



Annual Report 2017





The Custodian of the Two Holy Mosques
King Salman bin Abdulaziz Al Saud



Crown Prince Mohammed bin Salman bin Abdulaziz Al Saud
Vice President of the Council of Ministers and Minister of Defense



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Greetings

Greetings

Alinma Bank's growth and achievements continued apace in 2017. For this, we must thank our partners for their trust, as well as the bank's staff, for their efforts in providing the distinguished level of service that our valued partners deserve.

As always, we remain committed to the bank's values and principles, and we continue to express them in demonstrable fashion to our partners through our "We Care" slogan. In doing so, the bank has been able to unleash our staff's full capacity for creativity, excellence, and leadership, which they in turn communicate with full transparency when dealing with our partners. We truly care about all partners, and seek to show this by providing personal attention in all their interactions with the bank. Nowhere is this more clear than in our branches, which have been purpose built as the very embodiment of the bank, and

where service, technological advancement, and genuine care are on display daily.

2017 saw Alinma Bank launch a range of new products and services and receive numerous accolades for its performance. This is a continuation of the bank's legacy of service and excellence, which we will strive to perpetuate going forward. We will accomplish this through the diligent work of our talented staff, whose attention to detail and commitment to the mission and vision of the bank makes all that we do possible. It has been our distinct pleasure to serve our partners throughout 2017 and we thank them for giving us the opportunity to address their real needs and aspirations. We look forward to their continued confidence in Alinma Bank and our continued growth prosperity.

Alinma Bank ... For Our Growth

Vision Mission Values

The Bank's Vision

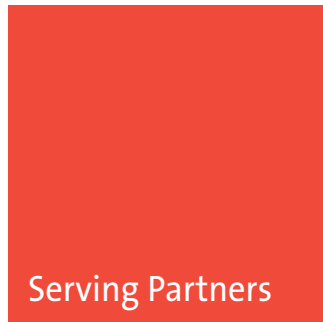
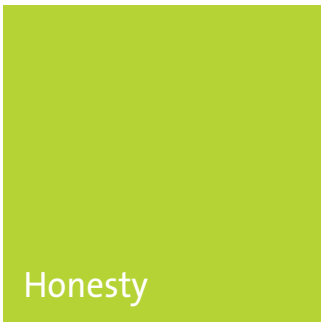
To be your preferred financial partner.

The Bank's Mission

To provide our partners with total Shariah-compliant financial solutions through the best workplace that achieves sustainable development and participates in serving our community.

The Bank's Values

The bank has established a work environment based on clear values to which all Alinma employees should commit:



Establishment

Establishment

Alinma Bank was established under Royal Decree No. M/15, dated 28 Safar 1427, corresponding to March 28, 2006, and under Commercial Registration No. 1010250808 dated 21 Jumada Al-Ula 1429, corresponding to May 26, 2008. The bank has been authorized to engage in all aspects of Shariah-compliant banking and investment services.

Capital

The bank was established with SAR 15,000,000,000 in capital, divided into 1,500,000,000 ordinary shares, each with a nominal value of SAR 10.

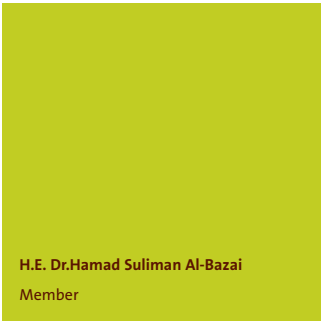
Founders

The founding shareholders of the bank are as follows: the Public Investment Fund, the Public Pension Agency and the General Organization for Social Insurance. Upon the establishment of the bank, 10% of its shares were allocated to each of the founding shareholders. The remaining 70% of the shares were offered for public subscription during Rabie II 1429 (April 2008).

Members of the Board of Directors



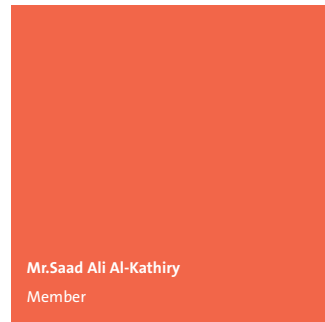
H.E. Engr.
Abdulaziz Abdulla Al-Zamil
Chairman



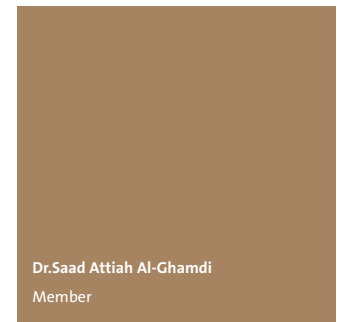
H.E. Dr. Hamad Suliman Al-Bazai
Member



Mr. Abdulmohsen Abdulaziz Al-Fares
Managing Director & CEO



Mr. Saad Ali Al-Kathiry
Member



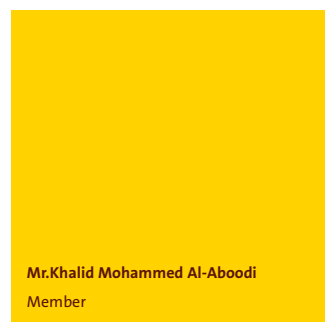
Dr. Saad Attiah Al-Ghamdi
Member



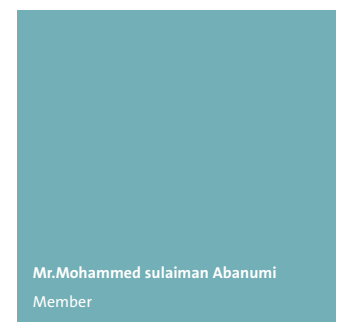
Engr. Mutlaq Hamad Al-Morished
Member



Mr. Abdulmohsen Abdulaziz Al-Hussain
Member



Mr. Khalid Mohammed Al-Aboodi
Member



Mr. Mohammed Sulaiman Abanumi
Member

Message from the Chairman of the Board of Directors



It is my pleasure to present to you, on behalf of myself and my colleagues on the Alinma Bank Board of Directors, the annual report for the fiscal year that ended on December 31, 2017, which highlights the results of the key activities of the bank, operational results, and audited financial statements for the past year.

At the outset, I would like to note the pride I have for the achievements and results accomplished in 2017; and I commend the efforts exerted by our employees. These efforts helped Alinma to maintain the strength of its financial position despite intense competition and the challenges that faced the national and international economy in 2017. We are determined to continue upon our growth trajectory, providing the most innovative, exemplary, Shariah-compliant

products and services to our valued partners.

