
ALINMA BANK
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

FOR THE SIX MONTHS PERIOD ENDED
JUNE 30, 2017



KPMG Al Fozan & Partners
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON REVIEW OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**TO: THE SHAREHOLDERS OF ALINMA BANK
(A Saudi Joint Stock Company)**

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Alinma Bank and its subsidiaries (the "Bank") as of June 30, 2017, and the related interim consolidated statements of income and comprehensive income for the three month and six month periods ended June 30, 2017 and the interim consolidated statements of changes in shareholders' equity and cash flows for the six month period then ended and other explanatory notes (the "interim condensed consolidated financial statements"). The Bank's management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard No. 34 "Interim Financial Reporting" and Saudi Arabian Monetary Authority's ('SAMA') guidance for the accounting of zakat and tax. 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" that is endorsed in the Kingdom of Saudi Arabia. A review of interim condensed consolidated financial statements 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 International Standards on Auditing that are 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 as at June 30, 2017 are not prepared, in all material respects, in accordance with International Accounting Standard No. 34 "Interim Financial Reporting" and SAMA guidance for the accounting of zakat and tax.



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Other regulatory matters

As required by SAMA, certain capital adequacy information has been disclosed in note (13) to the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note (13) to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

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ALINMA BANK
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	June 30, 2017 (Unaudited) SAR'000	December 31, 2016 (Audited) SAR'000	June 30, 2016 (Unaudited) SAR'000
ASSETS				
Cash and balances with Saudi Arabian Monetary Authority		10,044,392	7,105,665	7,210,669
Due from banks and other financial institutions		13,801,042	17,641,780	15,600,787
Investments, net	4	7,264,708	6,157,341	5,707,955
Financing, net	5	76,960,644	70,311,948	66,488,216
Property and equipment, net		1,691,704	1,737,818	1,644,527
Other assets		1,613,756	1,775,308	1,533,893
TOTAL ASSETS		111,376,246	104,729,860	98,186,047
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES				
Due to banks and other financial institutions		3,845,924	2,431,804	3,430,421
Customers' deposits	6	85,782,656	80,612,226	74,166,064
Other liabilities		2,262,366	2,507,370	2,201,555
TOTAL LIABILITIES		91,890,946	85,551,400	79,798,040
SHAREHOLDERS' EQUITY				
Share capital		15,000,000	15,000,000	15,000,000
Statutory reserve		1,756,618	1,756,618	1,381,050
Fair value reserve for available for sale investments		274,563	68,141	(19,449)
Other reserves		24,007	11,592	24,673
Retained earnings		2,537,548	1,666,469	2,113,141
Proposed dividend		-	787,048	-
Treasury shares		(107,436)	(111,408)	(111,408)
TOTAL SHAREHOLDERS' EQUITY		19,485,300	19,178,460	18,388,007
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		111,376,246	104,729,860	98,186,047

The accompanying notes from 1 to 16 form an integral part of these interim condensed consolidated financial statements.

ALINMA BANK
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF INCOME (Unaudited)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30

	Note	<u>For the three months</u> <u>period ended</u>		<u>For the six months period</u> <u>ended</u>	
		June 30, 2017 <u>SAR'000</u>	June 30, 2016 <u>SAR'000</u>	June 30, 2017 <u>SAR'000</u>	June 30, 2016 <u>SAR'000</u>
Income from investments and financing		1,021,141	813,247	2,028,650	1,544,787
Return on time investments		<u>(186,922)</u>	<u>(186,460)</u>	<u>(380,005)</u>	<u>(306,834)</u>
Income from investments and financing, net		834,219	626,787	1,648,645	1,237,953
Fees from banking services, net		127,348	147,503	270,381	259,223
Exchange income, net		38,681	29,203	72,491	55,126
(Loss) / gain from FVSI financial instruments, net		(1,487)	5,080	(2,393)	(4,164)
Gain / (loss) on sale of available for sale investments, net		292	3,167	12,322	(5,356)
Dividend income		7,650	7,438	10,036	10,701
Other operating income		-	707	67	725
Total operating income		<u>1,006,703</u>	<u>819,885</u>	<u>2,011,549</u>	<u>1,554,208</u>
Salaries and employee related expenses		192,175	191,655	413,481	359,419
Rent and premises related expenses		35,824	33,189	72,304	65,601
Depreciation and amortization		44,177	40,718	107,801	80,741
Other general and administrative expenses		121,831	113,248	242,049	200,736
Charge for impairment of financing		119,536	24,700	243,772	37,733
Charge for impairment of other financial assets		<u>4,436</u>	<u>3,415</u>	<u>18,961</u>	<u>3,415</u>
Total operating expenses		<u>517,979</u>	<u>406,925</u>	<u>1,098,368</u>	<u>747,645</u>
Net operating income		488,724	412,960	913,181	806,563
Share of loss from associate and joint venture		<u>(500)</u>	<u>(3,839)</u>	<u>(3,635)</u>	<u>(6,124)</u>
Net income for the period		<u>488,224</u>	<u>409,121</u>	<u>909,546</u>	<u>800,439</u>
Basic and diluted earnings per share (SAR)	10	<u>0.33</u>	<u>0.27</u>	<u>0.61</u>	<u>0.54</u>

