Basel III Pillar 3 Quarterly Disclosures
30 September 2023

Summary

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KM1: Key metrics (at consolidated group level) - September 2023		(Figures in SR 000's)				
		a	**b**	**c**	**d**	**e**
		30-Sep-23	**30-Jun-23**	**31-Mar-23**	**31-Dec-22**	**30-Sep-22**
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	33,915,864	33,893,772	32,827,901	31,875,272	32,116,347
1a	Fully loaded ECL accounting model	33,732,102	33,710,010	32,644,138	31,507,747	31,748,821
2	Tier 1	33,915,864	33,893,772	32,827,901	31,875,272	32,116,347
2a	Fully loaded ECL accounting model Tier 1	33,732,102	33,710,010	32,644,138	31,507,747	31,748,821
3	Total Capital	37,905,637	37,961,201	36,869,927	35,829,105	35,948,580
3a	Fully loaded ECL accounting model total capital	37,721,875	37,777,439	36,686,164	35,461,580	35,581,054
	Risk-weighted assets (amount)					
4	Total risk-weighted assets (RWA)	183,001,117	178,625,782	167,728,199	181,102,417	181,079,616
4a	Total risk-weighted assets (pre-floor)	183,001,117	178,625,782	167,728,199	181,102,417	181,079,616
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 (CET1) ratio (%)	18.53%	18.97%	19.57%	17.60%	17.74%
5a	Fully loaded ECL accounting model CET1 (%)	18.43%	18.87%	19.46%	17.40%	17.53%
5b	CET1 ratio (%) (pre-floor ratio)	18.53%	18.97%	19.57%	17.60%	17.74%
6	Tier 1 ratio (%)	18.53%	18.97%	19.57%	17.60%	17.74%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	18.43%	18.87%	19.46%	17.40%	17.53%
6b	Tier 1 ratio (%) (pre-floor ratio)	18.53%	18.97%	19.57%	17.60%	17.74%
7	Total capital ratio (%)	20.71%	21.25%	21.98%	19.78%	19.85%
7a	Fully loaded ECL accounting model total capital ratio (%)	20.61%	21.15%	21.87%	19.58%	19.65%
7b	Total capital ratio (%) (pre-floor ratio)	20.71%	21.25%	21.98%	19.78%	19.85%
	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 (%)	0.02%	0.01%	0.01%	0.03%	0.03%
10	Bank G-SIB and/or D-SIB additional requirements (%)					
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	2.52%	2.51%	2.51%	2.53%	2.53%
12	CET1 available after meeting the bank's minimum capital requirements (%)	11.51%	11.97%	12.57%	10.57%	10.71%
	Basel III Leverage ratio					
13	Total Basel III leverage ratio exposure measure	251,481,861	246,027,336	242,446,759	234,540,860	229,700,288
14	Basel III leverage ratio (%) (including the impact of any applicable temporary exemption of central bank reserves)	13.49%	13.78%	13.54%	13.59%	13.98%
14a	Fully loaded ECL accounting model Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) (%)	13.41%	13.70%	13.46%	13.43%	13.82%
14b	Basel III leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	13.49%	13.78%	13.54%	13.59%	13.98%
14c	Basel III leverage ratio (%) (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values for SFT assets	13.55%	13.75%	13.69%		
14d	Basel III leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values for SFT assets	13.55%	13.75%	13.69%		
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA)	42,901,578	43,254,646	42,472,333	40,180,543	39,760,947
16	Total net cash outflow	27,099,655	24,165,822	20,796,397	22,340,140	22,701,136
17	LCR ratio (%)	158%	179%	204%	180%	175%
	Net Stable Funding Ratio					
18	Total available stable funding	139,926,349	143,840,183	138,207,118	136,597,363	132,205,156
19	Total required stable funding	121,212,671	120,208,070	115,019,554	112,152,648	112,420,016
20	NSFR ratio	115%	120%	120%	122%	118%

OV1: Overview of risk-weighted assets (RWA) - September 2023

(Figures in SR 000's)

		a	b	c
		RWA		Minimum capital requirements
		30-Sep-23	30-Jun-23	30-Sep-23
1	Credit risk (excluding counterparty credit risk)	164,503,490	160,188,653	13,160,279
2	Of which standardised approach (SA)	164,503,490	160,188,653	13,160,279
3	Of which: foundation internal ratings-based (F-IRB) approach			
4	Of which: supervisory slotting approach			
5	Of which: advanced internal ratings-based (A-IRB) approach			
6	Counterparty credit risk (CCR)	1,429,624	1,457,955	114,370
7	Of which: standardised approach for counterparty credit risk	1,429,624	1,457,955	114,370
8	Of which: IMM			
9	Of which: other CCR			
10	Credit valuation adjustment (CVA)	3,662,670	3,990,931	293,014
11	Equity positions under the simple risk weight approach and the internal model method during the five-year linear phase-in period			
12	Equity investments in funds – look-through approach			
13	Equity investments in funds – mandate-based approach			
14	Equity investments in funds – fall-back approach	1,030,098	611,781	82,408
15	Settlement risk			
16	Securitisation exposures in banking book			
17	Of which: securitisation IRB approach (SEC-IRBA)			
18	Of which: securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach (IAA)			
19	Of which: securitisation standardised approach (SEC-SA)			
20	Market risk	3,261,758	3,262,985	260,941
21	Of which: standardised approach (SA)	3,261,758	3,262,985	260,941
22	Of which: internal model approach (IMA)			
23	Capital charge for switch between trading book and banking book			
24	Operational risk	9,113,477	9,113,477	729,078
25	Amounts below the thresholds for deduction (subject to 250% risk weight)			
26	Output floor applied			
27	Floor adjustment (before application of transitional cap)			
28	Floor adjustment (after application of transitional cap)			
29	**Total (1 + 6 + 10 + 11 + 12 + 13 + 14 + 15 + 16 + 20 + 23 + 24 + 25 + 28)**	**183,001,117**	**178,625,782**	**14,640,089**