Alinma achieved outstanding financial and operational results in 2017, which can be summarized as follows:

- The bank's net profit amounted to SAR 2,011 million, compared to SAR 1,502 million in 2016, an increase of 34%.
- The bank's assets increased during 2017 by 10% compared to the previous year, and stood at SAR 115 billion, compared to SAR 105 billion in 2016.
- The total operational profit during 2017 amounted to SAR 4,373 million, compared to SAR 3,328 million in 2016, an increase of 31%.
- Profits from core activities in 2017 reached SAR 3,493 million, compared to SAR 2,652 million in 2016, an increase of 32%.
- The financing portfolio on December 31, 2017 amounted to SAR 79.1 billion, compared to SAR 70.3

billion on December 31, 2016, an increase of 12%.

- Partner deposits reached SAR 89 billion at the end of 2017, compared to SAR 81 billion in 2016, an increase of 10%.

I would like to take this opportunity to extend my thanks and appreciation to my colleagues on the board of directors, the managing director/CEO, and all Alinma staff members, for the hard work, cooperation, and collective dedication that have yielded outstanding results and accomplishments over the past year.

Last, but not least, I would like to extend my thanks and appreciation to the Custodian of the Two Holy Mosques, King Salman Ibn Abdulaziz Al Saud; and HRH the Deputy Crown Prince, Deputy Prime Minister and

Minister of Defense, Prince Mohammed Ibn Salman Ibn Abdulaziz Al Saud, for their continued support for the development of the kingdom and its economy, including supporting and strengthening the banking sector, which is the cornerstone of our national economy. I also would like to thank the Ministry of Finance, the Ministry of Commerce and Investment, the Saudi Arabian Monetary Authority, the Capital Market Authority and other related authorities for their support of the Saudi banking sector and the national economy.

Eng. Abdulaziz Bin Abdullah Al-Zamil
Chairman of the Board of Directors

Message from the Managing Director/CEO



Alinma Bank continues to grow and achieve its financial, social, managerial, and human capital development objectives. Furthermore, it continues its technological and information security development as well, with the ongoing implementation of international banking industry standards. All of this is being done in order to ensure that Alinma continues to provide only the very best service to its partners, understanding and addressing their financial needs.

2017 was yet another successful year for Alinma, with the bank continuing to achieve strong profitability year over year. Additionally, the bank made numerous operational strides as well, including extension of its branch and ATM networks, growth in its partner base, ongoing product and service development and enhancement, and asset, financing portfolio, and deposit growth.

In terms of products and services, one of the bank's standout products in 2017 was the Alinma Family Account. This innovative, first-of-its-kind product, is an important tool for families focused on saving, financial planning and developing

general financial literacy. Through the account, partners can give family members the flexibility to handle their own financial affairs independently, while maintaining overall spending limit control. Additionally, this new product falls in line with Vision 2030 saving objectives and it joins Alinma's ever-growing collection of protection, savings and investment products, all designed to address partner needs and aspirations.

Partner outreach was another highlight of 2017, with the bank holding several workshops for its corporate partners to brief them on the latest developments in international rules, regulations and practices related to letters of credit, as well as rules and regulations issued by the International Chamber of Commerce. Corporate partners received hands-on corporate account management training as well as information on how to avail themselves of the bank's products and services.

In 2017, Alinma Bank again made strides in its technological development, where it has invested significant time, money, and effort. The bank was the first in the kingdom to launch coin

deposit machines and small denomination ATMs. It also partnered with Reuters to launch an Islamic deal tracking application, which replaced previous manual tracking processes, another first in the kingdom. And Alinma's ATM reliability and widespread availability was lauded by the Saudi Arabian Monetary Agency (SAMA).

2017 also saw Alinma receive numerous awards and recognition for both its financial and operational excellence. In particular, the Alinma brand continued to grow in strength and was named one of the top ten brands in Saudi Arabia by YouGov. Alinma was also recognized by Kantar Millward Brown, one of the top market research firms worldwide, as one of the top 20 brands in Saudi Arabia.

Corporate social responsibility was another important theme for Alinma in 2017. The bank continued to support and advocate for the growth of Shariah-compliant banking, organizing a seminar on the short-selling of securities. It collaborated with the King Abdulaziz Foundation for Research and Archives to sponsor the "Madinah Libraries Exhibition" as part of the kingdom's effort to promote the city of Madinah

as the capital of Islamic tourism. The bank also participated in the establishment of a science park at the Qassim Scientific Center, and dedicated an exhibition there to Shariah-compliant banking and Saudi currencies.

In conclusion, I would like to extend my thanks and appreciation to the government of the Custodian of the Two Holy Mosques, King Salman Ibn Abdulaziz, and HRH Prince Mohammed Ibn Salman Ibn Abdulaziz, for the great effort they have exerted in serving the kingdom and its economy. I would also like to thank Alinma's chairman and members of the board of directors, members of the Shariah Board, and all employees of the bank for the dedication they have shown in serving the bank's partners and shareholders.

Our care for our partners exceeds expectations. At Alinma Bank, we believe in the importance of this partnership and we will continue to spare no effort in improving partner satisfaction and helping them realize their aspirations.

Abdulmohsen Bin Abdulaziz Al-Fares
Managing Director/CEO

Key
Accomplishments
of 2017

Alinma Bank: Continued Growth

Alinma Bank achieved rapid growth in 2017, as shown by the following results:

- The partner base increased 19% compared to 2016
- Deposits increased by 10%
- The number of partners who took out retail financing increased 27%
- Total financing increased 12%
- ATM cards issued rose 18%
- Transactions executed through ATMs rose 12%
- The number of partners registered with Alinma Phone increased 20%
- The number of registered Alinma Internet users increased 29%
- Transactions executed via Alinma Internet increased 24%
- The number of registered Alinma Mobile users increased 32%
- The number of registered Alinma smartphone application users rose 30% and the number of transactions executed through the application increased 28%
- Assets grew 10%

Retail Banking: Modern Products and Services

The Retail Banking group contributed significantly to Alinma's remarkable growth and achievements in 2017:

- Number of accounts and partner base grew significantly
- Branches grew 12%
- Card issuance increased 18%
- Number of ATMs grew 7% from 1340 at the end of 2016 to 1436 at the end of 2017
- POS terminals rose from 17,549 in 2016 to 20,719 in 2017, an increase of 18%

With its 2017 performance, Alinma has become a leading bank in the Saudi market and was ranked first in terms of active POS terminals during the first half of 2017. Alinma was ranked second in terms of key performance indicators for the service and distribution of its ATMs, and the bank was also classified as a leader in Mada POS terminal transactions during the first half of 2017.

