



Arab National Bank
(A Saudi Joint Stock Company)

Interim Condensed Consolidated Financial Statements
For the period ended June 30, 2022

(Unaudited)



KPMG Professional Services

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Deloitte.

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Chartered Accountants**

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

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

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Arab National Bank ("the Bank") and its subsidiaries (collectively referred to as "the Group") as of June 30, 2022, and the related interim consolidated statements of income and comprehensive income for the three month and six month periods then ended and the related interim consolidated statements of changes in equity and cash flows for the six month period then ended, and other explanatory notes (collectively referred to as "the interim condensed consolidated financial statements"). Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

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

Other Regulatory Matters

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

KPMG Professional Services

Dr. Abdullah Hamad Al Fozan
Certified Public Accountant
License No. 348



5 Muharram 1444H
(3 August 2022)

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Chartered Accountants

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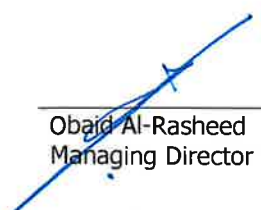


ARAB NATIONAL BANK
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT
Amounts in SAR '000

	Notes	June 30 2022 (Unaudited)	December 31 2021 (Audited)	June 30 2021 (Unaudited)
ASSETS				
Cash and balances with SAMA	5	15,124,321	11,463,581	9,264,326
Due from banks and other financial institutions, net	6	1,791,991	2,283,200	3,200,225
Positive fair value of derivatives	13	3,162,667	967,485	991,407
Investments, net	7	40,111,130	44,168,178	43,700,669
Loans and advances, net	8	143,055,324	126,674,105	117,830,016
Investments in associates		995,910	1,155,655	1,136,227
Other real estate owned		1,251,150	179,063	219,977
Property, equipment and right of use assets, net		2,187,475	2,207,411	2,247,399
Other assets		2,148,000	3,402,981	3,286,312
Total assets		<u>209,827,968</u>	<u>192,501,659</u>	<u>181,876,558</u>
LIABILITIES AND EQUITY				
Liabilities				
Due to banks, SAMA and other financial institutions	11	20,125,517	14,207,108	10,751,113
Negative fair value of derivatives	13	1,902,201	2,217,213	2,580,467
Customers' deposits	12	146,791,318	135,713,885	130,220,476
Sukuk		2,828,810	2,829,100	2,828,704
Other liabilities		7,125,459	6,406,616	5,435,942
Total liabilities		<u>178,773,305</u>	<u>161,373,922</u>	<u>151,816,702</u>
Equity				
Equity attributable to equity holders of the Bank				
Share capital	18	15,000,000	15,000,000	15,000,000
Statutory reserve		8,862,000	8,862,000	8,317,000
Other reserves		477,506	542,868	595,373
Retained earnings		6,688,733	6,046,534	6,119,627
Proposed dividends	18	-	649,692	-
Total equity attributable to equity holders of the Bank		<u>31,028,239</u>	<u>31,101,094</u>	<u>30,032,000</u>
Non-controlling interests		26,424	26,643	27,856
Total equity		<u>31,054,663</u>	<u>31,127,737</u>	<u>30,059,856</u>
Total liabilities and equity		<u>209,827,968</u>	<u>192,501,659</u>	<u>181,876,558</u>

The accompanying notes 1 to 24 form an integral part of these interim condensed consolidated financial statements.


 Latifa Al-Sabhan
 Chief Financial Officer


 Obaid Al-Rasheed
 Managing Director


 Hesham Al-Jabr
 Authorized Board Member

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

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2022	2021	2022	2021
Special commission income		1,711,865	1,238,492	3,046,047	2,501,092
Special commission expense		402,064	108,316	551,740	191,362
Net special commission income		1,309,801	1,130,176	2,494,307	2,309,730
Fees and commission income		345,283	301,484	681,676	603,726
Fees and commission expense		219,547	179,431	428,346	352,911
Fees and commission income, net		125,736	122,053	253,330	250,815
Exchange income, net		75,451	50,871	146,786	102,095
Gain on FVSI financial instruments, net		56,041	40,924	66,911	62,475
Trading income, net		13,994	46	33,691	9,126
Dividend income		80,039	26,348	97,931	42,510
Gain on sale of non-trading investments, net		-	-	-	133,204
Other operating income, net		12,554	10,794	35,190	27,615
Total operating income		1,673,616	1,381,212	3,128,146	2,937,570
Salaries and employee related expenses		332,917	309,121	662,316	609,514
Rent and premises related expenses		12,960	13,956	25,200	24,897
Depreciation and amortisation		52,749	52,166	106,872	105,200
Other general and administrative expenses		175,712	158,208	354,595	329,451
Total operating expenses before impairment charges		574,338	533,451	1,148,983	1,069,062
Impairment charge for expected credit losses (ECL), net	9	281,950	299,199	437,408	631,939
Total operating expenses		856,288	832,650	1,586,391	1,701,001
Net operating income		817,328	548,562	1,541,755	1,236,569
Share in earnings of associates, net		21,226	20,461	33,741	40,814
Gain on disposal of investment in associate	10	-	8,019	36,050	8,019
Net income before zakat and income tax		838,554	577,042	1,611,546	1,285,402
Zakat	16	67,982	56,853	131,964	128,868
Income tax	16	65,393	53,846	125,992	109,472
Reversal of deferred tax		(2,201)	(3,036)	(4,607)	(3,969)
Net income for the period		707,380	469,379	1,358,197	1,051,031
Attributable to:					
Equity holders of the Bank		707,693	472,761	1,358,416	1,054,992
Non-controlling interests		(313)	(3,382)	(219)	(3,961)
Net income for the period		707,380	469,379	1,358,197	1,051,031
Basic and diluted earnings per share (expressed in SAR per share)	18	0.47	0.32	0.91	0.70