The accompanying notes from 1 to 16 form an integral part of these interim condensed consolidated financial statements.

ALINMA BANK**(A Saudi Joint Stock Company)****INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30**

	<u>For the three months</u> <u>period ended</u>		<u>For the six months</u> <u>period ended</u>	
	<u>June 30,</u> <u>2017</u>	<u>June 30,</u> <u>2016</u>	<u>June 30,</u> <u>2017</u>	<u>June 30,</u> <u>2016</u>
	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>
Net income for the period	488,224	409,121	909,546	800,439
Other comprehensive income to be reclassified to consolidated statement of income in subsequent periods:				
Net change in fair value of available for sale investments	(10,014)	3,573	199,783	(17,743)
Net amount transferred to consolidated statement of income	<u>4,144</u>	<u>248</u>	<u>6,639</u>	<u>8,771</u>
Total comprehensive income for the period	<u>482,354</u>	<u>412,942</u>	<u>1,115,968</u>	<u>791,467</u>

The accompanying notes from 1 to 16 form an integral part of these interim condensed consolidated financial statements.

ALINMA BANK (A Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited) FOR THE SIX MONTHS PERIOD ENDED JUNE 30,

2017 (SAR '000)	Share capital	Statutory reserve	Fair value reserve for available for sale investments	Other reserves	Retained earnings	Proposed dividend	Treasury shares	Total
Balance at the beginning of the period	15,000,000	1,756,618	68,141	11,592	1,666,469	787,048	(111,408)	19,178,460
Net income for the period	-	-	-	-	909,546	-	-	909,546
Net change in fair value of available for sale investments	-	-	199,783	-	-	-	-	199,783
Net amount realized on available for sale investments	-	-	6,639	-	-	-	-	6,639
Total comprehensive income	-	-	206,422	-	909,546	-	-	1,115,968
Zakat for current period	-	-	-	-	(23,444)	-	-	(23,444)
Zakat for prior period	-	-	-	-	-	(42,070)	-	(42,070)
Dividend paid for 2016	-	-	-	-	-	(744,978)	-	(744,978)
Employee share based plan reserve and others	-	-	-	12,415	(15,023)	-	-	(2,608)
Net change in treasury shares	-	-	-	-	-	-	3,972	3,972
Balance at the end of the period	15,000,000	1,756,618	274,563	24,007	2,537,548	-	(107,436)	19,485,300

2016 (SAR '000)	Share capital	Statutory reserve	Fair value reserve for available for sale investments	Other reserves	Retained earnings	Proposed dividend	Treasury shares	Total
Balance at the beginning of the period	15,000,000	1,381,050	(10,477)	36,450	1,312,702	787,057	(154,621)	18,352,161
Net income for the period	-	-	-	-	800,439	-	-	800,439
Net change in fair value of available for sale investments	-	-	(17,743)	-	-	-	-	(17,743)
Net amount realized on available for sale investments	-	-	8,771	-	-	-	-	8,771
Total comprehensive income	-	-	(8,972)	-	800,439	-	-	791,467
Dividend paid for 2015	-	-	-	-	-	(787,057)	-	(787,057)
Employee share based plan reserve	-	-	-	(11,777)	-	-	-	(11,777)
Net change in treasury shares	-	-	-	-	-	-	43,213	43,213
Balance at the end of the period	15,000,000	1,381,050	(19,449)	24,673	2,113,141	-	(111,408)	18,388,007

The accompanying notes from 1 to 16 form an integral part of these interim condensed consolidated financial statements.