LR1: Summary comparison of accounting assets vs leverage ratio exposure measure - September 2023

(Figures in SR 000's)

		a
1	Total consolidated assets as per published financial statements	218,189,652
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 securitised exposures that meet the operational requirements for the recognition of risk transference	
4	Adjustments for temporary exemption of central bank reserves (if applicable)	
5	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	
6	Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	
7	Adjustments for eligible cash pooling transactions	
8	Adjustments for derivative financial instruments	5,123,497
9	Adjustment for securities financing transactions (ie repurchase agreements and similar secured lending)	
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	24,228,784
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	
12	Other adjustments	
13	**Leverage ratio exposure measure**	**247,541,933**

	LR2: Leverage ratio common disclosure - September 2023		(Figures in SR 000's)
		a	b
		30-Sep-23	30-Jun-23
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	220,596,579	218,943,146
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework		
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)		
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)		
5	(Specific and general provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital)		
6	(Asset amounts deducted in determining Tier 1 capital and regulatory adjustments)		
7	**Total on-balance sheet exposures** (excluding derivatives and SFTs) (sum of rows 1 to 6)	**220,596,579**	**218,943,146**
Derivative exposures			
8	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin, with bilateral netting and/or the specific treatment for client cleared derivatives)	3,247,769	2,656,930
9	Add-on amounts for potential future exposure associated with all derivatives transactions	411,872	456,570
10	(Exempted central counterparty (CCP) leg of client-cleared trade exposures)		
11	Adjusted effective notional amount of written credit derivatives		
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)		
13	**Total derivative exposures (sum of rows 8 to 12)**	**5,123,497**	**4,358,900**
Securities financing transaction exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sale accounting transactions	1,533,000	1,300,810
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)		
16	Counterparty credit risk exposure for SFT assets		
17	Agent transaction exposures		
18	**Total securities financing transaction exposures (sum of rows 14 to 17)**	**1,533,000**	**1,300,810**
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	61,258,808	56,548,764
20	(Adjustments for conversion to credit equivalent amounts)	-37,030,024	-35,124,284
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)		
22	**Off-balance sheet items (sum of rows 19 to 21)**	**24,228,784**	**21,424,480**
Capital and total exposures			
23	**Tier 1 capital**	33,915,864	33,893,772
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	**251,481,861**	**246,027,336**
Leverage ratio			
25	**Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	**13.49%**	**13.78%**
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)		
26	**National minimum leverage ratio requirement**	**3.00%**	**3.00%**
27	**Applicable leverage buffers**	**10.49%**	**10.78%**

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

LR2: Leverage ratio common disclosure - September 2023			(Figures in SR 000's)
Disclosure of mean values		30-Sep-23	30-Jun-23
28	Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	273,915	1,732,167
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	1,533,000	1,300,810
30	Total exposures (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	250,222,776	246,458,693
30a	Total exposures (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	250,222,776	246,458,693
31	Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	13.55%	13.75%
31a	Basel III leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	13.55%	13.75%

LIQ1 - Liquidity Coverage Ratio - September 2023			(Figures in SR 000's)
Amount in SAR '000		**TOTAL UNWEIGHTEDa VALUE (average)**	**TOTAL WEIGHTEDb VALUE (average)**
High Quality Liquid Assets			
1	Total HQLA		42,901,578
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:		
3	Stable deposits		
4	Less stable deposits	48,385,570	4,838,557
5	Unsecured wholesale funding, of which:		
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks		
7	Non-operational deposits (all counterparties)	65,826,963	33,636,926
8	Unsecured debt	0	0
9	Secured wholesale funding		
10	Additional requirements, of which:		
11	Outflows related to derivative exposures and other collateral requirements	1,364,389	1,364,389
12	Outflows related to loss of funding on debt products		
13	Credit and liquidity facilities	3,720,718	372,072
14	Other contractual funding obligations		
15	Other contingent funding obligations	54,512,543	1,356,977
16	**TOTAL CASH OUTFLOWS**		**41,568,921**
CASH INFLOWS			
17	Secured lending (eg. reverse repos)		
18	Inflows from fully performing exposures	22,344,879	13,081,359
19	Other cash inflows	1,387,907	1,387,907
20	**TOTAL CASH INFLOWS**	**23,732,786**	**14,469,266**
			TOTAL ADJUSTEDc VALUE
21	TOTAL HQLA		42,901,578
22	TOTAL NET CASH OUTFLOWS		27,099,655
23	**LIQUIDITY COVERAGE RATIO (%)**		**158%**

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.

LCR is disclosed using the standard SAMA template and is calculated using the average of daily observations. It is reported to SAMA on monthly basis (using 30 daily averages) and quarterly basis (using 90 daily averages).
LCR is disclosed using the standard Basel disclosure template and is calculated using the average of daily observations during the quarter.