are benchmarked against approved limit and MAT thresholds on monthly basis, and reported to the relevant stakeholders subsequently.

EVE and EaR measures are quantified under various rate shock scenarios, which include six prescribed regulatory interest rate shock scenarios to capture parallel and non-parallel gap risks for EVE and two prescribed regulatory interest rate shock scenarios for EaR. In addition, the Bank has eight internal rate shock scenarios being applied to both EaR and EVE which are used for internal reporting purpose. These stress scenarios are defined and reviewed by Risk Management Group. All significant changes are reviewed and approved by the ALCO on an annual basis to reflect current market conditions.

Bank use standard set of assumptions for both internal assessment and disclosure in Table B.

The assessment of IRRBB measures may lead to IRR hedging decision either by each individual transaction or by portfolio of homogenous IRR exposures. In both cases, the Bank designs the IRR hedge in such a way that the IFRS / IAS hedge accounting is always applied to minimize potential volatility in accounting profits and losses (P&L).

For individual hedges, the time and amounts are generally determined when the transactions are initiated. The objective is normally to off-set the re-pricing mismatches and to the extent possible so that the Bank is only left

with fixed interest rate spread income or expense. For portfolio hedges, the time and amounts are generally determined by: either (1) assessment results of the interest rate gaps as well as EaR and EVE risk exposures; or (2) a pre-defined hedging parameter for certain products such as fixed rate Loans.

Economic Value of Equity (EVE): Measurement of IRRBB under the EVE approach is to quantify the change in the net market value of the whole banking book under various interest rate shock scenarios, given the spot balance sheet positions as at certain point in time and using a run-off balance sheet assumption. Broadly, the EVE measurement include three components: (1) to construct re-pricing gap profiles in each significant currencies (e.g. USD and SAR) whereas insignificant currencies are aggregated under the other currency (OTH); (2) to establish interest rate shock scenarios; (3) to apply each of the scenarios to the gap profile and come up with net change in the equity due to the rate shocks.

Earnings at Risk (EaR): EaR is an earnings-based measure to analyze impact of changes in interest rates on the future accrued or reported net interest income (NII) on a 12-month rolling forward basis. It is intended to assess the Bank's ability to generate stable earnings on a sustained basis, which will allow it to provide its shareholders with stable dividend payments as well as to reduce the beta on its share price and therefore reduce its cost of capital.

Following are the key assumptions while calculating EVE and EaR.

- Average repricing maturity of non-maturity deposits (NMD)

Average repricing tenor and maturity of NMDs are derived using a combination of statistical tools, i.e. regression analysis and volatility measures using KSA banking sector and Bank's NMD historical data. The Bank's NMD deposit data is regressed against the key macro-economic variables using historical monthly data points.

- Prepayment rates of customer loans

Prepayment assumptions are based on prepayment behavior of loan book. The Bank uses historical data to analyze the prepayment behavior of loans.

INTEREST RATE RISK IN THE BANKING BOOK (IRRBB) - December 2022				(Figures in SR 000's)	
SAR '000	ΔEVE		ΔNII		
Period	31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21	
Parallel up	-2,888,224	-1,934,974	-218,353	-42,097	
Parallel down	3,988,858	4,395,187	214,852	64,868	
Steeper	-1,475,666	-856,892			
Flattener	869,504	270,424			
Short rate up	-606,817	-677,218			
Short rate down	629,728	567,101			
Maximum	-2,888,224	-1,934,974	-218,353	-42,097	
Period	31/12/2022		31/12/2021		
Tier 1 capital	31,875,272		31,002,690		

REMA : Remuneration Policy

Governance Framework of Remuneration System

The Board has appointed a Nomination and Compensation Committee and approved its Terms of Reference. The Board is ultimately responsible for promoting effective governance and sound compensation practices. Compensation Policy is given adequate consideration at the highest level with respect to the Bank's risk appetite and the need for stability of capital and liquidity. The governance process ensures that the Compensation Policy is consistently applied within the Bank and operates as intended. The governance process has established an oversight mechanism to regularly evaluate the important design characteristics of compensation practices and their implementation.