The accompanying notes 1 to 24 form an integral part of these interim condensed consolidated financial statements.


 Latifa Al-Sabhan
 Chief Financial Officer


 Obaid Al-Rasheed
 Managing Director


 Hesham Al-Jabr
 Authorized Board Member

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

	<u>For the three months ended 30 June</u>		<u>For the six months ended 30 June</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Net income for the period	707,380	469,379	1,358,197	1,051,031
Other comprehensive income:				
<i>Items that will not be reclassified to interim consolidated statement of income in subsequent periods</i>				
Equity instruments at FVOCI:				
- Net changes in fair value	(270,176)	84,387	57,242	290,708
<i>Items that may be reclassified to interim consolidated statement of income in subsequent periods</i>				
Debt instruments at FVOCI:				
- Net changes in fair value	(50,994)	6,500	(47,035)	25,205
Cash flow hedge:				
- Effective portion of change in the fair value	(27,297)	-	(75,569)	-
Total other comprehensive (loss)/ income for the period	(348,467)	90,887	(65,362)	315,913
Total comprehensive income for the period	358,913	560,266	1,292,835	1,366,944
Attributable to:				
Equity holders of the Bank	359,226	563,648	1,293,054	1,370,905
Non-controlling interests	(313)	(3,382)	(219)	(3,961)
Total comprehensive income for the period	358,913	560,266	1,292,835	1,366,944

The accompanying notes 1 to 24 form an integral part of these interim condensed consolidated financial statements.



Latifa Al-Sabhan
Chief Financial Officer



Obaid Al-Rasheed
Managing Director



Hesham Al-Jabr
Authorized Board Member

ARAB NATIONAL BANK
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021
Amounts in SAR '000 (Unaudited)

		Attributable to equity holders of the Bank									
		Other Reserves									
<u>2022</u>	Notes	Share capital	Statutory reserve	Instruments at FVOCI	Cash flow hedge reserve	Actuarial losses on defined benefit plan	Retained earnings	Proposed dividends	Total	Non-controlling interests	Total equity
		15,000,000	8,862,000	644,360	(423)	(101,069)	6,046,534	649,692	31,101,094	26,643	31,127,737
Changes in equity for the period:											
		-	-	57,242	-	-	-	-	57,242	-	57,242
		-	-	(47,035)	-	-	-	-	(47,035)	-	(47,035)
		-	-	-	(75,569)	-	-	-	(75,569)	-	(75,569)
		-	-	-	-	-	1,358,416	-	1,358,416	(219)	1,358,197
		-	-	10,207	(75,569)	-	1,358,416	-	1,293,054	(219)	1,292,835
	18	-	-	-	-	-	-	(649,692)	(649,692)	-	(649,692)
	18	-	-	-	-	-	(716,217)	-	(716,217)	-	(716,217)
		15,000,000	8,862,000	654,567	(75,992)	(101,069)	6,688,733	-	31,028,239	26,424	31,054,663
<u>2021</u>											
		15,000,000	8,317,000	336,126	-	(56,666)	6,137,867	-	29,734,327	31,817	29,766,144
Changes in equity for the period:											
		-	-	290,708	-	-	-	-	290,708	-	290,708
		-	-	25,205	-	-	-	-	25,205	-	25,205
		-	-	-	-	-	1,054,992	-	1,054,992	(3,961)	1,051,031
		-	-	315,913	-	-	1,054,992	-	1,370,905	(3,961)	1,366,944
	18	-	-	-	-	-	(567,822)	-	(567,822)	-	(567,822)
	18	-	-	-	-	-	(505,410)	-	(505,410)	-	(505,410)
		15,000,000	8,317,000	652,039	-	(56,666)	6,119,627	-	30,032,000	27,856	30,059,856

The accompanying notes 1 to 24 form an integral part of these interim condensed consolidated financial statements.