ALINMA BANK
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30,

	Note	2017 SAR'000	2016 SAR'000
OPERATING ACTIVITIES			
Net income for the period		909,546	800,439
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization		107,801	80,741
Loss on disposal of property and equipment, net		226	951
Unrealised loss from FVSI financial instruments, net		6,170	12,905
Dividend income		(10,036)	(10,701)
Charge for impairment of financing		243,772	37,733
Charge for impairment of other financial assets		18,962	3,415
Employee share based plan reserve		1,364	2,679
Share of loss from an associate and joint ventures		3,635	6,124
		<u>1,281,440</u>	<u>934,286</u>
Net (increase) / decrease in operating assets:			
Statutory deposit with Saudi Arabian Monetary Authority		(142,005)	(593,812)
Due from banks and financial institutions, with original maturity of more than ninety days		3,134,257	2,489,488
Investments		(929,712)	733,997
Financing		(6,892,468)	(9,520,372)
Other assets		160,040	(142,182)
Net increase / (decrease) in operating liabilities:			
Due to banks and other financial institutions		1,414,120	1,166,333
Customers' deposits		5,170,430	8,471,540
Other liabilities		(268,448)	(212,202)
Net cash generated from operating activities		<u>2,927,654</u>	<u>3,327,076</u>
INVESTING ACTIVITIES			
Purchase of property and equipment, net		(61,913)	(97,215)
Dividends received		11,548	10,701
Net cash used in investing activities		<u>(50,365)</u>	<u>(86,514)</u>
FINANCING ACTIVITIES			
Proceeds from employees share scheme		-	28,755
Dividend paid		(787,048)	(787,057)
Net cash used in financing activities		<u>(787,048)</u>	<u>(758,302)</u>
Net increase in cash and cash equivalents		<u>2,090,241</u>	<u>2,482,260</u>
Cash and cash equivalents at the beginning of the period		<u>15,368,063</u>	<u>11,107,547</u>
Cash and cash equivalents at the end of the period	8	<u>17,458,304</u>	<u>13,589,807</u>
Income received from investments and financing		<u>1,836,810</u>	<u>1,288,134</u>
Return paid on time investments		<u>440,466</u>	<u>200,353</u>
Supplemental non-cash information:			
Net change in fair value of available for sale investments		<u>199,783</u>	<u>(17,743)</u>

The accompanying notes from 1 to 16 form an integral part of these interim condensed consolidated financial statements.

ALINMA BANK**(A Saudi Joint Stock Company)****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2017**

1. General**a) Incorporation**

Alinma Bank, a Saudi Joint Stock Company, was formed and licensed pursuant to Royal Decree No. M/15 dated 28 Safar 1427H (corresponding to March 28, 2006), in accordance with the Council of Ministers' Resolution No. 42 dated 27 Safar 1427H (corresponding to March 27, 2006). It operates under Ministerial Resolution No.173 and Commercial Registration No. 1010250808 both dated 21 Jumada-I 1429H (corresponding to May 26, 2008) and provides banking services through 77 branches (June 30, 2016: 70) in the Kingdom of Saudi Arabia. Its head office address is as follows:

Alinma Bank
Head Office
King Fahad Road
P.O. Box 66674
Riyadh 11586
Kingdom of Saudi Arabia

The interim condensed consolidated financial statements comprise the financial statements of Alinma Bank and its following subsidiaries (collectively referred as the "Bank"):

Subsidiaries	Bank's Ownership	Establishment date	Main Activities
Alinma Investment Company	100%	07 Jumada II 1430H (corresponding to May 31, 2009)	Asset management, custodianship, advisory, underwriting and brokerage services
Al-Tanweer Real Estate Company	100%	24 Sha'aban 1430H (corresponding to August 15, 2009)	Formed principally to hold legal title of properties financed by the Bank.
Alinma Cooperative Insurance Agency	100%	29 Rabi Awaal 1435H (corresponding to January 30, 2014)	Insurance agent for Alinma Tokio Marine Company (an associated company)

The Bank provides a full range of banking and investment services through products and instruments that are in accordance with Shariah, its Articles of Association and within the provisions of laws and regulations applicable to banks in the Kingdom of Saudi Arabia.

b) Shariah Board

The Bank has established a Shariah Board in accordance with its commitment to comply with Islamic Shariah laws. Shariah Board ascertains that all the Bank's activities are subject to its review and approval.

