



Arab National Bank
(A Saudi Joint Stock Company)

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

(Unaudited)



KPMG Professional Services

Riyadh Front, Airport Road
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
C.R. No. 1010425494

Headquarters in Riyadh



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

Head office - Riyadh
License #323/11/96
Date 10/3/1419
www.deloitte.com

**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 September 30, 2022, and the related interim consolidated statements of income and comprehensive income for the three month and nine month periods then ended and the related interim consolidated statements of changes in equity and cash flows for the nine 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

P.O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia

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

P.O. Box 213
Riyadh 11411
Kingdom of Saudi Arabia


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


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



Rabih Al-Thani 6, 1444H
(October 31, 2022)

A professional closed joint stock company registered in the Kingdom of Saudi Arabia. With the paid up capital of (25,000,000) SAR. A non-partner member firm of the KPMG global network of independent member firms affiliated with KPMG International Limited ("KPMG Network"), a Swiss entity limited by guarantee. All rights reserved.

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

		September 30	December 31	September 30
		2022	2021	2021
	Notes	(Unaudited)	(Audited)	(Unaudited)
ASSETS				
Cash and balances with SAMA	5	9,701,518	11,463,581	8,867,049
Due from banks and other financial institutions, net	6	1,917,429	2,283,200	1,314,239
Positive fair value of derivatives	13	3,526,561	967,485	1,036,868
Investments, net	7	39,953,157	44,168,178	43,866,850
Loans and advances, net	8	145,474,566	126,674,105	120,015,665
Investments in associates		975,859	1,155,655	1,145,404
Other real estate owned		1,261,125	179,063	179,063
Property, equipment and right of use assets, net		2,159,534	2,207,411	2,233,048
Other assets		2,295,974	3,402,981	3,616,524
Total assets		<u>207,265,723</u>	<u>192,501,659</u>	<u>182,274,710</u>
LIABILITIES AND EQUITY				
Liabilities				
Due to banks, SAMA and other financial institutions	11	15,363,489	14,207,108	12,177,826
Negative fair value of derivatives	13	2,197,029	2,217,213	2,311,557
Customers' deposits	12	147,805,628	135,713,885	129,394,865
Sukuk		2,852,241	2,829,100	2,852,210
Other liabilities		7,275,903	6,406,616	4,766,728
Total liabilities		<u>175,494,290</u>	<u>161,373,922</u>	<u>151,503,186</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		263,839	542,868	642,584
Retained earnings		7,622,983	6,046,534	6,784,881
Proposed dividends	18	-	649,692	-
Total equity attributable to equity holders of the Bank		<u>31,748,822</u>	<u>31,101,094</u>	<u>30,744,465</u>
Non-controlling interests		22,611	26,643	27,059
Total equity		<u>31,771,433</u>	<u>31,127,737</u>	<u>30,771,524</u>
Total liabilities and equity		<u>207,265,723</u>	<u>192,501,659</u>	<u>182,274,710</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 September 30		For the nine months ended September 30	
		2022	2021	2022	2021
Special commission income		2,089,778	1,383,847	5,135,825	3,884,940
Special commission expense		592,978	131,498	1,144,718	322,861
Net special commission income		1,496,800	1,252,349	3,991,107	3,562,079
Fee and commission income		391,471	289,849	1,073,147	893,575
Fee and commission expense		227,854	163,404	656,200	516,315
Fee and commission income, net		163,617	126,445	416,947	377,260
Exchange income, net		101,270	56,146	248,056	158,241
Gain/(loss) on FVSI financial instruments, net		2,239	(6,916)	69,150	55,559
Trading income, net		2,014	976	35,705	10,102
Dividend income		32,525	22,626	130,456	65,136
Gain on sale of non-trading investments, net		-	25,571	-	158,775
Other operating income, net		16,894	2,030	52,084	29,645
Total operating income		1,815,359	1,479,227	4,943,505	4,416,797
Salaries and employee related expenses		344,185	312,217	1,006,501	921,731
Rent and premises related expenses		15,283	12,651	40,483	37,548
Depreciation and amortisation		53,191	52,307	160,063	157,507
Other general and administrative expenses		182,987	173,643	537,582	503,194
Total operating expenses before impairment charges		595,646	550,818	1,744,629	1,619,980
Impairment charge for expected credit losses (ECL), net	9	172,847	187,581	610,255	819,520
Total operating expenses		768,493	738,399	2,354,884	2,439,500
Net operating income		1,046,866	740,828	2,588,621	1,977,297
Share in earnings of associates, net		21,181	23,578	54,922	64,392
Gain on disposal of investment in associate	10	-	-	36,050	8,019
Net income before zakat and income tax		1,068,047	764,406	2,679,593	2,049,708
Zakat	16	67,982	51,357	199,946	180,225
Income tax	16	82,879	48,492	208,871	157,964
Reversal of deferred tax		(111)	-	(4,718)	(3,969)
Net income for the period		917,297	664,557	2,275,494	1,715,488
Attributable to:					
Equity holders of the Bank		921,110	665,354	2,279,526	1,720,246
Non-controlling interests		(3,813)	(797)	(4,032)	(4,758)
Net income for the period		917,297	664,557	2,275,494	1,715,488
Basic and diluted earnings per share (expressed in SAR per share)	18	0.61	0.44	1.52	1.15