Product offerings likewise expanded during 2017, with Alinma supporting affordable housing through its collaboration with the Real Estate Development Fund and the Ministry of Housing. The bank also saw great success with the Alinma Makkah Real Estate Fund, and reached out to government and commercial sectors with its E-Payment Gateway, linking and integrating external systems directly with the bank's systems (B2B).

Other key product developments were as follows:

- The Alinma Family Account, which gives family members of partners the flexibility to handle their own financial affairs independently, while giving partners overall spending limit and account permissions control
- Automation of early and partial payments for financing
- The SADAD online account service
- The online opening of investment portfolios
- Coin deposit machines
- Small denomination ATMs
- Issuance of cards directly through ATMs
- The Alinma Homemaker Account with prepaid card service

Human Capital: Continuous Investment in Human Talent

Alinma continued its talent identification and training efforts in 2017, graduating its second class of Al Qawi Al Ameen program participants. This cohort was given specialized corporate

Alinma Bank ranked first in terms of active POS.

banking training to prepare participants for work as credit analysts and partner relations officers. Participants completed 1472 theoretical training days followed by 2608 practical training days. The program was designed to provide participants with a balance of theoretical and on-the-job training, focusing on building personal capacities and supporting them with practical study. Participants were then assessed and successful individuals were hired into suitable positions within the bank.

Regarding ongoing training and development in the bank, the following was achieved:

- The bank conducted 8078 training days for a total of 1958 participants. Training included knowledge, skill and behavioral courses in banking, financial, legal and administrative areas. Other courses were also provided on computer systems as well as products and services offered by the bank. The courses were offered by a number of specialized training providers.
- Total training days conducted by the bank since its inception amounted to 64,985 training days; and the total number of participants reached 14,218.
- Alinma conducted management training through its iLead program, designed to provide middle managers with skills necessary to carry out leadership and management roles.
- Launch of Alinma Bank's E-Learning Academy, which provides Alinma staff with e-learning services in collaboration with Knowledge City Corporation in the United States.
- Launch of the third phase of Alinma's leadership training program for 30 selected managers and executives with the aim of developing and promoting leadership, managerial and banking skills and capabilities. 177 persons promising staff members have participated in the program since its launch in 2015.
- Succession planning programs for 15 leadership tier staff members.
- Managerial coaching for 61 managers who were trained in important leadership skills, such as listening, raising useful questions, and enhancing interpersonal communication.

Student Training

As part of its corporate social responsibility efforts, Alinma continued to partner with a number of Saudi universities to provide their students with valuable co-op learning experiences.

Year	Male Trainees	Female Trainees
2008	8	0
2009	5	0
2010	15	0
2011	19	20
2012	27	26
2013	35	24
2014	38	37
2015	47	130
2016	40	84
2017	61	58
Total	295	379
Total (males and females)	674	

Shared Services Group

In 2017, Alinma Bank continued to develop advanced and secure banking systems for its partners based on its vision to be the preferred financial partner for all. It also improved the performance and availability of current banking systems in order to cope with the significant increases in operations that resulted from the growing partner base, and the increase in the number of branches and ATMs. This approach positively impacted achievements made by the bank during 2017.

New Systems and Services:

Alinma launched several new products and services in 2017, among which were several initiatives aimed at supporting the kingdom's Vision 2030 efforts. In particular, Alinma coordinated with a number of government agencies, such as the Ministry of Finance and the Saudi Arabian Monetary Authority, to complete project which included the following:

- 1. Business Billing System:** This is an integrated system that allows corporate partners to automatically collect invoices payable by their customers. The partner can define invoices, link them with payments received from customers according to corresponding data in the partner's systems, and send payments directly to the partner's system. This system supports the ability to search for invoices and payments as well as providing end-of-day reports.
- 2. Corporate Credit Application System:** This system processes credit applications from groups within the bank and obtains necessary approvals quickly and accurately. The system also allows for the storing of all documents automatically in order to better facilitate review and future retrieval.
- 3. Integration with the Ministry of Finance:** Integration with the Ministry of Finance to make payments automatically without human interference.
- 4. Integration with the Ministry of Housing:** Integration with the Real Estate Development Fund to enable the bank's partners to avail themselves of real estate financing support programs. This is done by facilitating submission of financing applications through the bank's branches.
- 5. Alinma Investment Website Relaunch:** Alinma Investment's website was redesigned and relaunched with a new look, new features, and additional new services, all designed to ensure partner satisfaction.
- 6. Shariah-Compliant Transaction Converter:** An automated system was developed to handle Shariah-compliant treasury transactions, integrating them into the bank's platform after analyzing tickets and conversations to ensure compliance with Shariah provisions. The development of this system was in line with the bank's plans to streamline the execution of operations, controls, and systems. This is a first-of-its-kind system in Saudi Arabia.
- 7. Expense Cards for Public Schools:** This enables partners in the public sector (Ministry of Education schools) to issue petty cash expense cards. Spending limits and other controls can be adjusted through the Alinma Corporate Internet service.
- 8. Capital Market Authority (CMA) Initiatives:** Alinma enhanced and developed its systems in collaboration with the CMA to ensure the bank's compliance and compatibility with CMA initiatives, which included the switch to a securities transactions settling period of two (2) business days, and the launch of the NOMU parallel trading market for small cap stocks.
- 9. Comprehensive Partner Profitability Analysis:** This system calculates corporate partner profitability through the analysis of costs and returns related to financing and investment contracts, letters of credit and guarantee, and currency conversion. Comprehensive reporting then presents partner profitability from both micro and macro perspectives with the ability to tailor reports for specific bank functions such as relationship management, branch operations, and product and partner segmentation.
- 10. Enterprise Risk Management System:** An integrated system that automates Basel II and III regulatory reports, and conducts internal capital adequacy assessment processes (ICAAP). Through this system, the bank may identify and assess risks in a comprehensive manner and then issue appropriate strategic and operational decisions to address such risks and minimize their impacts, in addition to complying with SAMA's requirements (second pillar).
- 11. Mada Mobile Payment Service:** Alinma's adoption and integration of the Mada payment system has enabled Alinma Mada cardholders to execute purchase transactions via POS terminals that support the Mada Ather contactless payment service. Alinma Bank was one of the initiator banks for this project in collaboration with SAMA.

Partners base
increased 19%

12. Small Denomination ATMs: Alinma Bank was the first bank in Saudi Arabia to install small denomination ATMs in selected Alinma branches. Through the ATMs, Alinma Mada card holders can execute withdrawals of small denomination currency notes – SAR 1, 5, 10.

