
ALINMA BANK
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

FOR THE NINE MONTHS PERIOD ENDED
SEPTEMBER 30, 2017

**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 September 30, 2017, and the related interim consolidated statements of income and comprehensive income for the three month and nine month periods ended September 30, 2017 and the interim consolidated statements of changes in shareholders' equity and cash flows for the nine 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 September 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.

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.

PricewaterhouseCoopers
P.O. Box 8282
Riyadh 11482
Kingdom of Saudi Arabia



Khalid A. Mahdhar
Registration No. 368

KPMG Al Fozan & Partners
P.O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia



Khalil Ibrahim Al Sedais
Registration No. 371

Riyadh
26 Muharram 1439H
(October 16, 2017)



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

	Note	September 30, 2017 (Unaudited) SAR'000	December 31, 2016 (Audited) SAR'000	September 30, 2016 (Unaudited) SAR'000
ASSETS				
Cash and balances with Saudi Arabian Monetary Authority		7,540,346	7,105,665	6,946,979
Due from banks and other financial institutions		9,066,712	17,641,780	17,099,696
Investments, net	4	13,293,462	6,157,341	6,326,104
Financing, net	5	77,811,524	70,311,948	69,274,795
Property and equipment, net		1,679,766	1,737,818	1,653,669
Other assets		1,981,156	1,775,308	1,635,262
TOTAL ASSETS		111,372,966	104,729,860	102,936,505
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES				
Due to banks and other financial institutions		2,093,887	2,431,804	4,829,540
Customers' deposits	6	87,229,456	80,612,226	77,318,645
Other liabilities		1,948,469	2,507,370	2,063,126
TOTAL LIABILITIES		91,271,812	85,551,400	84,211,311
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		362,692	68,141	5,507
Other reserves	11	23,938	11,592	25,291
Retained earnings		3,065,342	1,666,469	2,424,754
Proposed dividend		-	787,048	-
Treasury shares		(107,436)	(111,408)	(111,408)
TOTAL SHAREHOLDERS' EQUITY		20,101,154	19,178,460	18,725,194
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		111,372,966	104,729,860	102,936,505

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 NINE MONTHS PERIOD ENDED SEPTEMBER 30

	Note	<u>For the three months</u>		<u>For the nine months period</u>	
		<u>period ended</u>		<u>ended</u>	
		<u>September</u>	<u>September</u>	<u>September</u>	<u>September</u>
		<u>30, 2017</u>	<u>30, 2016</u>	<u>30, 2017</u>	<u>30, 2016</u>
		<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>
Income from investments and financing		1,061,800	916,031	3,090,450	2,460,818
Return on time investments		(184,631)	(228,491)	(564,636)	(535,325)
Income from investments and financing, net		877,169	687,540	2,525,814	1,925,493
Fees from banking services, net		130,701	118,944	401,082	378,167
Exchange income, net		40,339	29,632	112,830	84,758
Gain / (loss) from FVSI financial instruments, net		7,537	(12,905)	5,144	(17,069)
Gain / (loss) on sale of available for sale investments, net		170	-	12,492	(5,356)
Dividend income		5,980	5,329	16,016	16,030
Other operating income		851	175	918	900
Total operating income		1,062,747	828,715	3,074,296	2,382,923
Salaries and employee related expenses		201,343	182,902	614,824	542,321
Rent and premises related expenses		33,830	32,779	106,134	98,380
Depreciation and amortization		44,288	40,702	152,089	121,443
Other general and administrative expenses		125,244	104,328	367,293	305,064
Charge for impairment of financing		104,648	41,429	348,420	79,162
Charge for impairment of other financial assets		9,537	108,954	28,498	112,369
Total operating expenses		518,890	511,094	1,617,258	1,258,739
Net operating income		543,857	317,621	1,457,038	1,124,184
Share of loss from associate and joint venture		(2,100)	(6,008)	(5,735)	(12,132)
Net income for the period		541,757	311,613	1,451,303	1,112,052
Basic and diluted earnings per share (SAR)	10	0.36	0.21	0.97	0.75

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 NINE MONTHS PERIOD ENDED SEPTEMBER 30**