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 September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Net income for the period	917,297	664,557	2,275,494	1,715,488
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	(141,365)	81,137	(84,123)	371,845
<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	(21,279)	(8,355)	(68,314)	16,850
- Net amounts transferred to interim consolidated statement of income	-	(25,571)	-	(25,571)
Cash flow hedge:				
- Effective portion of change in the fair value	(37,886)	-	(113,455)	-
Total other comprehensive (loss)/ income for the period	(200,530)	47,211	(265,892)	363,124
Total comprehensive income for the period	716,767	711,768	2,009,602	2,078,612
Attributable to:				
Equity holders of the Bank	720,580	712,565	2,013,634	2,083,370
Non-controlling interests	(3,813)	(797)	(4,032)	(4,758)
Total comprehensive income for the period	716,767	711,768	2,009,602	2,078,612

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 NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
Amounts in SAR '000 (Unaudited)

	Attributable to equity holders of the Bank										
	Notes	Share capital	Statutory reserve	Other Reserves			Retained earnings	Proposed dividends	Total	Non-controlling interests	Total equity
				Instruments at FVOCI	Cash flow hedge reserve	Actuarial losses on defined benefit plan					
2022											
Balance at December 31, 2021		15,000,000	8,862,000	644,360	(423)	(101,069)	6,046,534	649,692	31,101,094	26,643	31,127,737
Changes in equity for the period:											
Net changes in fair values of FVOCI equity investments		-	-	(84,123)	-	-	-	-	(84,123)	-	(84,123)
Net changes in fair values of FVOCI debt instruments		-	-	(68,314)	-	-	-	-	(68,314)	-	(68,314)
Net changes in fair value of cash flow hedges		-	-	-	(113,455)	-	-	-	(113,455)	-	(113,455)
Net income for the period		-	-	-	-	-	2,279,526	-	2,279,526	(4,032)	2,275,494
Total comprehensive income for the period		-	-	(152,437)	(113,455)	-	2,279,526	-	2,013,634	(4,032)	2,009,602
Net gain on derecognition of FVOCI equity investments		-	-	(13,137)	-	-	13,137	-	-	-	-
2021 final dividends	18 (c)	-	-	-	-	-	-	(649,692)	(649,692)	-	(649,692)
2022 interim dividend	18 (d)	-	-	-	-	-	(716,214)	-	(716,214)	-	(716,214)
Balance as at September, 30 2022		15,000,000	8,862,000	478,786	(113,878)	(101,069)	7,622,983	-	31,748,822	22,611	31,771,433
2021											
Balance at December 31, 2020		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:											
Net changes in fair values of FVOCI equity investments		-	-	371,845	-	-	-	-	371,845	-	371,845
Net changes in fair values of FVOCI debt instruments		-	-	16,850	-	-	-	-	16,850	-	16,850
Net transfers to consolidated statement of income		-	-	(25,571)	-	-	-	-	(25,571)	-	(25,571)
Net income for the period		-	-	-	-	-	1,720,246	-	1,720,246	(4,758)	1,715,488
Total comprehensive income for the period		-	-	363,124	-	-	1,720,246	-	2,083,370	(4,758)	2,078,612
2020 final dividends	18 (a)	-	-	-	-	-	(567,822)	-	(567,822)	-	(567,822)
2021 interim dividend	18 (b)	-	-	-	-	-	(505,410)	-	(505,410)	-	(505,410)
Balance as at September, 30 2021		15,000,000	8,317,000	699,250	-	(56,666)	6,784,881	-	30,744,465	27,059	30,771,524