2. Basis of preparation

These interim condensed consolidated financial statements have been prepared using uniform accounting policies, estimates, judgment and valuation methods for similar transactions and other events in similar circumstances as disclosed in the annual consolidated financial statements of the Bank as of and for the financial year ended December 31, 2016. However, these interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the annual consolidated financial statements of the Bank as of and for the financial year ended December 31, 2016.

The preparation of interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

a) Statement of compliance

During 2017, the Saudi Arabian Monetary Authority (“SAMA”) issued Circular no. 381000074519 dated April 11, 2017 and subsequent amendments through certain clarifications relating to the accounting for zakat and tax. The impacts of these amendments are as follows:

- the Accounting Standards for Commercial Banks promulgated by SAMA are no longer applicable from January 1, 2017; and
- Zakat is to be accrued as a liability on a quarterly basis through charge to retained earnings (refer accounting policy 3a).

Applying the above framework, these interim condensed consolidated financial statements have been prepared:

- ii) in accordance with the International Accounting Standard No. 34 – Interim Financial Reporting and SAMA guidance for the accounting of zakat and tax as described above; and
- iii) in compliance with the provisions of Banking Control Law, the Regulations for Companies in the Kingdom of Saudi Arabia and the Articles of Association of the Bank.

b) Basis of measurement

These interim condensed consolidated financial statements have been prepared under the historical cost convention except for the measurement at fair value of the financial instruments held at Fair Value through Statement of Income (“FVSI”), Available For Sale (“AFS”) investments and employees share based plan.

c) Functional and presentation currency

These interim condensed consolidated financial statements are presented in Saudi Arabian Riyals (“SAR”) which is the Bank’s functional currency. Except as indicated, financial information presented in SAR has been rounded off to the nearest thousands.

d) Basis of consolidation

These interim condensed consolidated financial statements comprise the financial statements of Alinma Bank and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank.

Subsidiaries are the entities that are controlled by the Bank. The Bank controls an entity when, it has power over the investee entity, it is exposed to, or has a right, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over that entity.

When the Bank has less than a majority of the voting or similar rights of an investee entity, it considers relevant facts and circumstances in assessing whether it has power over the entity, including:

- The contractual arrangement with the other voters of the investee entity
- Rights arising from other contractual arrangements
- Bank's current and potential voting rights granted by instruments such as shares

The Bank re-assesses whether or not it controls an investee entity if facts and circumstances indicate that there are changes to one or more elements of control.

Subsidiaries are consolidated from the date on which control is transferred to the Bank and cease to be consolidated from the date on which the control is transferred from the Bank. The results of subsidiaries acquired or disposed of during the period, if any, are included in the interim consolidated statement of income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The accounting policies adopted by the subsidiaries are consistent with that of the Bank's accounting policies. Adjustments, if any, are made to the financial statements of the subsidiaries to align with the Bank's financial statements.

Since the subsidiaries are fully owned by the Bank, there is no non-controlling interest to be disclosed.

Intra-group balances and any income and expenses arising from intra-group transactions, are eliminated in preparing these interim condensed consolidated financial statements.

3. Summary of significant accounting policies

The accounting policies, estimates and assumptions adopted in the preparation of these interim condensed consolidated financial statements are consistent with those described in the annual consolidated financial statements for the year ended December 31, 2016, except for the change in accounting policies as explained below:

a. Zakat

Zakat is calculated in accordance with the Zakat rules and regulations applicable in the Kingdom of Saudi Arabia. Due accruals are made on a quarterly basis through charge to retained earnings. Previously, zakat was recorded as and when paid or assessed. The prior periods figures have not been restated as the same are not considered material. The Bank, being a Saudi Company is subject to zakat only.

b. Adoption of amendments to existing standards

The Bank has adopted the following amendments to the existing standards that are applicable during the period:

Amendments	Effective date	Brief description of changes
Amendments to IAS 7, Statement of cash flows on disclosure initiative"	January 01, 2017	These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

These adoptions have no material impact on the interim condensed consolidated financial statements.