 Latifa Al-Sabhan
 Chief Financial Officer


 Obaid Al-Rasheed
 Managing Director


 Hesham Al-Jabr
 Authorized Board Member

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

**For the six months
ended 30 June**

Notes	2022	2021
OPERATING ACTIVITIES		
Net income before zakat and income tax	1,611,546	1,285,402
Adjustments to reconcile net income to net cash used in operating activities:		
Amortisation of premium on investments not held as FVSI, net	9,970	19,101
Special commission expense on Sukuk	46,511	46,249
Gain on sale of non-trading investments, net	-	(133,204)
Gain on FVSI financial instruments, net	(66,911)	(62,475)
Dividend income	(97,931)	(42,510)
Depreciation and amortisation	106,872	105,200
(Gain)/ loss on disposal of property and equipment, net	(1,052)	58
Impairment charges for expected credit losses (ECL), net	437,408	631,939
Share in earnings of associates, net	(33,741)	(40,814)
Gain on disposal of investment in associate	(36,050)	(8,019)
10	1,976,622	1,800,927
Net (increase)/ decrease in operating assets:		
Statutory deposit with SAMA	(758,474)	176,115
Investments held at FVSI	79,950	63,628
Positive fair value of derivatives	(2,195,182)	3,422
Loans and advances	(17,841,114)	(5,362,375)
Other real estate owned	82,913	-
Other assets	1,254,981	1,402,099
Net increase/ (decrease) in operating liabilities:		
Due to banks, SAMA and other financial institutions	5,918,409	953,369
Negative fair value of derivatives	(315,012)	(866,438)
Customers' deposits	11,077,433	868,300
Other liabilities	(31,319)	75,156
Zakat and income tax paid	(422,638)	(322,296)
Net cash used in operating activities	(1,173,431)	(1,208,093)
INVESTING ACTIVITIES		
Proceeds from sale and maturities of investments not held as FVSI	4,759,909	2,365,006
Purchase of investments not held as FVSI	(722,250)	(1,857,783)
Additions/ disposal of investment in associates, net	229,616	172,584
Proceeds from sale of property and equipment	3,061	11
Purchase of property and equipment	(87,075)	(27,719)
Dividends received	97,931	42,510
Net cash generated from investing activities	4,281,192	694,609
FINANCING ACTIVITIES		
Dividends paid	(649,692)	(567,822)
Special commission paid on Sukuk	(46,801)	(42,933)
Net cash used in financing activities	(696,493)	(610,755)
Net increase/ (decrease) in cash and cash equivalents	2,411,268	(1,124,239)
Cash and cash equivalents at the beginning of the period	6,572,336	6,476,955
Cash and cash equivalents at the end of the period	8,983,604	5,352,716
15		

Supplemental non-cash information

Net changes in fair value of investments held at FVOCI **10,207** 315,913

The accompanying notes 1 to 24 form an integral part of these interim condensed consolidated financial statements.


 Latifa Al-Sabhan
 Chief Financial Officer


 Obaid Al-Rasheed
 Managing Director


 Hesham Al-Jabr
 Authorized Board Member

ARAB NATIONAL BANK
(A Saudi Joint Stock Company)
Notes to the Interim Condensed Consolidated Financial Statements
For the six months ended June 30, 2022 and 2021

1. General

Arab National Bank (a Saudi Joint Stock Company) (the Bank) was formed pursuant to Royal Decree No. M/38 dated Rajab 18, 1399H (corresponding to June 13, 1979). The Bank commenced business on February 2, 1980 by taking over the operations of Arab Bank Limited in the Kingdom of Saudi Arabia. The Bank operates under Commercial Registration No. 1010027912 dated Rabi Awal 1, 1400H (corresponding to January 19, 1980) through its 129 branches (June 30, 2021: 135 branches), 80 remittance centres (June 30, 2021: 86 remittance centres) in the Kingdom of Saudi Arabia (the Kingdom) and one branch in the United Kingdom. The address of the Bank's head office is as follows:

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

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

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

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

ANB Capital

In accordance with the Capital Market Authority (CMA) directives, the Bank has established ANB Invest, a wholly owned subsidiary and a Saudi closed joint stock company registered in the Kingdom under Commercial Registration No. 1010239908 issued on Shawwal 26, 1428H (corresponding to November 7, 2007), to takeover and manage the Bank's investment services and asset management activities consisting of dealing, managing, arranging, advising and custody of securities regulated by the CMA. The subsidiary commenced its operations effective Muharram 3, 1429H (corresponding to January 12, 2008). Accordingly, the Bank started consolidating the financial statements of the above-mentioned subsidiary on Muharram 3, 1429H (corresponding to January 12, 2008). On Muharram 19, 1436H (corresponding to November 12, 2014), the subsidiary changed its legal structure from a limited liability company to a closed joint stock company. The objective of the subsidiary was amended and approved by CMA Board of Commissioners on Muharram 28, 1437H (corresponding to November 10, 2015) through a resolution number S/1/6/14832/15 to include dealing as a principal activity. The objective of the subsidiary was further amended on Sha'ban 26, 1437H (corresponding to June 2, 2016) to provide loans to the subsidiary's customers to trade in financial papers as per the Saudi Central Bank (SAMA) circular No. 371000014867 dated Safar 5, 1437H, and the CMA's circular No. S/6/16287/15 dated Rabih Al-Awal 10, 1437H. The General Assembly of ANB Invest approved on Dhu Al-Qi'dah, 28, 1443H (corresponding to June 27, 2022) to change the name of the company from ANB Invest to ANB Capital.