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
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Unaudited)

	Notes	2022	2021
OPERATING ACTIVITIES			
Net income before zakat and income tax		2,679,593	2,049,708
Adjustments to reconcile net income to net cash used in operating activities:			
Amortisation of premium on investments not held as FVSI, net		6,825	28,191
Special commission expense on Sukuk		69,898	69,637
Gain on sale of non-trading investments, net		-	(158,775)
Gain on FVSI financial instruments, net		(69,150)	(55,559)
Dividend income		(130,456)	(65,136)
Depreciation and amortisation		160,063	157,507
(Gain)/ loss on disposal of property, equipment and other real estate owned, net		(2,030)	9,695
Impairment charges for expected credit losses (ECL), net		610,255	819,520
Share in earnings of associates, net		(54,922)	(64,392)
Gain on disposal of investment in associate	10	(36,050)	(8,019)
		3,234,026	2,782,377
Net (increase)/ decrease in operating assets:			
Statutory deposit with SAMA		(701,863)	133,746
Investments held at FVSI		49,730	62,010
Positive fair value of derivatives		(2,559,076)	(42,040)
Loans and advances		(20,510,368)	(7,769,436)
Other real estate owned		72,938	31,389
Other assets		1,107,006	1,071,888
Net increase/ (decrease) in operating liabilities:			
Due to banks, SAMA and other financial institutions		1,156,381	2,380,082
Negative fair value of derivatives		2,836,830	(1,135,348)
Customers' deposits		12,091,743	42,689
Other liabilities		691,304	(14,427)
Zakat and income tax paid		(474,988)	(398,671)
Net cash used in operating activities		(3,006,337)	(2,855,741)
INVESTING ACTIVITIES			
Proceeds from sale and maturities of investments not held as FVSI		2,465,800	3,385,751
Purchase of investments not held as FVSI		(1,172,125)	(3,050,128)
Disposal of investment in associates, net		270,848	172,584
Proceeds from sale of property and equipment		29,799	17
Purchase of property and equipment		(133,206)	(53,922)
Dividends received		130,456	65,136
Net cash generated from investing activities		1,591,572	519,438
FINANCING ACTIVITIES			
Dividends paid		(1,365,906)	(1,073,232)
Special commission paid on Sukuk		(46,757)	(47,081)
Net cash used in financing activities		(1,412,663)	(1,120,313)
Net decrease in cash and cash equivalents		(2,827,428)	(3,456,616)
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	15	3,744,908	3,020,339

Supplemental non-cash information

Net changes in fair value of investments held at FVOCI	(152,437)	388,695
Net changes in fair value of cash flow hedges	(113,455)	-
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 nine months ended September 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 (December 31, 2021: 131 and September 30, 2021: 132 branches), 78 remittance centres (December 31, 2021: 85 and September 30, 2021: 86 remittance centres) in the Kingdom of Saudi Arabia (the Kingdom) and one branch in the United Kingdom. The address of the Group's head office is as follows:

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

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

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

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

ANB Capital

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 Capital approved on Dhu Al-Qi'dah, 28, 1443H (corresponding to June 27, 2022) to change the name of the company from ANB Invest to ANB Capital.

