Basel III Pillar 3 Quarterly Disclosures
31 March 2021

Summary

	Tables and templates
Overview of risk management and RWA	**KM1 – Key metrics (at consolidated group level)**
	OV1 – Overview of RWA
Leverage Ratio	**LR1 – Summary comparison of accounting assets vs leverage ratio exposure measure**
	LR2 – Leverage ratio common disclosure template
Liquidity	**LIQ1 – Liquidity Coverage Ratio (LCR)**

KM1: Key metrics (at consolidated group level) - March 2022

(Figures in SR 000's)

		a	b	c	d	e
		31-Mar-22	31-Dec-21	30-Sep-21	30-Jun-21	31-Mar-21
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	31,752,755	31,002,690	31,295,753	30,583,289	30,525,050
1a	Fully loaded ECL accounting model	31,385,229	30,451,402	30,744,465	30,032,001	29,973,762
2	Tier 1	31,752,755	31,002,690	31,295,753	30,583,289	30,525,050
2a	Fully loaded ECL accounting model Tier 1	31,385,229	30,451,402	30,744,465	30,032,001	29,973,762
3	Total Capital	35,627,324	35,020,332	35,260,381	34,592,449	34,387,522
3a	Fully loaded ECL accounting model total capital	35,259,799	34,469,044	34,709,093	34,041,161	33,836,234
	Risk-weighted assets (amount)					
4	Total risk-weighted assets (RWA)	176,109,266	164,005,477	158,087,859	157,004,412	155,449,734
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	18.03%	18.90%	19.80%	19.48%	19.64%
5a	Fully loaded ECL accounting model Common Equity Tier 1 (%)	17.82%	18.57%	19.45%	19.13%	19.28%
6	Tier 1 ratio (%)	18.03%	18.90%	19.80%	19.48%	19.64%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	17.82%	18.57%	19.45%	19.13%	19.28%
7	Total capital ratio (%)	20.23%	21.35%	22.30%	22.03%	22.12%
7a	Fully loaded ECL accounting model total capital ratio (%)	20.02%	21.02%	21.96%	21.68%	21.77%
	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 (%)	0.04%	0.07%	0.05%	0.04%	0.05%
10	Bank G-SIB and/or D-SIB additional requirements (%)					
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	2.54%	2.57%	2.55%	2.54%	2.55%
12	CET1 available after meeting the bank's minimum capital requirements (%)	10.99%	11.83%	12.75%	12.44%	12.59%
	Basel III Leverage ratio					
13	Total Basel III leverage ratio exposure measure	227,885,499	214,392,714	206,688,717	205,924,032	203,156,059
14	Basel III leverage ratio (%) (row 2 / row 13)	13.93%	14.46%	15.14%	14.85%	15.03%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a / row13)	13.77%	14.20%	14.87%	14.58%	14.75%
	Liquidity Coverage Ratio					
15	Total HQLA	42,406,820	44,324,952	46,580,010	47,405,085	47,946,229
16	Total net cash outflow	25,030,087	24,692,766	24,395,507	19,355,833	20,581,590
17	LCR ratio (%)	169%	180%	191%	245%	233%
	Net Stable Funding Ratio					
18	Total available stable funding	131,901,904	122,928,961	121,758,481	121,988,323	118,292,174
19	Total required stable funding	108,452,783	102,144,731	97,665,890	96,710,454	94,983,351
20	NSFR ratio	122%	120%	125%	126%	125%