13. Coin Deposit Machines: Alinma Bank was the first bank in Saudi Arabia to install coin deposit machines at selected Alinma branches. Through the machines, partners can conveniently deposit coins into their accounts. The bank has 22 such machines in branches across the kingdom.

Other key internal initiatives were also launched in 2017, including those related to budgeting and consolidation of financial statements, both of which were automated, thus increasing efficiency and reducing costs.

Infrastructure and Technical Support Updates and Enhancements:

Alinma Bank's head office data center has been expanded to cope with increased transaction loads and new services provided by the bank. A backup data center also has been added to archive data and ensure business continuity. Additionally, Alinma continued to add in enhanced capabilities related to data security, systems, networks, and devices. Lastly, initiatives related to cost reduction for systems and middleware have been finalized.

Technical Support:

In 2017, Shared Services continued execute on its commitments to other bank groups and departments via the various service level agreements (SLAs) it has with them, and established a new SLA with Alinma Investment Company. Through these agreements, a self-service channel was added to the two existing self-service channels (phone and e-mail) to enable staff to submit assistance and technical support requests. This has given staff greater flexibility and effectiveness in submitting and following up communications, as well as assessing service levels provided by technical support teams.

Banking Operations:

Operational effectiveness was another focus of Shared Services in 2017. Toward that end, several automation projects were completed, thus increasing efficiency, reducing costs and minimizing risks related to manual implementation:

- Automated archiving of sales receipts for POS operations
- System for monitoring transactions and operations executed by corporate partners and for organizing workflows
- The use of barcode on accounts to enhance authentication, tracking, and retrieval of documents
- Automation of manual work procedures related to claims settlements against Alinma ATM and POS terminal transactions
- Automation of check clearing mechanisms
- Cash center enhancement and subsequent compliance with new coin and cash currency issuances
- Automated foreign currency exchange transaction reconciliation procedures for the Treasury group
- Automated direct debit operations for transaction requests from other banks
- Automated payments for bank departments including end-of-day reporting

Engineering Department:

Expansion of the bank's physical infrastructure across the kingdom continued in 2017 with the following:

1. Construction of 14 new branches, with 10 fully functioning at the close of 2017
2. Installation of 178 new ATMs
3. 5237 successfully completed branch and ATM service requests

Business Continuity:

The bank continued to develop its administrative and technical capabilities to ensure readiness against various categories of risk. The bank also worked to ensure business continuity regardless of the circumstances facing the bank. This included the following:

- Full and complete updating of business continuity plans across the entire bank
- Redesign and preparation of the bank's backup systems to accommodate use by more than 200 employees

Deposits increased
by 10%

- Periodic tests of employee readiness and stress testing of overall continuity plans as they apply to the operation of basic systems and infrastructure of the bank
- Implementation of international business continuity best practices and full compliance with local standards
- Business continuity workshops for staff along with a new business continuity management platform that includes educational materials and approved policies

User Access Controls and Permissions:

In order to protect the bank's assets, reduce risks related to unauthorized access bank systems, and increase operational efficiency, the following actions were taken in 2017:

1. Activation of a unified control system for accessing sensitive bank servers
2. Implementation of the bank's Identity Management System (IDAM), which controls the granting of access privileges
3. Implementation of an electronic document management and archiving system

Striving for Leadership in Serving Corporate Partners

The Corporate Banking group continued its outstanding performance in 2017 by achieving growth in all market segments while maintaining the quality of its portfolio. The corporate sector financing portfolio grew 14%, while SME financing increased 69%. Trade and guarantee transactions grew 8% in the corporate sector and 18% in the SME sector. The bank's partner base grew 1% in the corporate sector 66% in the SME sector.

These outstanding results are the outcome of a balanced strategy for capturing financing opportunities, business development efforts, and effectively observing risk factors. The bank offers a wide range of Shariah-compliant products and financing solutions to its partners that meet their needs in areas of trade and industry financing, infrastructure project financing, real estate development, and financing of power and petrochemical projects.

Treasury Group

The Treasury group continued to adopt a conservative approach in 2017, in anticipation of global economic and political fluctuations, by following balanced strategies to manage all treasury operations such as foreign exchange management and investment portfolio management. In addition, the asset and liability management team managed liability requirements carefully to finance the core activities of the bank, which in turn contributed to the bank's outstanding results during 2017.

2017 witnessed the remarkable success of the bank's investment portfolio and, in particular, its Sukuk portfolio, which was buoyed by Saudi government Sukuk investment. The policy and strategy of establishing the Sukuk portfolio followed a conservative and gradual approach that captured low-risk market opportunities. The portfolio achieved strong returns in most of its investments and is well positioned to take advantage of unique investment opportunities at the local, regional and global levels going forward.

The Treasury Sales unit showed solid expansion in its partner base, which came as the result of direct interaction with Alinma partners in collaboration with other business lines within the bank. The Foreign Exchange unit continued its efforts to maintain the strength of its market position, and added a number of new currencies as per partner needs, effectively growing the bank's market share in banknotes. With regard to strengthening the commercial relationship with local, regional and global financial institutions and governmental and semi-governmental agencies, significant progress has been made in diversifying and securing liquidity sources with such agencies.

One of the most significant achievements in 2017 was linking the bank's system with Reuters Dealing Application for Shariah-compliant transactions, making Alinma the first bank in the kingdom to apply this procedure.

Alinma Investment: Fruitful Partnership

Alinma Investment Company, the investment banking subsidiary of Alinma Bank, continued to offer its distinct investment services to partners. A number of key investment products were offered in 2017 related to real estate development, income-generating funds, and private ownership funds.

A number of new investment funds were offered during 2017, bringing the total number of existing investment funds to sixteen, including public and private real estate funds, private ownership funds, and public investment funds for capital markets with total assets under management equaling SAR 27 billion, with a growth rate of more than 10% in the size of managed assets compared to the previous year. During 2017, Alinma Investment Company successfully launched the first money-generating public real estate fund with capital of SAR 6.90 billion and a subscription coverage rate of 222%.

The increase and expansion in the company's products and services resulted in the growth of the partner base by 35% compared to previous year. This is part of the company's strategy to grow by meeting partners' investment needs.

Alinma Investment Company provides its partners in the private sector with advisory services, by providing investment banking services, such as the provision of special consultations to acquire private schools. In 2017, Alinma Investment Company also provided advisory services to major real estate development companies related to the sale of three hotels and commercial malls. The company was also appointed as an advisor for a major Saudi merger. Alinma Investment Company was also appointed as an arranger and associate director of Saudi Aramco's SAR 37.5 billion Sukuk program.