	<u>For the three months period</u>		<u>For the nine months</u>	
	<u>ended</u>		<u>period ended</u>	
	<u>September</u>	<u>September</u>	<u>September</u>	<u>September</u>
	<u>30, 2017</u>	<u>30, 2016</u>	<u>30, 2017</u>	<u>30, 2016</u>
	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>
Net income for the period	541,757	311,613	1,451,303	1,112,052
Other comprehensive income to be reclassified to consolidated statement of income in subsequent periods:				
Net change in fair value of available for sale investments	78,762	(83,998)	278,545	(101,742)
Net amount transferred to consolidated statement of income	9,367	108,954	16,006	117,726
Total comprehensive income for the period	629,886	336,569	1,745,854	1,128,036

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 NINE MONTHS PERIOD ENDED SEPTEMBER 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	-	-	-	-	1,451,303	-	-	1,451,303
Net change in fair value of available for sale investments	-	-	278,545	-	-	-	-	278,545
Net amount realized on available for sale investments	-	-	16,006	-	-	-	-	16,006
Total comprehensive income	-	-	294,551	-	1,451,303	-	-	1,745,854
Zakat for current period	-	-	-	-	(37,407)	-	-	(37,407)
Zakat for prior period	-	-	-	-	-	(42,070)	-	(42,070)
Dividend paid for 2016	-	-	-	-	-	(744,978)	-	(744,978)
Employee share based plan reserve and others (note 11)	-	-	-	12,346	(15,023)	-	-	(2,677)
Net change in treasury shares	-	-	-	-	-	-	3,972	3,972
Balance at the end of the period	15,000,000	1,756,618	362,692	23,938	3,065,342	-	(107,436)	20,101,154

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	-	-	-	-	1,112,052	-	-	1,112,052
Net change in fair value of available for sale investments	-	-	(101,742)	-	-	-	-	(101,742)
Net amount realized on available for sale investments	-	-	117,726	-	-	-	-	117,726
Total comprehensive income	-	-	15,984	-	1,112,052	-	-	1,128,036
Dividend paid for 2015	-	-	-	-	-	(787,057)	-	(787,057)
Employee share based plan reserve	-	-	-	(11,159)	-	-	-	(11,159)
Net change in treasury shares	-	-	-	-	-	-	43,213	43,213
Balance at the end of the period	15,000,000	1,381,050	5,507	25,291	2,424,754	-	(111,408)	18,725,194

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 NINE MONTHS PERIOD ENDED SEPTEMBER 30,

	Note	2017 SAR'000	2016 SAR'000
OPERATING ACTIVITIES			
Net income for the period		1,451,303	1,112,052
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization		152,089	121,443
Loss on disposal of property and equipment, net		228	951
Unrealised loss from FVSI financial instruments, net		4,086	27,225
Dividend income		(16,016)	(16,030)
Charge for impairment of financing		348,420	79,162
Charge for impairment of other financial assets		28,498	112,369
Employee share based plan reserve		1,169	3,298
Share of loss from an associate and joint ventures		5,735	12,132
		<u>1,975,512</u>	<u>1,452,602</u>
Net (increase) / decrease in operating assets:			
Statutory deposit with Saudi Arabian Monetary Authority		(560,183)	(855,810)
Due from banks and financial institutions, with original maturity of more than ninety days		3,520,252	(3,369,531)
Investments		(6,879,889)	11,520
Financing		(7,847,996)	(12,348,380)
Other assets		(207,375)	(243,552)
Net increase / (decrease) in operating liabilities:			
Due to banks and other financial institutions		(337,917)	2,565,452
Customers' deposits		6,617,230	11,624,121
Other liabilities		(596,308)	(350,631)
		<u>(4,316,674)</u>	<u>(1,514,209)</u>
Net cash used in operating activities			
INVESTING ACTIVITIES			
Purchase of property and equipment, net		(94,265)	(147,059)
Dividends received		17,669	16,030
		<u>(76,596)</u>	<u>(131,029)</u>
Net cash used in investing activities			
FINANCING ACTIVITIES			
Proceeds from employees share scheme		-	28,756
Dividend paid		(787,048)	(787,057)
		<u>(787,048)</u>	<u>(758,301)</u>
Net cash used in financing activities			
Net decrease in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		15,368,063	11,107,547
Cash and cash equivalents at the end of the period	8	<u>10,187,745</u>	<u>8,704,008</u>
Income received from investments and financing		3,140,466	1,995,927
Return paid on time investments		680,654	418,267
		<u>680,654</u>	<u>418,267</u>
Supplemental non-cash information:			
Net change in fair value of available for sale investments		278,545	(101,742)
		<u>278,545</u>	<u>(101,742)</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 NINE MONTHS PERIOD ENDED SEPTEMR 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 79 branches (September 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 Al 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