Arabian Heavy Equipment Leasing Company (AHEL)

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

ANB Insurance Agency

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

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

ARAB NATIONAL BANK
(A Saudi Joint Stock Company)
Notes to the Interim Condensed Consolidated Financial Statements
For the nine months ended September 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 nine months ended September 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 the statement of income.

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

5. Cash and balances with SAMA

	September 30 2022 (Unaudited)	December 31 2021 (Audited)	September 30 2021 (Unaudited)
Cash in hand	1,311,120	1,251,731	1,296,718
Cash held with others*	418,307	322,144	260,352
Statutory deposit	7,880,988	7,179,125	7,160,949
Reverse repo with SAMA	65,994	2,697,963	146,996
Current account with SAMA	25,109	12,618	2,034
Total	9,701,518	11,463,581	8,867,049

* Cash held in custody with others.

6. Due from banks and other financial institutions, net

	September 30 2022 (Unaudited)	December 31 2021 (Audited)	September 30 2021 (Unaudited)
Current accounts	761,789	974,639	525,083
Money market placements	1,162,589	1,313,241	795,740
Less: ECL allowance	(6,949)	(4,680)	(6,584)
Total	1,917,429	2,283,200	1,314,239

7. Investments, net

Investment securities are classified as follows:

	September 30 2022 (Unaudited)	December 31 2021 (Audited)	September 30 2021 (Unaudited)
Investments at amortised cost	35,844,942	40,169,517	39,903,809
Investments at FVOCI - equity	2,324,399	2,415,892	2,470,287
Investments at FVOCI - debt	1,167,817	988,850	958,770
Investments at FVSI	633,149	613,729	551,963
Less: ECL allowance	(17,150)	(19,810)	(17,979)
Total	39,953,157	44,168,178	43,866,850

Equity investment securities designated as at FVOCI

Dividend income recognised in the interim consolidated statement of income amounted to SAR 67,049 thousand for the nine months ended September 30, 2022 (September 30, 2021: SAR 64,896 thousand).

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

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
September 30, 2022 (Unaudited)					
Performing loans and advances, gross	3,028,942	690,948	35,667,006	107,164,517	146,551,413
Non-performing loans and advances, net	27,446	10,034	77,325	2,534,466	2,649,271
Total loans and advances	3,056,388	700,982	35,744,331	109,698,983	149,200,684
Less: ECL allowance	(153,692)	(65,490)	(376,275)	(3,130,661)	(3,726,118)
Loans and advances, net	2,902,696	635,492	35,368,056	106,568,322	145,474,566
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
September 30, 2021 (Unaudited)	Overdrafts	Credit cards	Consumer loans	Commercial loans and others	Total
Performing loans and advances, gross	2,977,739	501,932	31,199,957	86,070,085	120,749,713
Non-performing loans and advances, net	27,346	6,379	61,973	3,081,684	3,177,382
Total loans and advances	3,005,085	508,311	31,261,930	89,151,769	123,927,095
Less: ECL allowance	(57,710)	(59,694)	(372,488)	(3,421,538)	(3,911,430)
Loans and advances, net	2,947,375	448,617	30,889,442	85,730,231	120,015,665

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

	September 30 2022 (Unaudited)	December 31 2021 (Audited)	September 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	825,126	1,262,319	956,695
Bad debts written off against impairment allowance	(212,465)	(2,173,923)	(1,070,326)
Balance at the end of the period	3,726,118	3,113,457	3,911,430

The net impairment charge for credit losses for the period ended September 30, 2022 amounted to SAR 670,418 thousand (December 31, 2021: SAR 1,109,719 thousand; September 30, 2021: SAR 836,813 thousand), including bad debts directly written-off to interim consolidated statement of income amounting to SAR 38,672 thousand (December 31, 2021: SAR 23,167 thousand; September 30, 2021: SAR 20,641 thousand) and net of recoveries amounting to SAR 193,380 thousand (December 31, 2021: SAR 175,767 thousand; September 30, 2021: SAR 140,523 thousand).