To accommodate the growth of the aforementioned business activities, Alinma Investment Company expanded its team of qualified staff members in 2017, adding competencies required to effectively address ever-evolving partner needs and objectives.

Social Responsibility

Alinma Bank places great importance on community service, with service being a value that the company is built upon. Alinma views itself as member of the community and a member of society. As such, it has a responsibility to give back and to help enrich the lives of people. To encourage staff to commit themselves to this mission, the bank has developed an employee service charter to help inculcate a culture of service at the bank:

I Am Alinma Bank

Community service is my duty: Alinma employees are part of society and we give everything we can to serve it (expertise, information and work). We should also leave a good impression both inside and outside the bank.

Community aspirations are my objectives: The compatibility and suitability of programs and activities carried out by the bank are fundamental to the objectives we endeavor to achieve. Therefore, the success of these programs depends on all staff, each according to his or her position. Our understanding of the importance and effect of individual in community service represents our biggest motivator.

Community development is my development: Since I am part of society, I aspire to contribute to community development, as this will be reflected in my own progress and the development of society as a whole.

I am a representative of the bank: People look at me as a representative of Alinma Bank, which is reflected in my behavioral practices, as they are an extension of the bank's values and convictions. Therefore, it is imperative for me to exercise and maintain good manners and behavior and avoid any act that may harm society.

Alinma Bank Social Programs, Activities and Sponsorships in 2017

Since its establishment, Alinma Bank has strived to play an active role in community service. Below is a summary of some contributions made by the bank in 2017:

Transactions
executed via Alinma
Internet increased
24%

- **Enhancing Alinma Bank's Participations in Social Responsibility**

The Alinma Bank General Assembly approved, at its meeting on April 6, 2017, the allocation of an amount not exceeding 1% of annual net profits to a dedicated reserve account for community service. Use of the funds is subject to program needs and approval by the Alinma Bank Board of Directors.

- **Knowledge Society Transformation in Partnership with the Ministry of Education**

The Ministry of Education and Alinma Bank signed a cooperative agreement to support initiatives of the National Center for the Development of Science, Technology, Engineering and Mathematics (STEM). The initiatives, which are part of the kingdom's National Transformation Program, and are in line with the Saudi government's Vision 2030, aim to promote a transition towards a knowledge economy and to increase STEM skills among Saudi students. Among the initiatives outlined in the SAR 3 million agreement is an exhibition on the scientific contributions of Islamic civilization throughout history that will be featured at the Al-Qassim Science Center. Alinma will further support the state-of-the-art science and technology facility by sponsoring other rotating exhibitions in the fields of manufacturing, banking, economy and other STEM-related disciplines.

- **Seminar on Short-Selling Securities**

Alinma Bank organized a seminar for the discussion of short-selling securities. The event was attended by researchers, academics, and other specialists and professionals from the major financial institutions in the kingdom. Alinma Bank regularly sponsors panel discussions that highlight jurisprudential rulings on contemporary financial issues. This is part of the bank's commitment to enriching the intellectual discourse on Shariah-compliant banking and finance.

- **King Abdulaziz Foundation for Research and Archives (Darah) Sponsorship**

Alinma Bank signed an agreement with the King Abdulaziz Foundation for Research and Archives (Darah) to sponsor its museum, activities and publications of its libraries in Madinah for SAR 3 million riyals. The sponsorship will help enable Darah to execute the important work of restoring and bringing to the public, for the first time in history, rare Koranic manuscripts, as well as unique artifacts from the life of the Prophet Mohammed and the early era of Islam. All will be available for public viewing at a dedicated exhibition in Madinah.

- **Scholarship Program Support**

Alinma Bank entered into a professional partnership agreement with the Ministry of Education and the Saudi Arabian Monetary Authority (SAMA) whereby selected students will be sent to study at international universities as part of the Custodian of the Two Holy Mosques Scholarship Program. Alinma Bank participates in this program as part of its ongoing effort to support the development of talented young Saudis.

- **Affordable Housing**


After completing a number of agreements with the Real Estate Development Fund (REDF), Alinma Bank began, in 2017, receiving applications from citizens to participate in the bank's subsidized real estate financing program. Through the program, Alinma supports the government's effort to increase home ownership amongst Saudi citizens by providing the additional financing needed to purchase a home under REDF's current initiatives.

- **Student Visits to Alinma Bank**

Alinma Bank has, for several years, cooperated with local universities to give their students valuable insights into the world of work at a major Saudi bank. On a regular basis, Alinma invites university groups to visit the bank, tour its facilities and to hear from experienced staff on their experiences working in the banking industry. Various on-the-job training opportunities also enhance students' understanding of the bank's operations.

- **Co-op Training**

For several years, Alinma has provided formal co-op training opportunities for students enrolled in local Saudi universities. The programs are available to both male and female students and fulfill curricular training requirements at participating universities.



Card issuance
increased 18%

- **The Alinma Family Account**

In 2017, Alinma Bank launched its new Family Account for bank partners, a first-of-its-kind product that facilitates the efficient management of household finances. With the Family Account, primary accountholders can create subaccounts for their immediate family members and can then manage the balances, spending limits and authorizations related to those accounts. All of this can be executed directly through the bank's Alinma Internet service, including the account opening process, without the need to visit an Alinma Bank branch. No fees are assessed for opening a Family Account. The service promotes saving and financial literacy and is in line with various Vision 2030 goals for saving.

- **Workshops for Corporate Partners**

Alinma Bank regularly holds workshops for its corporate banking partners in major cities across the kingdom. These workshops aim to introduce new Shariah-compliant products, including financial and banking solutions, that enable commercial entities to make use of and manage cash flow. The workshops also provide instruction on e-banking services, which help simplify and streamline partners' businesses.

- **Employment Exhibitions and Career Fairs**

During 2017, Alinma Bank participated in several employment exhibitions and career fairs at universities around Saudi Arabia. The bank does this as part of its commitment to identifying, hiring and then training talented young Saudis.

Alinma Bank has been a consistent and active participant in social responsibility efforts since its inception. In the bank's early years, it was a founding member of the Riyadh National Entrepreneurship Institute; and the bank continues to support the growth and development of the SME sector to this day. Alinma also has a long-standing relationship with Saudi Arabian Disabled Children's Association for which it produces annual Eid greeting cards. Other key social responsibility projects include the following:

- Opening of a charitable account for Charitable Society for Orphan Care and the Down Syndrome Charitable Association. The bank included these entities in the list of organizations to which bank partners can donate from their current accounts.
- The bank participated in the charitable campaigns organized by the Saudi government to provide assistance to the Syrian people.
- Alinma continues to provide website, smartphone, ATM and branch access for sight-impaired individuals.
- Alinma continued to utilize its ATMs to support awareness messages from the government on issues critical to society.