Arabian Heavy Equipment Leasing Company (AHEL)

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

ANB Insurance Agency

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

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

ARAB NATIONAL BANK
(A Saudi Joint Stock Company)
Notes to the Interim Condensed Consolidated Financial Statements
For the six months ended June 30, 2022 and 2021

1. General (continued)

Al-Manzil Al-Mubarak Real Estate Financing Limited

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

ANB Global Markets Limited

The Bank established ANB Global Markets Limited on on Jumada I 3, 1438H (corresponding to January 31, 2017), as a limited liability company registered in the Cayman Islands. The Bank has 100% (2021: 100%) ownership. The objective of ANB Global Markets Limited is trading in derivatives and Repo activities on behalf of the Bank.

2. Basis of preparation

The interim condensed consolidated financial statements of the Group as at and for the six months ended June 30, 2022 have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting (IAS 34), as endorsed in the Kingdom and other standards and announcements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

These interim condensed consolidated financial statements do not include all information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2021.

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

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

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2021, except for the adoption of new standards effective as of January 1, 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2022, but do not have an impact on the interim condensed consolidated financial statements of the Group.

- Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions Extension of the practical expedient: As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On March 31, 2021, the IASB published an additional amendment to extend the date of the practical expedient from June 30, 2021 to June 30, 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. Effective annual periods beginning on or after April 1, 2021.
- A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16: Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in statement of income.

ARAB NATIONAL BANK
(A Saudi Joint Stock Company)
Notes to the Interim Condensed Consolidated Financial Statements
For the six months ended June 30, 2022 and 2021
Amounts in SAR '000

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

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

Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'. Effective annual periods beginning on or after January 1, 2022.

Accounting standards issued but not yet effective

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

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

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

- Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8: The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. Effective annual periods beginning on or after January 1, 2023.
- Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction: These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences. Effective annual periods beginning on or after January 1, 2023.
- IFRS 17, 'Insurance contracts', as amended in June 2020: This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. Effective annual periods beginning on or after January 1, 2023.
- A narrow-scope amendment to the transition requirements in IFRS 17 Insurance Contracts: The amendment relates to insurers' transition to the new Standard only—it does not affect any other requirements in IFRS 17.

IFRS 17 and IFRS 9 Financial Instruments have different transition requirements. For some insurers, these differences can cause temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information they present in their financial statements when applying IFRS 17 and IFRS 9 for the first time.

The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets. Effective annual periods beginning on or after January 1, 2023.

4. Significant accounting policies and estimates

The accounting policies, estimates and assumptions used in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2021, except for the adoption of new standards effective as of January 1, 2022 as disclosed in note 3 above.

ARAB NATIONAL BANK
(A Saudi Joint Stock Company)
Notes to the Interim Condensed Consolidated Financial Statements
For the six months ended June 30, 2022 and 2021
Amounts in SAR '000

5. Cash and balances with SAMA

	June 30 2022 (Unaudited)	December 31 2021 (Audited)	June 30 2021 (Unaudited)
Cash in hand	1,240,194	1,251,731	1,555,059
Cash held with others*	417,557	322,144	174,239
Statutory deposit	7,937,599	7,179,125	7,118,580
Reverse repo with SAMA	5,526,464	2,697,963	411,000
Current account with SAMA	2,507	12,618	5,448
Total	<u>15,124,321</u>	<u>11,463,581</u>	<u>9,264,326</u>

* Cash held in custody with others.

6. Due from banks and other financial institutions, net

	June 30 2022 (Unaudited)	December 31 2021 (Audited)	June 30 2021 (Unaudited)
Current accounts	896,862	974,639	956,346
Money market placements	900,020	1,313,241	2,250,624
Less: ECL allowance	(4,891)	(4,680)	(6,745)
Total	<u>1,791,991</u>	<u>2,283,200</u>	<u>3,200,225</u>

7. Investments, net

Investment securities are classified as follows:

	June 30 2022 (Unaudited)	December 31 2021 (Audited)	June 30 2021 (Unaudited)
Investments at amortised cost	35,913,000	40,169,517	38,922,356
Investments at FVOCI - equity	2,473,100	2,415,892	2,389,160
Investments at FVOCI - debt	1,138,259	988,850	1,850,937
Investments at FVSI	600,690	613,729	557,261
Less: ECL allowance	(13,919)	(19,810)	(19,045)
Total	<u>40,111,130</u>	<u>44,168,178</u>	<u>43,700,669</u>

Equity investment securities designated as at FVOCI

Dividend income recognised in the interim consolidated statement of income amounted to SAR 42,478 thousand for the six months ended June 30, 2022 (June 30, 2021: SAR 42,270 thousand).