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

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
September 30, 2022 (Unaudited)				
Balance at January 1, 2022	1,014,039	948,641	1,150,777	3,113,457
Transfer to 12-month ECL	83,255	(76,969)	(6,286)	-
Transfer to lifetime ECL not credit impaired	(33,806)	42,227	(8,421)	-
Transfer to lifetime ECL credit impaired	(1,688)	(42,278)	43,966	-
Net (reversal)/ charge for the period	(158,132)	444,421	538,837	825,126
Write-offs	-	-	(212,465)	(212,465)
Balance at September 30, 2022	903,668	1,316,042	1,506,408	3,726,118
September 30, 2021 (Unaudited)	12-month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
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	58,079	(44,581)	(13,498)	-
Transfer to lifetime ECL not credit impaired	(35,343)	47,177	(11,834)	-
Transfer to lifetime ECL credit impaired	(1,043)	(22,695)	23,738	-
Net (reversal)/ charge for the period	(4,042)	33,834	926,903	956,695
Write-offs	-	-	(1,070,326)	(1,070,326)
Balance at September 30, 2021	1,030,758	976,567	1,904,105	3,911,430

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

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

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

	For the nine months ended	
	September 30 2022 (Unaudited)	September 30 2021 (Unaudited)
ECL allowance charges for loans and advances, net	670,418	836,813
Other ECL allowance charges, net	2,894	3,294
Reversal of provisions for credit-related commitments and contingencies, net	(63,057)	(20,587)
Total	610,255	819,520

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

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

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

11. Due to banks, SAMA and other financial institutions

	September 30 2022 (Unaudited)	December 31 2021 (Audited)	September 30 2021 (Unaudited)
Current accounts	181,068	80,116	107,918
Money market deposits	6,414,041	3,170,674	3,183,467
Repo with SAMA	813,000	2,693,491	660,000
Deposits from SAMA*	7,955,380	8,262,827	8,226,441
Total	<u>15,363,489</u>	<u>14,207,108</u>	<u>12,177,826</u>

* Deposits from SAMA include commission free deposits amounting to SAR 5.04 billion (December 31, 2021: SAR 5.04 billion and September 30, 2021: SAR 5.04 billion).

12. Customers' deposits

	September 30 2022 (Unaudited)	December 31 2021 (Audited)	September 30 2021 (Unaudited)
Demand	74,066,110	77,006,510	75,114,469
Time	67,495,308	51,657,650	48,074,696
Saving	342,852	283,681	256,393
Others	5,901,358	6,766,044	5,949,307
Total	<u>147,805,628</u>	<u>135,713,885</u>	<u>129,394,865</u>

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

13. Derivatives

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

	September 30, 2022 (Unaudited)			December 31, 2021 (Audited)			September 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	875,595	838,714	33,290,814	424,731	394,080	20,794,734	448,184	417,081	19,991,828
Commission rate futures and options	1,203,762	1,201,480	14,974,285	464,564	465,236	12,715,298	481,713	482,321	12,921,480
Forward foreign exchange and commodity contracts	63,179	42,400	6,929,671	44,375	20,624	8,095,565	37,263	13,199	10,206,096
Currency and commodity options	410	450	179,402	-	-	-	2,479	2,000	326,226
Held as fair value hedges:									
Commission rate swaps	1,383,615	107	14,088,542	33,815	1,336,850	25,106,771	67,229	1,396,956	22,439,336
Held as cash flow hedges:									
Commission rate swaps	-	113,878	1,800,000	-	423	350,000	-	-	-
Total	3,526,561	2,197,029	71,262,714	967,485	2,217,213	67,062,368	1,036,868	2,311,557	65,884,966