Awards and Achievements of Alinma Bank in 2017

Islamic Bank of the Year Award – The Banker Magazine

The Banker magazine named Alinma its “Islamic Bank of the Year – 2017” for Saudi Arabia. The award recognizes the overall excellence of the bank’s performance including its financial growth, its major financing agreements, and its operational achievements.

Fastest Growing Bank in Saudi Arabia – International Finance Magazine

In recognition of its outstanding financial results over the past year, Alinma Bank was named “Fastest Growing Bank in Saudi Arabia” by International Finance magazine. The bank continued to maintain rising growth rates that exceeded the performance of its competitors.

Alinma Bank Recognized as a Top 20 Saudi Brand

Kantar Millward Brown, one of the top market research firms worldwide and a member of the prestigious WPP family in the field of marketing and advertising, ranked Alinma Bank as one of the top 20 brands in Saudi Arabia. According to Kantar Millward Brown, this recognition came as a result of the bank’s efforts in making its brand felt deeply by its partners and its success in confirming the principle of partnership, which the bank pursues with its partners and translates into its vision and objectives.

Alinma ATM Services Rated Among Best in Kingdom

The Saudi Arabian Monetary Authority (SAMA) honored Alinma Bank as one of the first Saudi banks to have the highest rating on key performance indicators in ATM services and availability. Alinma Bank received this award for its excellence in withdrawal and deposit services, operational efficiency, cash management and cost control.

Deal of the Year Award – The Banker Magazine

The Banker magazine presented Alinma Bank with its “Deal of the Year-Middle East-Islamic Finance” award for Alinma’s participation in the SAR 8.4 billion Alinma Jeddah Economic Fund to finance the construction of Jeddah Tower and a number of major real estate projects within the overall scheme of the project. The fund is financed by Alinma Bank and managed by Alinma Investment Co.

Best MENA Refinancing Award

IJ Global magazine, a Euromoney Group publication, presented Alinma Bank with its “Best MENA Refinancing” award for the bank’s role in refinancing the Rabigh 1 Independent Energy Project on the west coast of the kingdom. Alinma contributed SAR 3.2 billion of total refinancing value.

Best Shariah-compliant Murabaha/Bai Al-Ajel Refinancing

Islamic Finance News, a RedMoney Group publication, presented Alinma Bank with its “Best Shariah-compliant Murabaha/Bai Al-Ajel Refinancing” award for the bank’s role in the refinancing of the National Titanium Dioxide Company (Cristal), the world’s second-largest producer of titanium dioxide.

Alinma Bank Launches First Coin Deposit Machines in the Kingdom

In 2017, Alinma Bank became the first bank in Saudi Arabia to launch coin deposit machines at selected Alinma branches. The new machines enable partners to directly deposit coins into their accounts. This service has been added to enhance the partner experience by providing the very best and latest in banking technology and service convenience.

Reuters Deal Tracking Application

Alinma Bank signed an agreement with Thomson Reuters to develop a new Shariah-compliant deal application with a fully automated deal workflow solution that would support Shariah-compliant financial transactions. The bank’s IT and Treasury groups worked

Alinma app
transactions
increased 28%

closely and cooperatively with Thomson Reuters to implement the project successfully. The application, which is the first-of-its-kind in Saudi Arabia, provides a real-time view of Shariah-compliant deals, through an automated online system that yields greater efficiency by minimizing the process of tracking transactions.

Alinma Bank Recognized as a Top 10 Saudi Brand

In its 2017 report on brand strength in Saudi Arabia, research firm YouGov ranked Alinma Bank among the top 10 brands in Saudi Arabia, making it the only Saudi bank included in the list. The ranking was based on the bank's "Net Promoter Score" which measures the likelihood of individuals to recommend a company or service to family or friends.

Directors' Report

The Board of Directors of Alinma Bank (“the Bank”) is pleased to present the Ninth Annual Report for the year ended December 31, 2017. This report provides information about the Bank’s operations, financial results and future plans together with information about the Board of Directors, its committees and other supplementary information designed to meet the needs of the audience of this report.

Capital and shares issued

The bank was established with SAR (15,000,000,000) in capital, divided into 1,500,000,000 ordinary shares, with a nominal value of SAR 10 each .

Principal Activities of the Bank

Alinma provides a comprehensive range of Shariah-compliant banking services. It takes care of the needs of its partners and strives to provide the best possible services through (153) locations (85 for men, 63 for women and 5 sales centers) as at the end of 2017, supported by the state of the art technology, professionally trained staff, and the best electronic channels including Alinma internet www.alinma.com, Alinma phone 8001208000, Alinma mobile and the wide network of (1,436) ATMs spread across all regions of the Kingdom of Saudi Arabia.

The below table show the activities of the Bank together with their respective contribution to the Gross Revenue:

	Activity’s profit (SAR million)	Percentage%
Income from investments and financing	3,493	80%
Fee from banking services	676	15%
Others	204	5%
Total operating income	4,373	100%

Subsidiary Companies

Alinma Bank owns three Subsidiary Companies that are operating different business activities. Following are the corporate details of Subsidiaries:

Name of Subsidiary	Main Activity	Capital	Percentage of Ownership	Country of establishment	principal place of business
Alinma Investment Company, (a Closed Joint Stock Company)	Authorized to deal in securities as Principal as well as Agent, and to provide Underwriting, Margin Financing, custodianship, Asset Management, Advisory and Arranging services	Authorized: SAR 1,000 million, Paid Up: SAR 250 million	100%	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Tanweer Real Estate Company (a Limited Liability Company)	Facilitates mortgage financing & to hold, on behalf of the Bank, the title to real-estate owned/pledged as collateral against financing extended by the Bank	SAR 100,000	100%	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Alinma Insurance Agency for Cooperative Insurance (a Limited Liability Co.)	The company operates under the relevant SAMA Regulations and the Shariah provisions. It acts as an insurance agency for Alinma Tokio Marine (associate company)	SAR 3 million	100%	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia

The below table summarizes the Operational activities and gross revenue of the Subsidiary Companies together with their contributions to the Bank's results:

	Activity's profit (SAR million)	Percentage%
Fund Management	251	75%
Investment banking and brokerage	56	17%
Others	27	8%
Total operating income	334	100%

Shares and Debt Instruments issued by each Subsidiary Companies

Name of Subsidiary Company	Shares		Debt Instruments	
	Number of Shares	Bank's Ownership	Number of Debt Instruments	Bank's Ownership
Alinma Investment Company	25,000,000	100 %	-	-
Tanweer Real Estate Company	10,000	100 %	-	-
Alinma Insurance Agency for Cooperative Insurance	300,000	100 %	-	-

Credit Rating of the Bank

During 2017, Fitch Rating has reaffirmed the credit rating for Alinma Bank as (BBB+) with a stable outlook.