The Bank has chosen not to early adopt the amendments and revisions to the International Financial Reporting Standards, which have been published and are mandatory for compliance with effect from future dates.

4. Investments

	June 30, 2017 <u>(Unaudited)</u> <u>SAR'000</u>	December 31, 2016 <u>(Audited)</u> <u>SAR'000</u>	June 30, 2016 <u>(Unaudited)</u> <u>SAR'000</u>
Murabahas with SAMA (at amortized cost)	2,904,930	2,906,726	2,754,127
Available for sale investments	4,189,382	3,084,561	2,769,017
Held as FVSI investments	76,223	68,246	80,206
Investment in an associate	4.1 81,029	81,029	85,629
Investment in joint venture	4.2 13,144	16,779	18,976
Total	7,264,708	6,157,341	5,707,955

4.1 Investment in an associate represents the Bank's share of ownership (28.75%) in Alinma Tokio Marine Company (a cooperative insurance company). The company has a paid-up share capital of SAR 450 million.

4.2 Investment in joint venture represents the Banks's share of ownership (50%) in ERSAL Financial Remittance Company (a joint venture between Alinma Bank and Saudi Post).

5. Financing, net

	June 30, 2017 <u>(Unaudited)</u> <u>SAR'000</u>	December 31, 2016 <u>(Audited)</u> <u>SAR'000</u>	June 30, 2016 <u>(Unaudited)</u> <u>SAR'000</u>
Retail	13,814,668	14,136,673	14,258,925
Corporate	63,674,562	56,575,205	52,567,161
Performing financing	77,489,230	70,711,878	66,826,086
Non-performing financing	660,751	545,635	450,465
Total financing, gross	78,149,981	71,257,513	67,276,551
Allowance for impairment	(1,189,337)	(945,565)	(788,335)
Financing, net	76,960,644	70,311,948	66,488,216

6. Customers' deposits

	June 30, 2017 <u>(Unaudited)</u> <u>SAR'000</u>	December 31, 2016 <u>(Audited)</u> <u>SAR'000</u>	June 30, 2016 <u>(Unaudited)</u> <u>SAR'000</u>
Demand deposits	47,995,185	43,560,127	39,109,763
Customers' time investments	6.1 37,153,133	36,434,224	34,335,624
Others	6.2 634,338	617,875	720,677
Total	85,782,656	80,612,226	74,166,064

6.1 This represents Murabaha and Mudaraba with customers.

6.2 Others represent cash margins held against letters of credit and guarantee.

7. Credit related commitments and contingencies

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

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)	June 30, 2016 (Unaudited)
	SAR'000	SAR'000	SAR'000
Letters of credit	2,348,871	2,130,282	2,245,143
Letters of guarantee	7,732,684	7,686,186	8,088,227
Acceptances	92,108	217,114	332,918
Irrevocable commitments to extend credit	144,082	746,037	951,539
Total	10,317,745	10,779,619	11,617,827

8. Cash and cash equivalents

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

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)	June 30, 2016 (Unaudited)
	SAR'000	SAR'000	SAR'000
Cash in hand	2,423,914	1,933,052	3,062,953
Balances with SAMA excluding statutory deposit	3,055,482	749,622	169,681
Due from banks and other financial institutions maturing within ninety days from the date of acquisition.	11,978,908	12,685,389	10,357,173
Total	17,458,304	15,368,063	13,589,807

9. Operating segments

Operating segments are identified on the basis of internal reports about activities of the Bank that are regularly reviewed by the key decision makers including CEO and the Assets and Liabilities Committee ("ALCO"), in order to allocate resources to the segments and to assess their performance.

The Bank's primary business is conducted in Saudi Arabia. Transactions between the operating segments are on terms as approved by the management. The majority of the segment assets and liabilities comprise operating assets and liabilities.

The Bank's reportable segments are as follows:

a) Retail banking

Financing, deposit and other products/services for individuals.

b) Corporate banking

Financing, deposit and other products and services for corporate, SME and institutional customers.

c) Treasury

Murabahas and mudaraba with banks, investments and treasury services.

d) Investment and brokerage

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

Profit is charged or credited to operating segments using internally developed Fund Transfer Pricing (FTP) rates, which approximate the marginal cost of funds.