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8. Loans and advances, net

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

	Overdrafts	Credit cards	Consumer loans	Commercial loans and others	Total
June 30, 2022 (Unaudited)					
Performing loans and advances, gross	3,467,200	586,583	34,668,182	105,263,582	143,985,547
Non-performing loans and advances, net	28,232	9,282	74,885	2,483,692	2,596,091
Total loans and advances	3,495,432	595,865	34,743,067	107,747,274	146,581,638
Less: ECL allowance	(111,086)	(51,350)	(369,859)	(2,994,019)	(3,526,314)
Loans and advances, net	3,384,346	544,515	34,373,208	104,753,255	143,055,324
December 31, 2021 (Audited)	Overdrafts	Credit cards	Consumer loans	Commercial loans and others	Total
Performing loans and advances, gross	2,950,612	516,757	32,962,349	91,166,208	127,595,926
Non-performing loans and advances, net	12,060	7,185	61,591	2,110,800	2,191,636
Total loans and advances	2,962,672	523,942	33,023,940	93,277,008	129,787,562
Less: ECL allowance	(110,072)	(56,746)	(370,582)	(2,576,057)	(3,113,457)
Loans and advances, net	2,852,600	467,196	32,653,358	90,700,951	126,674,105
June 30, 2021 (Unaudited)	Overdrafts	Credit cards	Consumer loans	Commercial loans and others	Total
Performing loans and advances, gross	2,859,647	432,187	30,611,484	84,417,078	118,320,396
Non-performing loans and advances, net	36,669	8,076	70,336	3,255,497	3,370,578
Total loans and advances	2,896,316	440,263	30,681,820	87,672,575	121,690,974
Less: ECL allowance	(186,468)	(45,756)	(357,640)	(3,271,094)	(3,860,958)
Loans and advances, net	2,709,848	394,507	30,324,180	84,401,481	117,830,016

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

	June 30 2022 (Unaudited)	December 31 2021 (Audited)	June 30 2021 (Unaudited)
Balance at the beginning of the period	3,113,457	4,025,061	4,025,061
Charge for the period/ year, net	583,052	1,262,319	678,379
Bad debts written off against impairment allowance	(170,195)	(2,173,923)	(842,482)
Balance at the end of the period	3,526,314	3,113,457	3,860,958

The net impairment charge for credit losses for the period ended June 30, 2022 amounted to SAR 520,821 thousand (December 31, 2021: SAR 1,109,719 thousand; June 30, 2021: SAR 628,976 thousand), including bad debts directly written-off to interim consolidated statement of income amounting to SAR 6,022 thousand (December 31, 2021: SAR 23,167 thousand; June 30, 2021: SAR 19,759 thousand) and net of recoveries amounting to SAR 68,253 thousand (December 31, 2021: SAR 175,767 thousand; June 30, 2021: SAR 69,162 thousand).

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8. Loans and advances, net (continued)

An analysis of changes in the ECL allowance of loans and advances held at amortised cost is as follows:

	12-month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
June 30, 2022 (Unaudited)				
Balance at January 1, 2022	1,014,039	948,641	1,150,777	3,113,457
Transfer to 12-month ECL	74,432	(72,334)	(2,098)	-
Transfer to lifetime ECL not credit impaired	(23,955)	29,636	(5,681)	-
Transfer to lifetime ECL credit impaired	(721)	(39,109)	39,830	-
Net (reversal)/ charge for the period, net	(246,352)	510,182	319,222	583,052
Write-offs	-	-	(170,195)	(170,195)
Balance at June 30, 2022	817,443	1,377,016	1,331,855	3,526,314
	12-month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
June 30, 2021 (Unaudited)				
Loans and advances to customers at amortized cost				
Balance at January 1, 2021	1,013,107	962,832	2,049,122	4,025,061
Transfer to 12-month ECL	40,421	(28,932)	(11,489)	-
Transfer to lifetime ECL not credit impaired	(22,119)	32,648	(10,529)	-
Transfer to lifetime ECL credit impaired	(800)	(21,501)	22,301	-
Net (reversal)/ charge for the period, net	24,072	(54,114)	708,421	678,379
Write-offs	-	-	(842,482)	(842,482)
Balance at June 30, 2021	1,054,681	890,933	1,915,344	3,860,958

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

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

Net allowance charges for expected credit losses as reflected in the interim consolidated statement of income are detailed as follows:

	For the six months ended	
	June 30 2022 (Unaudited)	June 30 2021 (Unaudited)
Allowance charges for expected credit losses (ECL) for loans and advances, net	520,821	628,976
Other allowance (reversal) /charges for expected credit losses (ECL), net	(3,409)	6,256
Reversal of provisions for credit-related commitments and contingencies, net	(80,004)	(3,293)
Total	437,408	631,939

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10. Investments in associates

Saudi Home Loans Company

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

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

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

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

The Group continues to classify its remaining interest of 29.4% in the company (29.4 million shares) as an Associate as the Bank still exercises significant influence over the company. Details of the Group's other investments in associates can be found in the annual financial statements for the year ended December 31, 2021.

11. Due to banks, SAMA and other financial institutions

	June 30 2022 (Unaudited)	December 31 2021 (Audited)	June 30 2021 (Unaudited)
Current accounts	68,020	80,116	91,054
Money market deposits	1,783,189	3,170,674	773,768
Repo with SAMA	6,848,022	2,693,491	526,000
Deposits from SAMA*	11,426,286	8,262,827	9,360,291
Total	20,125,517	14,207,108	10,751,113

* Deposits from SAMA includes commission free deposits amounting to SAR 5.04 billion as of June 30, 2022 (December 31, 2021: SAR 5.04 billion; June 30, 2021: SAR 5.04 billion).