Financial highlights

Financial highlights of the Bank for the last five years are given below:

(SAR Million)

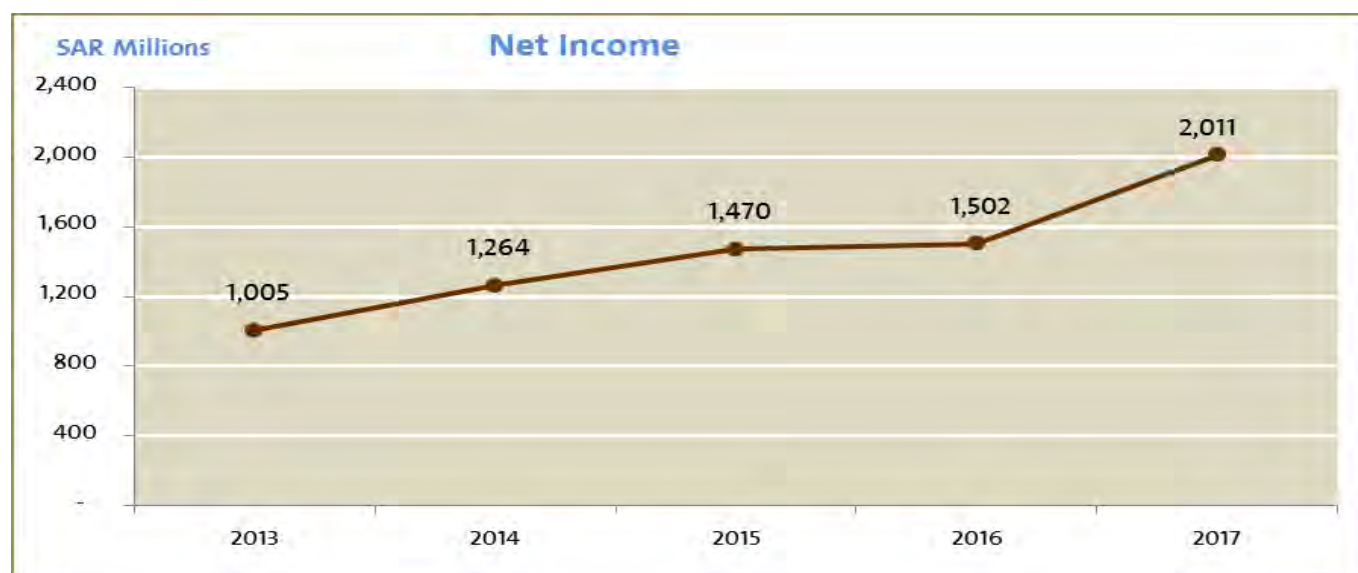
Financial Position	2017	2016	2015	2014	2013
Financing, net	79,063	70,312	57,006	53,637	44,924
Investments (including due from banks and FIs)	25,108	23,799	23,565	18,354	10,372
Total Assets	115,005	104,730	88,725	80,862	63,001
Customers' Deposits	89,065	80,612	65,695	59,428	42,763
Total Liabilities	94,408	85,551	70,372	62,923	46,169
Shareholders' Equity	20,597	19,178	18,352	17,939	16,832

(SAR Million)

Operating Results	2017	2016	2015	2014	2013
Income from investment and financing	3,493	2,652	2,279	2,075	1,835
Fee from banking services	880	676	784	545	444
Total operating income	4,373	3,328	3,063	2,620	2,279
Operating expenses	(1,746)	(1,500)	(1,274)	(1,185)	(990)
Net income before provisions	2,627	1,828	1,789	1,435	1,289
Provision for financing and other assets	(611)	(313)	(308)	(162)	(274)
Share of loss from associate	(5)	(13)	(11)	(9)	(10)
Net Income	2,011	1,502	1,470	1,264	1,005

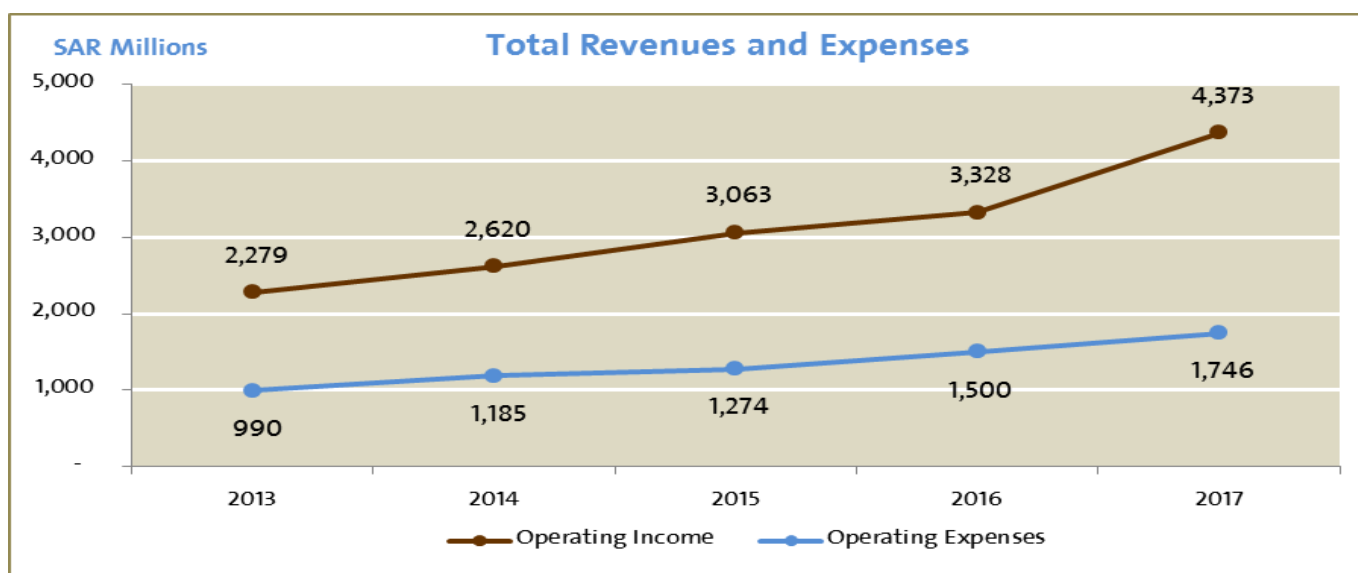
Operating Results

The Bank registered a net income of SAR 2,011 million for the financial year ended December 31, 2017 compared to SAR 1,502 million earned during 2016 with growth of 34%.