Scope of the Bank's Remuneration Policy

Bank's remuneration policy is applicable to all full-time and part-time employees of ANB Group, including its branch in London, subject to any variations required by UK legislation, and its majority owned subsidiaries operating in the financial sector. Contract and outsourced staff is compensated through an agreed package. The Compensation Policy is reviewed every two years or earlier if advised by the Board.

Design and Structure of Remuneration Processes

Compensation Policy is part of a broader corporate governance framework drawing on local and international best practice as well as regulatory guidance. Through application of the Compensation Policy, ANB aims at the dual objective of attracting and retaining quality staff whilst at the same time ensuring that its compensation practices are in compliance with the Rules set out by the Saudi Arabian Monetary Agency (SAMA) and are consistent with the Principles and Standards of the Financial Stability Board (FSB).

The rules of the Compensation Policy are aimed at dealing with the risks posed by the compensation practices and not at determining the absolute amount of compensation. The focus of the Policy is on promoting effective risk management and achieving financial soundness and stability of the Bank. It is the Bank's policy to link compensation with performance, both financial and nonfinancial. The broad structure of compensation aligns compensation with risk, taking into account the likelihood and timeliness of earnings.

Compensation and bonus allocation for employees in Internal Control units are not determined by persons working in or associated with any business or support unit being monitored by them.

Overview of the key risks taken into account for Remuneration Process

The Bank's net income is adjusted for all types of material risks, prior to allocating bonus to each individual, depending on the nature and complexity of the products involved. The Risk Adjusted Return on Capital (RAROC) has been adopted as the overarching technique to adjust the risk for all types of businesses. However, depending on the type and nature of the risk, the application of RAROC may vary as detailed below:

Credit Risk: The Bank's income exposed to the credit risk is adjusted by way of Expected Loss (EL), estimated thru risk parameters, like Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). The adjustment is at the product level, like in the case of Retail, where PD, LGD and EAD are estimated for the total portfolio of Consumer Loans, Credit Card, Auto Lease, etc. For the Corporate book in contrast, these risk parameters are estimated at the borrower/facility level and accordingly, income is adjusted for the each individual borrower.

Market Risk: The market risk, primarily inherent in the Trading Book, is adjusted for risk by way of Value at Risk (VaR) estimates.

Operational Risk: The operational risk is allocated to all the units of the Bank, and not just the profit centers. The adjustment is made by way of projecting the severity and likelihood of operational losses, which is derived from actual operational losses incurred during the previous three years.

Other Material Risks: All other material risks are assessed as part of the Pillar-II risk under Basel-II reporting. The major risks included under this category are Concentration, Liquidity, Reputational and Interest Rate Risk in the Banking Book (IRRBB). These risks are allocated to various units of the Bank, depending on their involvement/responsibility in managing the relevant risk. The cost associated with liquidity and IRRBB risks, for instance, are used to adjust income of Treasury only. Similarly, the major part of reputational risk costs is allocated to front-end staff (mainly in Retail), who are in direct contact with external customers.

Linkage of performance measurement with levels of remuneration

Compensation criteria are based on a mix of quantitative as well as qualitative factors. The quantitative criteria pertain to financial performance, and is adjusted for risk. The mix of qualitative and quantitative criteria may vary across business lines and functions but ensures that the Bank retains its competitive edge in attracting and retaining quality resources.

Financial Performance is one out of many criteria that determine compensation. In some business units - such as support and internal control functions – financial contribution is largely irrelevant. In profit centres, in contrast, financial performance is an important consideration, but by no means the sole factor determining compensation, especially the variable part of it.

ANB's Compensation Policy takes full account of key qualitative factors in the fulfilment of job duties. These apply to all functions, whether profit or non-profit centres. The qualitative factors include, inter-alia, the following: significance of the function, complexity of the job, skill set requirements, scarcity factor, market conditions,

competitive pressures, quality of business transacted, customer satisfaction, impact on Bank reputation, achievement of non-financial targets, compliance with rules and regulations etc.