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

(Figures in SR 000's)

		a	b	c
		RWA		Minimum capital requirements
		31-Mar-21	31-Dec-21	31-Mar-21
1	**Credit risk (excluding counterparty credit risk) (CCR) ***	**151,984,436**	**141,586,985**	**12,158,755**
2	Of which standardised approach (SA)	151,984,436	141,586,985	12,158,755
3	Of which internal rating-based (IRB) approach			-
4	**Counterparty credit risk**	**3,532,676**	**2,497,154**	**282,614**
5	Of which standardised approach for counterparty credit risk (SA-CCR)**	3,532,676	2,497,154	282,614
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	3,270,064	2,930,464	261,605
9	Equity investments in funds – mandate-based approach			-
10	Equity investments in funds – fall-back approach	212,206	846,795	16,976
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**	**2,862,307**	**1,639,885**	**228,985**
17	Of which standardised approach (SA)	2,862,307	1,639,885	228,985
18	Of which internal model approaches (IMM)			
19	**Operational risk**	**14,247,577**	**14,504,194**	**1,139,806**
20	Of which Basic Indicator Approach			-
21	Of which Alternate Standardised Approach	14,247,577	14,504,194	1,139,806
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)**	**176,109,266**	**164,005,477**	**14,088,741**

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

(Figures in SR 000's)

		a
1	Total consolidated assets as per published financial statements	204,620,088
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	4,281,093
5	Adjustment for securities financing transactions (ie repos and similar secured len	
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	15,711,082
7	Other adjustments	
8	**Leverage ratio exposure measure**	**224,612,263**

LR2: Leverage ratio common disclosure- March 2022

(Figures in SR 000's)

		a	b
		31-Mar-22	31-Dec-21
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	206,244,393	192,940,913
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)**	**206,244,393**	**192,940,913**
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	1,774,141	1,630,433
5	Add-on amounts for PFE associated with all derivatives transactions	1,283,783	1,202,551
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) ***	**4,281,093**	**3,966,177**
Securities financing transaction exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	1,648,931	2,697,963
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)**	**1,648,931**	**2,697,963**
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	43,160,182	41,767,080
18	(Adjustments for conversion to credit equivalent amounts)	-27,449,100	-26,979,419
19	**Off-balance sheet items (sum of rows 17 and 18)**	**15,711,082**	**14,787,661**
Capital and total exposures			
20	Tier 1 Capital	31,752,755	31,002,690
21	Total exposures (sum of lines 3,11,16 and 19)	**227,885,499**	**214,392,714**
Leverage ratio			
22	Basel III leverage ratio	**13.93%**	**14.46%**

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

LIQ1 - Liquidity Coverage Ratio - March 2022			(Figures in SR 000's)
Amount in SAR '000		TOTAL UNWEIGHTEDa VALUE (average)	TOTAL WEIGHTEDb VALUE (average)
High Quality Liquid Assets			
1	Total high-quality liquid assets (HQLA)		42,406,820
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:		
3	Stable deposits		
4	Less stable deposits	48,620,777	4,862,078
5	Unsecured wholesale funding, of which:		
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks		
7	Non-operational deposits (all counterparties)	64,477,376	32,824,780
8	Unsecured debt	0	0
9	Secured wholesale funding		
10	Additional requirements, of which:		
11	Outflows related to derivative exposures and other collateral requirements	1,037,913	1,037,913
12	Outflows related to loss of funding on debt products		
13	Credit and liquidity facilities	2,818,148	281,815
14	Other contractual funding obligations		
15	Other contingent funding obligations	37,870,935	921,894
16	**TOTAL CASH OUTFLOWS**		**39,928,480**
CASH INFLOWS			
17	Secured lending (eg. reverse repos)		
18	Inflows from fully performing exposures	21,486,751	13,434,714
19	Other cash inflows	1,463,679	1,463,679
20	**TOTAL CASH INFLOWS**	**22,950,430**	**14,898,393**
			TOTAL ADJUSTEDc VALUE
21	TOTAL HQLA		42,406,820
22	TOTAL NET CASH OUTFLOWS		25,030,087
23	**LIQUIDITY COVERAGE RATIO (%)**		**169%**

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 obervation over the previous quarter.

Liquidity Coverage Ratio – Qualitative Disclosure

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 measures 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 has increased to 100% from January 2019.

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.