12. Customers' deposits

	June 30 2022 (Unaudited)	December 31 2021 (Audited)	June 30 2021 (Unaudited)
Demand	76,299,520	77,006,510	73,800,360
Time	60,200,162	51,657,650	49,247,388
Saving	321,242	283,681	246,339
Others	9,970,394	6,766,044	6,926,389
Total	146,791,318	135,713,885	130,220,476

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13. Derivatives

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

	June 30, 2022 (Unaudited)			December 31, 2021 (Audited)			June 30, 2021 (Unaudited)		
	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value	Notional amount
Held for trading:									
Commission rate and cross currency swaps	677,708	639,183	34,400,469	424,731	394,080	20,794,734	467,704	434,582	20,391,604
Commission rate futures and options	850,933	853,481	15,235,170	464,564	465,236	12,715,298	490,234	490,740	12,557,615
Forward foreign exchange and commodity contracts	344,229	324,713	9,651,036	44,375	20,624	8,095,565	31,105	6,090	11,998,706
Currency and commodity options	607	1,040	469,671	-	-	-	1,016	461	430,314
Held as fair value hedges:									
Commission rate swaps	1,289,190	7,792	16,326,368	33,815	1,336,850	25,106,771	1,348	1,648,594	21,360,282
Held as cash flow hedges:									
Commission rate swaps	-	75,992	1,800,000	-	423	350,000	-	-	-
Total	3,162,667	1,902,201	77,882,714	967,485	2,217,213	67,062,368	991,407	2,580,467	66,738,521

Derivatives have been disclosed at gross amounts as at June 30, 2022 and have not been netted off by cash margins placed or received, amounting to SAR 1,027 million (December 31, 2021: SAR 2,682 million; June 30, 2021: SAR 2,600 million).

14. Commitments and contingencies

a) Legal proceedings

The Group is subject to legal proceedings in the ordinary course of business. There was no material change in the status of legal proceedings as disclosed at December 31, 2021.

b) Credit related commitments and contingencies

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

	June 30 2022 (Unaudited)	December 31 2021 (Audited)	June 30 2021 (Unaudited)
Letters of credit	4,633,806	5,117,138	4,793,385
Letters of guarantee	18,247,324	16,864,900	17,043,618
Acceptances	1,100,220	827,316	899,998
Irrevocable commitments to extend credit	2,566,476	2,902,408	1,800,673
Others	13,500	13,500	13,542
Total	26,561,326	25,725,262	24,551,216

The unutilised portion of non-firm commitments as at June 30, 2022 that can be revoked unilaterally at any time by the Group, amounted to SAR 22,150 million (December 31, 2021: SAR 16,041 million; June 30, 2021: SAR 14,772 million).

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15. Cash and cash equivalents

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

	June 30 2022 (Unaudited)	December 31 2021 (Audited)	June 30 2021 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	7,186,722	4,284,456	2,145,746
Due from banks and other financial institutions maturing within 90 days from the acquisition date	1,796,882	2,287,880	3,206,970
Total	8,983,604	6,572,336	5,352,716

16. Zakat and Income Tax

Zakat attributable to Saudi Shareholders for the period ended June 30, 2022 amounted to approximately SAR 132.0 million (June 30, 2021: SAR 128.9 million). Income tax attributable to the non-Saudi Shareholder on the current period's share of net income is SAR 126.0 million (June 30, 2021: SAR 109.5 million). The provision of Zakat and income tax is estimated based on the respective interim consolidated financial position as at June 30, 2022 and the results of the operations of the Bank for the six months then ended. There are no significant changes in the Bank's Zakat and income tax assessments to those discussed in the Group's annual financial statements for the year ended Decemebr 31, 2021.

17. Operating segments

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

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

Retail banking

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

Corporate banking

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

Treasury

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

Investment and brokerage services

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

Other

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

Transactions between the operating segments are reported as recorded in the Group's transfer pricing system. The basis for determining intersegment operating income/(expense) for the current period are consistent with the basis used for the year ended December 31, 2021. Segment assets and liabilities comprise mainly operating assets and liabilities.