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

14. Commitments and contingencies

a) Legal proceedings

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

b) Credit related commitments and contingencies

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

	September 30 2022 (Unaudited)	December 31 2021 (Audited)	September 30 2021 (Unaudited)
Letters of credit	4,643,826	5,117,138	4,916,512
Letters of guarantee	18,457,484	16,864,900	16,562,989
Acceptances	986,775	827,316	1,138,606
Irrevocable commitments to extend credit	1,183,493	2,902,408	1,597,757
Others	13,500	13,500	12,982
Total	25,285,078	25,725,262	24,228,846

The unutilised portion of non-firm commitments as at September 30, 2022 that can be revoked unilaterally at any time by the Group, amounted to SAR 21,059 million (December 31, 2021: SAR 16,041 million; September 30, 2021: SAR 15,444 million).

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

15. Cash and cash equivalents

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

	September 30 2022 (Unaudited)	December 31 2021 (Audited)	September 30 2021 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	1,820,530	4,284,456	1,706,100
Due from banks and other financial institutions maturing within 90 days from the acquisition date	1,924,378	2,287,880	1,314,239
Total	3,744,908	6,572,336	3,020,339

16. Zakat and Income Tax

Zakat attributable to Saudi Shareholders for the period ended September 30, 2022 amounted to approximately SAR 200 million (September 30, 2021: SAR 180 million). Income tax attributable to the non-Saudi Shareholder on the current period's share of net income is SAR 209 million (September 30, 2021: SAR 158 million). The provision of Zakat and income tax is estimated based on the respective interim consolidated financial position as at September 30, 2022 and the results of the operations of the Group for the nine months then ended. There are no significant changes in the Bank's Zakat and income tax assessments to those discussed in the Group's annual financial statements for the year ended December 31, 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, total assets, liabilities, commitments and results of operations of this Branch are not material to the Group's overall interim condensed consolidated financial statements.

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

17. Operating segments (continued)

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

September 30, 2022 (Unaudited)	Retail banking	Corporate banking	Treasury	Investment and brokerage services	Other	Total
Total assets	54,131,820	96,846,092	53,923,000	556,637	1,808,174	207,265,723
Investments in associates	-	-	-	349,483	626,376	975,859
Total liabilities	69,979,129	81,836,656	22,196,394	98,285	1,383,826	175,494,290
Operating income from external customers	1,643,526	2,820,843	362,972	238,307	(122,143)	4,943,505
Intersegment operating income/(expense)	(13,364)	(957,380)	703,406	-	267,338	-
Total operating income	1,630,162	1,863,463	1,066,378	238,307	145,195	4,943,505
Of which:						
Net special commission income	1,614,383	1,432,480	681,544	64,283	198,417	3,991,107
Impairment charge for expected credit losses (ECL), net	134,314	473,047	2,894	-	-	610,255
Depreciation and amortization	115,941	22,902	510	3,098	17,612	160,063
Total operating expenses	1,115,058	1,080,454	86,110	67,477	5,785	2,354,884
Share in earnings of associates, net	-	-	-	25,890	65,082	90,972
Net income before zakat and income tax	515,104	783,009	980,268	196,720	204,492	2,679,593
				Investment and brokerage services	Other	Total
September 30, 2021 (Unaudited)	Retail banking	Corporate banking	Treasury			
Total assets	43,828,470	80,042,800	56,278,861	505,755	1,618,824	182,274,710
Investments in associates	-	-	-	358,781	786,623	1,145,404
Total liabilities	66,729,831	66,394,752	17,256,012	74,488	1,048,103	151,503,186
Operating income from external customers	1,700,246	2,001,152	558,417	122,230	34,752	4,416,797
Intersegment operating income/(expense)	(222,567)	(524,610)	668,765	-	78,412	-
Total operating income	1,477,679	1,476,542	1,227,182	122,230	113,164	4,416,797
Of which:						
Net special commission income	1,364,347	1,208,065	844,790	26,280	118,597	3,562,079
Impairment charge for expected credit losses (ECL), net	137,112	679,114	3,294	-	-	819,520
Depreciation and amortization	123,386	6,825	799	3,970	22,527	157,507
Total operating expenses	1,088,620	1,183,661	73,928	53,456	39,835	2,439,500
Share in earnings of associates, net	-	-	-	-	72,411	72,411
Net income before zakat and income tax	389,059	292,881	1,153,254	68,774	145,740	2,049,708