	September 30, 2017 (Unaudited) SAR'000	December 31, 2016 (Audited) SAR'000	September 30, 2016 (Unaudited) SAR'000
Murabahas with SAMA (at amortized cost)	1,906,845	2,906,726	2,906,280
Available for sale investments	11,218,472	3,084,561	3,251,026
Held as FVSI investments	76,072	68,246	70,201
Investment in an associate	4.1 78,929	81,029	81,529
Investment in joint venture	4.2 13,144	16,779	17,068
Total	<u>13,293,462</u>	<u>6,157,341</u>	<u>6,326,104</u>

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

	September 30, 2017 (Unaudited) SAR'000	December 31, 2016 (Audited) SAR'000	September 30, 2016 (Unaudited) SAR'000
Retail	14,031,064	14,136,673	14,221,889
Corporate	64,292,696	56,575,205	55,401,322
Performing financing	78,323,760	70,711,878	69,623,211
Non-performing financing	781,749	545,635	481,348
Total financing, gross	79,105,509	71,257,513	70,104,559
Allowance for impairment	(1,293,985)	(945,565)	(829,764)
Financing, net	<u>77,811,524</u>	<u>70,311,948</u>	<u>69,274,795</u>

6. Customers' deposits

	September 30, 2017 (Unaudited) SAR'000	December 31, 2016 (Audited) SAR'000	September 30, 2016 (Unaudited) SAR'000
Demand deposits	49,257,572	43,560,127	39,814,085
Customers' time investments	6.1 37,309,039	36,434,224	36,877,740
Others	6.2 662,845	617,875	626,820
Total	<u>87,229,456</u>	<u>80,612,226</u>	<u>77,318,645</u>

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:

	September 30, 2017 (Unaudited) SAR'000	December 31, 2016 (Audited) SAR'000	September 30, 2016 (Unaudited) SAR'000
Letters of credit	2,945,256	2,130,282	2,103,745
Letters of guarantee	7,145,258	7,686,186	7,601,751
Acceptances	151,751	217,114	282,199
Irrevocable commitments to extend credit	210,272	746,037	780,736
Total	10,452,537	10,779,619	10,768,431

8. Cash and cash equivalents

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

	September 30, 2017 (Unaudited) SAR'000	December 31, 2016 (Audited) SAR'000	September 30, 2016 (Unaudited) SAR'000
Cash in hand	2,245,126	1,933,052	2,156,179
Balances with SAMA excluding statutory deposit	312,046	749,622	550,765
Due from banks and other financial institutions maturing within ninety days from the date of acquisition.	7,630,573	12,685,389	5,997,064
Total	10,187,745	15,368,063	8,704,008

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	September 30, 2017 (Unaudited)				
	Retail	Corporate	Treasury	Investment and brokerage	Total
Total assets	17,731,380	65,256,513	27,796,095	588,978	111,372,966
Total liabilities	55,781,030	9,910,855	25,466,271	113,656	91,271,812
Income from investments and financing	1,139,799	1,147,573	798,387	4,691	3,090,450
Return on time investments	(146,738)	(7,741)	(410,157)	-	(564,636)
Income from investments and financing, net	993,061	1,139,832	388,230	4,691	2,525,814
Fees from banking services and other operating income	196,937	101,105	110,230	140,210	548,482
Total operating income	1,189,998	1,240,937	498,460	144,901	3,074,296
Charge for impairment of financing	30,497	317,923	-	-	348,420
Charge for impairment of other financial assets	-	-	28,498	-	28,498
Depreciation and amortization	65,715	58,947	25,093	2,334	152,089
Other operating expenses	629,858	288,782	119,431	50,180	1,088,251
Total operating expenses	726,070	665,652	173,022	52,514	1,617,258
Net operating income	463,928	575,285	325,438	92,387	1,457,038
Share of loss from an associate and joint venture	-	-	(5,735)	-	(5,735)
Net income for the period	463,928	575,285	319,703	92,387	1,451,303