Following is an analysis of the Bank's assets, liabilities, income and results by operating segments:

SAR '000	June 30, 2017 (Unaudited)				
	Retail	Corporate	Treasury	Investment and brokerage	Total
Total assets	17,324,058	64,686,100	28,848,081	518,007	111,376,246
Total liabilities	54,741,912	18,774,435	18,305,933	68,666	91,890,946
Income from investments and financing	736,082	876,634	413,188	2,746	2,028,650
Return on time investments	(88,777)	(124,170)	(167,058)	-	(380,005)
Income from investments and financing, net	647,305	752,464	246,130	2,746	1,648,645
Fees from banking services and other operating income	122,881	72,428	71,793	95,802	362,904
Total operating income	770,186	824,892	317,923	98,548	2,011,549
Charge for impairment of financing	10,530	233,242	-	-	243,772
Charge for impairment of other financial assets	-	-	18,961	-	18,961
Depreciation and amortization	44,553	42,464	18,997	1,787	107,801
Other operating expenses	420,267	192,006	82,088	33,473	727,834
Total operating expenses	475,350	467,712	120,046	35,260	1,098,368
Net operating income	294,836	357,180	197,877	63,288	913,181
Share of loss from an associate and joint venture	-	-	(3,635)	-	(3,635)
Net income for the period	294,836	357,180	194,242	63,288	909,546

SAR '000	June 30, 2016 (Unaudited)				
	Retail	Corporate	Treasury	Investment and brokerage	Total
Total assets	18,137,773	53,868,226	25,798,965	381,083	98,186,047
Total liabilities	46,119,031	8,163,560	25,468,056	47,393	79,798,040
Income from investments and financing	530,459	614,264	396,851	3,213	1,544,787
Return on time investments	(90,891)	(17,159)	(198,784)	-	(306,834)
Income from investments and financing, net	439,568	597,105	198,067	3,213	1,237,953
Fees from banking services and other operating income	111,308	77,176	46,881	80,890	316,255
Total operating income	550,876	674,281	244,948	84,103	1,554,208
Charge for impairment of financing	24,833	12,900	-	-	37,733
Charge for impairment of other financial assets	-	-	3,415	-	3,415
Depreciation and amortization	40,607	26,849	12,927	358	80,741
Other operating expenses	342,259	162,096	86,500	34,901	625,756
Total operating expenses	407,699	201,845	102,842	35,259	747,645
Net operating income	143,177	472,436	142,106	48,844	806,563
Share of loss from an associate and joint venture	-	-	(6,124)	-	(6,124)
Net income for the period	143,177	472,436	135,982	48,844	800,439

SAR '000	June 30, 2017 (Unaudited)				
Other information:	Retail	Corporate	Treasury	Investment and brokerage	Total
Revenue from:					
- External	423,492	1,413,143	76,366	98,548	2,011,549
- Inter-segment	346,694	(588,251)	241,557	-	-
Total operating income	770,186	824,892	317,923	98,548	2,011,549

SAR '000	June 30, 2016 (Unaudited)				
Other information:	Retail	Corporate	Treasury	Investment and brokerage	Total
Revenue from:					
- External	388,736	1,081,674	(305)	84,103	1,554,208
- Inter-segment	162,140	(407,393)	245,253	-	-
Total operating income	550,876	674,281	244,948	84,103	1,554,208

10. Earnings per share

Earnings per share is calculated by dividing the net income by the weighted average number of outstanding shares (Basic and diluted: 1,490 million) at period end.

11. Other reserves include an amount of SAR 15 million appropriated from retained earnings as per approval of the General Assembly held on April 06, 2017. Such reserves will be utilized towards the Bank's corporate social responsibilities.

12. Fair values of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to discharge 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:

- In the accessible principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous accessible market for the asset or liability

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

Level 1: quoted prices in active market for the same instrument (i.e. without modification or repacking):

Level 2: quoted prices in active market 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.