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

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

Share capital

As at September 30, 2022, the authorised, issued and fully paid share capital of the Bank consists of 1,500 million shares of SAR 10 each (September 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) was 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 September 30, 2022 and 2021 are calculated by dividing the net income for the period attributable to the equity holders of the Bank by 1,500 million shares. The diluted earnings per share is the same as the basic earnings per share.

19. Fair values of financial assets and liabilities

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

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

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

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

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

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

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

September 30, 2022 (Unaudited)	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value					
Investments at FVSI	633,149	-	133,290	499,859	633,149
Investments at FVOCI	3,492,216	2,324,399	1,166,924	893	3,492,216
Positive fair value of derivatives	3,526,561	-	3,526,561	-	3,526,561
Financial assets not measured at fair value					
Investments at amortised cost, net	35,827,792	-	36,389,832	-	36,389,832
Loans and advances, net	145,474,566	-	-	144,109,987	144,109,987
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
September 30, 2021 (Unaudited)					
Financial assets measured at fair value					
Investments at FVSI	551,963	-	126,437	425,526	551,963
Investments at FVOCI	3,429,057	2,474,894	953,270	893	3,429,057
Positive fair value of derivatives	1,036,868	-	1,036,868	-	1,036,868
Financial assets not measured at fair value					
Investments at amortised cost, net	39,885,830	-	39,236,608	-	39,236,608
Loans and advances, net	120,015,665	-	-	124,740,138	124,740,138

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

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

a. Carrying amounts and fair value (continued)

Financial Liabilities

September 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	2,197,029	-	2,197,029	-	2,197,029
Financial liabilities not measured at fair value					
Sukuk	2,852,241	-	2,626,875	-	2,626,875
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
September 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	2,311,557	-	2,311,557	-	2,311,557
Financial liabilities not measured at fair value					
Sukuk	2,852,210	-	2,897,888	-	2,897,888

b. Measurement of fair values

i. Transfer between levels of the fair value hierarchy

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

ii. Level 3 fair values

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

	September 30, 2022		September 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	68,644	-	55,559	-
Purchases/ settlements	(498)	-	(3,030)	-
Balance at the end of the period	499,859	893	425,526	893

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

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 September 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, 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.

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

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:

	September 30 2022 (Unaudited)	December 31 2021 (Audited)	September 30 2021 (Unaudited)
Credit Risk RWA	163,112,360	147,861,398	141,509,116
Operational Risk RWA	15,394,301	14,504,194	14,363,159
Market Risk RWA	2,572,955	1,639,885	2,215,584
Total Pillar-I RWA	181,079,616	164,005,477	158,087,859
Tier I Capital	32,116,347	31,002,690	31,295,754
Tier II Capital	3,832,233	4,017,642	3,964,628
Total Tier I & II Capital	35,948,580	35,020,332	35,260,382
Capital Adequacy Ratio %			
Tier I ratio	17.74%	18.90%	19.80%
Tier I + Tier II ratio	19.85%	21.35%	22.30%

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

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

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 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 nine months period ended September 30, 2022, SAR 92.6 million (September 30, 2021: 255.4 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 September 30, 2022 (December 31, 2021: SAR Nil million, September 30, 2021: SAR Nil million).

During the three months period ended September 30, 2022, SAR 29.1 million (September 30, 2021: SAR 46.4 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, which are not material in nature to the consolidated financial statements.

24. Board of Directors' approval

The interim condensed consolidated financial statements were approved by the Board on Rabi' Al-Awwal 24, 1444 (corresponding to October 20, 2022).