Bonus allocation is based on compensation matrix, resting on three sets of criteria: quantitative factors, qualitative factors and managerial judgment. The weight allocated to each of these varies across the businesses/individual functions. Quantitative performance factors can be financial (eg:- earnings or net income) or non-financial nature (e.g.:- volume/sales targets). The financial indicators are adjusted for risk, and risk-adjustment is applied at all levels of the hierarchy (group /division /department /unit /individual) and no variable compensation is awarded for income, outcome of which is still uncertain.

For senior executives and executives involved in risk-taking activities, measurement of the financial performance is based on longer term performance of the Bank and therefore the performance-based component of their compensation is not based solely on the current year's performance.

The non-financial factors - both qualitative and quantitative - are captured through a number of appraisal tools appropriate to the various lines of business or levels of seniority, e.g. Executive Performance Appraisal Program (EPAP) for senior staff. This captures a wide range of targets such as key performance indicators, sales/revenue, deposit-mobilisation, new relationships, new products, quality of assets, compliance, audit ratings, operational losses, cost management, system availability, internal controls, team building etc.

Wherever relevant, appraisal assessments are complemented with additional managerial judgment and qualitative assessment based on such factors as quality of business transacted, customer satisfaction, impact on Bank reputation, loyalty, dedication, team spirit, leadership and other personal attributes.

Adjustment of remuneration to take account of longer-term performance

The performance measurement of employees, especially at senior level, takes into account, longer term performance of the Bank and is not solely based on the current year's performance. Risk adjustment provides an insight into potential future risks affecting current income, whereas the historical performance of the Bank provides a good gauge as to the consistency of its earnings and its long-term performance.

In certain circumstances, the Bank may nominate certain employees for deferred bonus, in recognition that their retention is important in achieving the Bank's long-term objectives and/or in acknowledgment of the fact that they represent a priority target for competing institutions. The scheme is principally predicated on retention considerations rather than financial performance.

ANB's current compensation practices does not include share or stock option payments.

Determination of the mix of compensation, fixed and variable, takes into account the role, responsibility and function of the employee, the business area to which they belong, the complexity of the tasks performed, the skills sets needed, industry practices, market conditions etc.

**REM1: Remuneration awarded during the financial year
- December 2022**

(Figures in SR 000's)

		a	b	
	Remuneration amount	Senior management	Other material risk-takers	
1	Fixed remuneration	Number of employee: (Actual)	23	
2		Total fixed remuneration (3 + 5 +7)	45,189	117,511
3		Of which: cash-based	45,189	117,511
4		Of which: deferred	0	0
5		Of which: shares or other	0	0
6		share-linked instruments	0	0
7		Of which: deferred	0	0
8		Of which: other forms	0	0
9	Variable remuneration	Number of employee: (Actual)	23	
10		Total variable remuneration (11 + 13 + 15)	37,655	35,214
11		Of which: cash-based	37,655	35,214
12		Of which: deferred	7,880	6,155
13		Of which: shares or other	0	0
14		share-linked instruments	0	0
15		Of which: deferred	0	0
16		Of which: other forms	0	0
17	Total remuneration (2 + 10)	82,844	152,725	

**REM2: Remuneration awarded during the financial year
- December 2022**

(Figures in
SR 000's)

Special payments	Guaranteed bonuses		Sign-on awards		Severance payments	
	Number of Employees	Total amount	Number of Employees	Total amount	Number of Employees	Total amount
Senior management	Nil		Nil		Nil	
Other material risk-takers	Nil		Nil		Nil	

REM3: Remuneration awarded during the financial year - December 2022(Figures in SR
000's)

	a	b	c	d	e
Deferred and retained remuneration	Total amount of outstanding deferred remuneration	Of which: total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or	Total amount of amendment during the year due to ex post explicit adjustment	Total amount of amendment during the year due to ex post implicit adjustment *	Total amount of deferred remuneration paid out in the financial year
Senior management					
Cash	15,300	15,300	0	780	7,880
Shares					
Cash-linked instruments					
Others					
Other material risk-takers					
Cash	5,050	5,050	0	175	6,155
Shares					
Cash-linked instruments					
Others					
Total	20,350	20,350		955	14,035

*Outstanding exposed to ex post implicit adjustment represents the amount pertaining to employees, who have resigned from the services of the Bank, at the time of retention reward