12 (a) Fair values of financial assets and liabilities carried at fair value

Following table shows an analysis of financial instruments carried at fair value by level of the fair value hierarchy:

June 30, 2017 (Unaudited)				SAR '000
	Level 1	Level 2	Level 3	Total
Financial assets held as FVSI				
- Equities	70,753	-	-	70,753
- Mutual funds	5,470	-	-	5,470
Financial assets held as available for sale				
- Equities	119,899	-	-	119,899
- Mutual funds	702,105	-	211,406	913,511
- Sukuks	37,503	3,118,469	-	3,155,972
Total	935,730	3,118,469	211,406	4,265,605

June 30, 2016 (Unaudited)				SAR '000
	Level 1	Level 2	Level 3	Total
Financial assets held as FVSI				
- Equities	73,014	-	-	73,014
- Mutual funds	7,192	-	-	7,192
Financial assets held as available for sale				
- Equities	390,042	-	-	390,042
- Mutual funds	356,447	-	213,766	570,213
- Sukuks	-	1,808,762	-	1,808,762
Total	826,695	1,808,762	213,766	2,849,223

There were no transfers between the fair value hierarchy levels during the period.

12 (b) Fair values of financial assets and liabilities not carried at fair value

Management adopts discounted cash flow method using the current yield curve to arrive at the fair value of financial instruments. Following table shows the fair value of financial instruments carried at amortized cost.

June 30, 2017 (Unaudited)	SAR '000	
	Carrying value	Fair value
ASSETS		
Due from banks and other financial institutions	13,801,042	13,750,937
Investments - at amortized cost	2,904,930	2,907,622
Financing, net	76,960,644	77,114,630
LIABILITIES		
Due to banks and other financial institutions	3,845,924	3,846,830
Customers' deposits	85,782,656	85,811,375

June 30, 2016 (Unaudited)	SAR '000	
	Carrying value	Fair value
ASSETS		
Due from banks and other financial institutions	15,600,787	15,498,032
Investments - at amortized cost	2,754,127	2,760,595
Financing, net	66,488,216	66,042,826
LIABILITIES		
Due to banks and other financial institutions	3,430,421	3,430,674
Customers' deposits	74,166,064	74,033,045

Other financial instruments not carried at fair value are typically short-term in nature and re-price to current market rates frequently. Accordingly, their carrying amount is a reasonable approximation of fair value.

13. Capital adequacy

The Bank's objectives when managing capital are, to comply with the capital requirements set by SAMA; to safeguard the Bank's ability to continue as a going concern; and to maintain a strong capital base.

Capital adequacy and the use of regulatory capital are monitored by the Bank's management. SAMA requires to hold and maintain a ratio of total regulatory capital to the risk-weighted assets at or above the Basel prescribed minimum of 8%.

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

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)	June 30, 2016 (Unaudited)
	SAR'000	SAR'000	SAR'000
Credit risk weighted assets	93,899,549	89,919,894	86,336,341
Operational risk weighted assets	6,131,704	5,631,488	5,264,402
Market risk weighted assets	819,668	663,137	475,325
Total Pillar-I Risk Weighted Assets	100,850,921	96,214,519	92,076,068
Tier I capital	19,485,300	19,178,460	18,388,007
Tier II capital	746,300	573,800	469,769
Total Tier I & II Capital	20,231,600	19,752,260	18,857,776
Capital Adequacy Ratio %			
Tier I ratio	19%	20%	20%
Tier I + Tier II ratio	20%	21%	20%

14. Employees share-based plan

Significant features of the Bank's employee share based plan outstanding at the end of the period are as follows:

Nature of plan	ESGS
Number of outstanding plan	one
Grant date	April 01, 2013
Maturity date	March 31, 2018
Total number of shares granted	2,714,500
Vesting period	3-5 years
Value of shares granted (SAR)	35,695,675
Fair value per share at grant date (SAR)	13.15
Vesting conditions	Employee remains in service and meets prescribed performance criteria
Method of settlement	Equity
Valuation model used	Market Value
Weighted average remaining contractual life	0.75 year

These rights are granted only under a service / performance condition with no market condition associated with them. Total amount of expense recognized during the period in these interim condensed consolidated financial statements in respect of these schemes was SAR 1.2 million. (June 30, 2016: SAR 2.7 million).

15. Comparative figures

Figures have been rearranged or reclassified wherever necessary for the purpose of better presentation.

16. Approval of the financial statements

These interim condensed consolidated financial statements were approved on 18 Shawwal 1438H (corresponding to July 12, 2017).