SAR '000	September 30, 2016 (Unaudited)				
	Retail	Corporate	Treasury	Investment and brokerage	Total
Total assets	17,698,813	56,329,247	28,490,149	418,296	102,936,505
Total liabilities	45,767,658	7,233,053	31,148,233	62,367	84,211,311
Income from investments and financing	819,027	952,615	683,478	5,698	2,460,818
Return on time investments	(139,080)	(19,712)	(376,533)	-	(535,325)
Income from investments and financing, net	679,947	932,903	306,945	5,698	1,925,493
Fees from banking services and other operating income	167,793	110,719	59,782	119,136	457,430
Total operating income	847,740	1,043,622	366,727	124,834	2,382,923
Charge for impairment of financing	48,262	30,900	-	-	79,162
Charge for impairment of other financial assets	-	-	112,369	-	112,369
Depreciation and amortization	59,844	40,467	20,577	555	121,443
Other operating expenses	527,354	247,317	118,468	52,626	945,765
Total operating expenses	635,460	318,684	251,414	53,181	1,258,739
Net operating income	212,280	724,938	115,313	71,653	1,124,184
Share of loss from an associate and joint venture	-	-	(12,132)	-	(12,132)
Net income for the period	212,280	724,938	103,181	71,653	1,112,052

SAR '000	September 30, 2017 (Unaudited)				
Other information:	Retail	Corporate	Treasury	Investment and brokerage	Total
Revenue from:					
- External	638,511	2,323,008	(32,124)	144,901	3,074,296
- Inter-segment	551,487	(1,082,071)	530,584	-	-
Total operating income	1,189,998	1,240,937	498,460	144,901	3,074,296

SAR '000	September 30, 2016 (Unaudited)				
Other information:	Retail	Corporate	Treasury	Investment and brokerage	Total
Revenue from:					
- External	590,831	1,745,111	(77,853)	124,834	2,382,923
- Inter-segment	256,909	(701,489)	444,580	-	-
Total operating income	847,740	1,043,622	366,727	124,834	2,382,923

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:

	SAR '000			
September 30, 2017 (Unaudited)	Level 1	Level 2	Level 3	Total
Financial assets held as FVSI				
- Equities	70,674	-	-	70,674
- Mutual funds	5,398	-	-	5,398
Financial assets held as available for sale				
- Equities	112,514	-	-	112,514
- Mutual funds	982,018	-	206,354	1,188,372
- Sukuks	6,751,251	3,166,335	-	9,917,586
Total	7,921,855	3,166,335	206,354	11,294,544

	SAR '000			
September 30, 2016 (Unaudited)	Level 1	Level 2	Level 3	Total
Financial assets held as FVSI				
- Equities	63,891	-	-	63,891
- Mutual funds	6,310	-	-	6,310
Financial assets held as available for sale				
- Equities	313,315	-	-	313,315
- Mutual funds	492,010	-	213,763	705,773
- Sukuks	-	2,231,938	-	2,231,938
Total	875,526	2,231,938	213,763	3,321,227

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.

	SAR '000	
September 30, 2017 (Unaudited)	Carrying value	Fair value
ASSETS		
Due from banks and other financial institutions	9,066,712	9,024,613
Investments - at amortized cost	1,906,845	1,909,759
Financing, net	77,811,524	77,779,098
LIABILITIES		
Due to banks and other financial institutions	2,093,887	2,094,762
Customers' deposits	87,229,456	87,255,786

September 30, 2016 (Unaudited)	SAR '000	
	Carrying value	Fair value
ASSETS		
Due from banks and other financial institutions	17,099,696	17,001,523
Investments - at amortized cost	2,906,280	2,886,974
Financing, net	69,274,795	68,715,586
LIABILITIES		
Due to banks and other financial institutions	4,829,540	4,829,862
Customers' deposits	77,318,645	77,272,923

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.

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)	September 30, 2016 (Unaudited)
	SAR'000	SAR'000	SAR'000
Credit risk weighted assets	93,854,984	89,919,894	92,503,707
Operational risk weighted assets	6,366,341	5,631,488	5,447,064
Market risk weighted assets	724,828	663,137	280,165
Total Pillar-I Risk Weighted Assets	<u>100,946,153</u>	<u>96,214,519</u>	<u>98,230,936</u>
Tier I capital	20,101,154	19,178,460	18,725,194
Tier II capital	746,758	573,800	492,769
Total Tier I & II Capital	<u>20,847,912</u>	<u>19,752,260</u>	<u>19,217,963</u>
Capital Adequacy Ratio %			
Tier I ratio	20%	20%	19%
Tier I + Tier II ratio	21%	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	Employees Share grant scheme (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	0.5 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 (September 30, 2016: SAR 3.3 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 Muharram 21, 1439H (corresponding to October 11, 2017).