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

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17. Operating segments (continued)

The Group's total interim consolidated assets and liabilities as at June 30, 2022 and 2021 and its total operating income, expenses and net income for the six months then ended, by operating segments, are as follows:

June 30, 2022 (Unaudited)	Retail banking	Corporate banking	Treasury	Investment and brokerage services	Other	Total
Total assets	53,567,112	94,636,444	59,372,336	531,018	1,721,058	209,827,968
Investments in associates	-	-	-	355,384	640,526	995,910
Total liabilities	72,971,170	77,849,948	26,036,995	93,384	1,821,808	178,773,305
Operating income from external customers	1,117,340	1,668,248	291,327	123,165	(71,934)	3,128,146
Intersegment operating income/(expense)	(82,979)	(558,226)	540,771	-	100,434	-
Total operating income	1,034,361	1,110,022	832,098	123,165	28,500	3,128,146
Of which:						
Net special commission income	1,002,250	832,151	549,051	34,975	75,880	2,494,307
Impairment charge for expected credit losses (ECL), net	91,003	349,814	(3,409)	-	-	437,408
Depreciation and amortization	74,605	14,868	328	2,072	14,999	106,872
Total operating expenses	727,800	761,207	51,383	43,866	2,135	1,586,391
Share in earnings of associates, net	-	-	-	15,909	53,882	69,791
Net income before zakat and income tax	306,561	348,815	780,715	95,208	80,247	1,611,546
June 30, 2021 (Unaudited)	Retail banking	Corporate banking	Treasury	Investment and brokerage services	Other	Total
Total assets	43,542,007	77,930,447	57,818,851	507,501	2,077,752	181,876,558
Investments in associates	-	-	-	361,105	775,122	1,136,227
Total liabilities	67,552,324	65,901,106	16,262,173	72,921	2,028,178	151,816,702
Operating income from external customers	1,111,693	1,263,022	422,773	85,898	54,184	2,937,570
Intersegment operating income/(expense)	(147,581)	(357,503)	453,952	-	51,132	-
Total operating income	964,112	905,519	876,725	85,898	105,316	2,937,570
Of which:						
Net special commission income	902,866	716,897	568,347	16,141	105,479	2,309,730
Impairment charge for expected credit losses (ECL), net	110,090	528,105	(6,256)	-	-	631,939
Depreciation and amortization	82,360	4,550	638	2,648	15,004	105,200
Total operating expenses	756,742	855,274	53,202	35,623	160	1,701,001
Share in earnings of associates, net	-	-	-	42,770	6,063	48,833
Net income before zakat and income tax	207,370	50,245	823,523	93,045	111,219	1,285,402

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

Share capital

As at June 30, 2022, the authorised, issued and fully paid share capital of the Bank consists of 1,500 million shares of SAR 10 each (June 30, 2021 and December 31, 2021: 1,500 million shares of SAR 10 each).

Dividends

- (a)** On March 3, 2021 the Board recommended to pay cash dividends of SAR 600 million from net income for the year 2020 after deducting zakat. This proposed final dividend resulted in a net payment of SAR 0.40 per share to Saudi shareholders. The income tax liability of the foreign shareholders for the current and prior period (if any) was deducted from their share of the dividend. This cash dividend distribution was approved in the Ordinary General Assembly Meeting dated March 30, 2021.
- (b)** An interim dividend of SAR 525 million after deducting zakat was recommended by the Board of Directors on June 24, 2021. This dividend was paid to shareholders by July 14, 2021. This interim dividend resulted in a net payment of SAR 0.35 per share to Saudi shareholders. The income tax liability of the foreign shareholders for the current and prior period (if any) was deducted from their share of the dividend. This cash dividend distribution was approved in the Extraordinary General Assembly meeting dated April 12, 2022.
- (c)** In December 12, 2021 the Board recommended to pay cash dividends of SAR 675 million from net income for the year after deducting zakat for the second half of 2021. This proposed final dividend resulted in a net payment of SAR 0.45 per share to Saudi shareholders. The income tax liability of the foreign shareholders for the current and prior period (if any) was deducted from their share of the dividend. This cash dividend distribution was approved in the Extraordinary General Assembly meeting dated April 12, 2022.
- (d)** On June 26, 2022 the Board has approved to pay cash dividends of SAR 750 million for the first half of 2022 after deducting zakat. This interim dividend will result in a net payment of SAR 0.50 per share to Saudi shareholders. The income tax liability of the foreign shareholders for the current and prior period (if any) will be deducted from their share of the dividend. This interim dividend was distributed on July 18, 2022.

Basic and diluted earnings per share

Basic and diluted earnings per share for the periods ended June 30, 2022 and 2021 is calculated by dividing the net income for the period attributable to the equity holders of the Bank by 1,500 million shares. The diluted earnings per share is the same as the basic earnings per share.

19. Fair values of financial assets and liabilities

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

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

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

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

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

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

a. Carrying amounts and fair value

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

Financial assets

June 30, 2022 (Unaudited)	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Investments at FVSI	600,690	-	101,944	498,746	600,690
Investments at FVOCI	3,611,359	2,473,100	1,137,366	893	3,611,359
Positive fair value of derivatives	3,162,667	-	3,162,667	-	3,162,667
Financial assets not measured at fair value					
Investments at amortised cost, net	35,899,081	-	35,636,139	-	35,636,139
Loans and advances, net	143,055,324	-	-	143,702,873	143,702,873
December 31, 2021 (Audited)					
Financial assets measured at fair value					
Investments at FVSI	613,729	-	182,016	431,713	613,729
Investments at FVOCI	3,404,742	2,414,999	988,850	893	3,404,742
Positive fair value of derivatives	967,485	-	967,485	-	967,485
Financial assets not measured at fair value					
Investments at amortised cost, net	40,149,707	-	40,838,133	-	40,838,133
Loans and advances, net	126,674,105	-	-	131,343,981	131,343,981
June 30, 2021 (Unaudited)					
Financial assets measured at fair value					
Investments at FVSI	557,261	-	94,442	462,819	557,261
Investments at FVOCI	4,240,097	2,402,636	1,836,568	893	4,240,097
Positive fair value of derivatives	991,407	-	991,407	-	991,407
Financial assets not measured at fair value					
Investments at amortised cost, net	38,903,311	-	40,330,435	-	40,330,435
Loans and advances, net	117,830,016	-	-	123,205,214	123,205,214

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

a. Carrying amounts and fair value (continued)

Financial Liabilities

June 30, 2022 (Unaudited)	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value					
Negative fair value of derivatives	1,902,201	-	1,902,201	-	1,902,201
Financial liabilities not measured at fair value					
Sukuk	2,828,810	-	2,660,034	-	2,660,034
December 31, 2021 (Audited)					
	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value					
Negative fair value of derivatives	2,217,213	-	2,217,213	-	2,217,213
Financial liabilities not measured at fair value					
Sukuk	2,829,100	-	2,881,013	-	2,881,013
June 30, 2021 (Unaudited)					
	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value					
Negative fair value of derivatives	2,580,467	-	2,580,467	-	2,580,467
Financial liabilities not measured at fair value					
Sukuk	2,828,704	-	2,908,772	-	2,908,772

a. Measurement of fair values

i. Transfer between levels of the fair value hierarchy

There have been no transfers within levels of the fair value hierarchy during the six months period ended June 30, 2022 and 2021.

ii. Level 3 fair values

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

	June 30, 2022		June 30, 2021	
	Investments at FVSI	Investments at FVOCI	Investments at FVSI	Investments at FVOCI
Balance at the beginning of the period	431,713	893	372,997	893
Total unrealised gain in the interim consolidated statement of income	66,405	-	56,843	-
Purchases/ settlements	628	-	32,979	-
Balance at the end of the period	498,746	893	462,819	893

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

b. Measurement of fair values (continued)

iii. Valuation technique and significant unobservable inputs

The following table shows the valuation techniques used in measuring level 2 and Level 3 fair values at June 30, 2022 and 2021 and December 31, 2021 as well as the significant unobservable inputs used.

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

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20. Capital Adequacy

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

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

SAMA has issued the framework and guidance regarding implementation of the capital reforms under Basel III. Accordingly, the Group's Pillar I consolidated Risk Weighted Assets (RWA), total capital and related ratios are as follows:

	June 30 2022 (Unaudited)	December 31 2021 (Audited)	June 30 2021 (Unaudited)
Credit Risk RWA	162,581,802	147,861,398	140,288,739
Operational Risk RWA	15,075,836	14,504,194	14,322,877
Market Risk RWA	1,783,727	1,639,885	2,392,796
Total Pillar-I RWA	179,441,365	164,005,477	157,004,412
Tier I Capital	31,395,764	31,002,690	30,583,289
Tier II Capital	3,736,675	4,017,642	4,009,160
Total Tier I & II Capital	35,132,439	35,020,332	34,592,449
Capital Adequacy Ratio %			
Tier I ratio	17.50%	18.90%	19.48%
Tier I + Tier II ratio	19.58%	21.35%	22.03%

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

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21. Impact of SAMA programs

Deferred Payments Program ("DPP")

In response to COVID-19, SAMA launched the Private Sector Financing Support Program ("PSFSP") in March 2020 to provide the support to eligible (Stage 1 and Stage 2) Micro Small and Medium Enterprises ("MSME") as defined by SAMA via Circular No. 381000064902 dated Jumada II 16, 1438H (corresponding to March 15, 2017). The payment reliefs were considered as short-term liquidity support to address borrowers' potential cash flow shortages. The accounting impact of the above changes in terms of the credit facilities were assessed and has been treated as per the requirements of IFRS 9 as modification in terms of arrangement. The deferred payment program has ended on March 31, 2022.

In order to compensate the related cost that the Group had incurred under the SAMA and other public authorities program, during 2021 and 2020, the Group received multiple profit free deposits from SAMA of varying maturities, which qualified as government grants and were accounted for as such.

During the six months period ended June 30, 2022, SAR 63.5 million (June 30, 2021: 81.5 SAR million) was recognised in the interim consolidated statement of income with respect to the unwinding of grant income on related deposits with no deferred grant income remaining as at June 30, 2022 (December 31, 2021: SAR Nil million, June 30, 2021: SAR 35.4 million).

During the three months period ended June 30, 2022, SAR 30.4 million (June 30, 2021: SAR 40.0 million) was recognised in the interim consolidated statement of income with respect to the unwinding of grant income on related deposits.

22. IBOR Transition (Interest Rate Benchmark Reforms):

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

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

23. Comparative figures

Certain prior period figures have been reclassified to conform with current period presentation.

24. Board of Directors' approval

The interim condensed consolidated financial statements were approved by the Board on Dhul-Hijjah 27, 1443 (corresponding to July 26, 2022).