The growth in net income compared to previous year was mainly due to the growth in financing and deposits portfolios, improved margins and increase in other core banking activities.

Total operating income for the year ended December 31, 2017 amounted to SAR 4,373 million compared to SAR 3,328 million last year, showing a growth of 31%. Income from investment and financing increased to SAR 3,493 million reflecting a growth of 32% over SAR 2,652 million earned last year. The above growth is directly attributable to the significant increase in the core banking activities and the improved margins earned during the year 2017. On the other hand, the Operating expenses increased relatively at a lower pace by 16% to reach to SAR 1,746 million compared to SAR 1,500 million for previous year. The Bank also made additional provision against Financing at SAR 611 million compared to SAR 313 million for the year 2016. The Bank continued with its strategic expansion plan by adding 9 new locations for men and 5 for women; 96 new ATMs were also installed to reach total 1,436 by December 31, 2017.

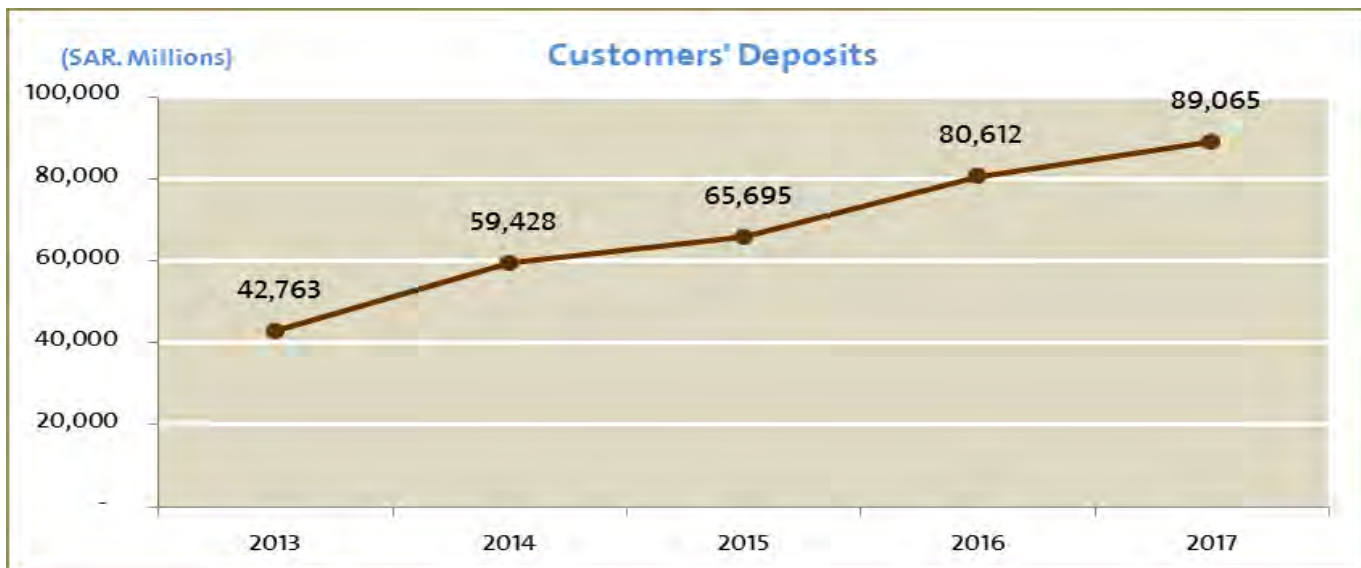
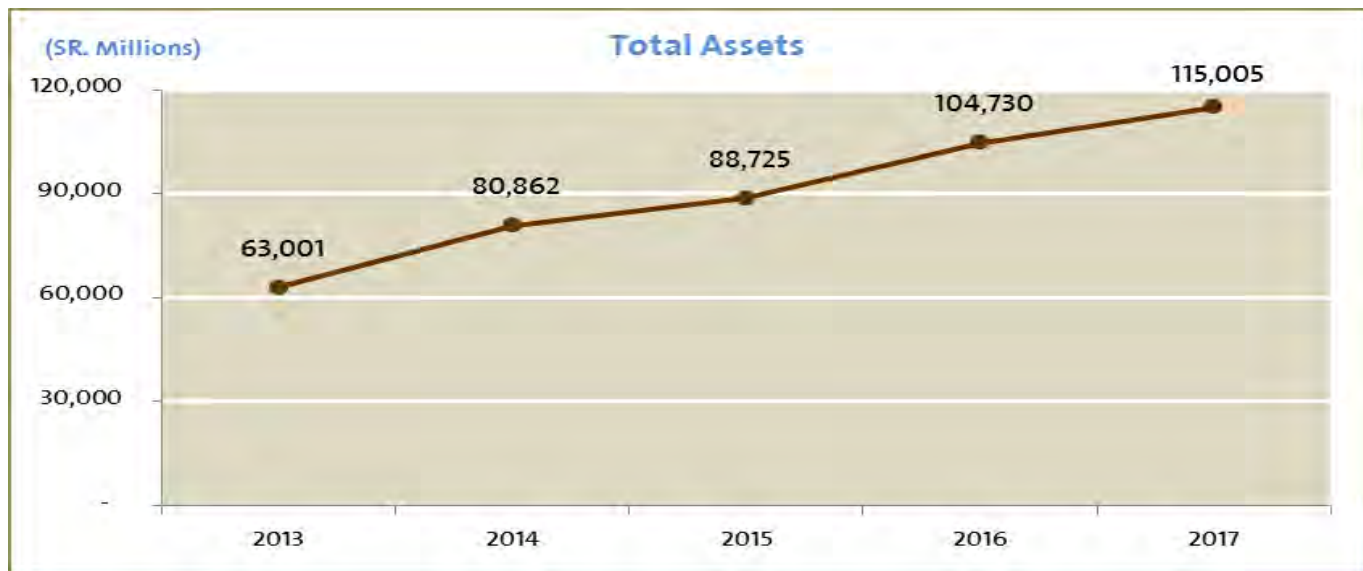


Earnings per Share

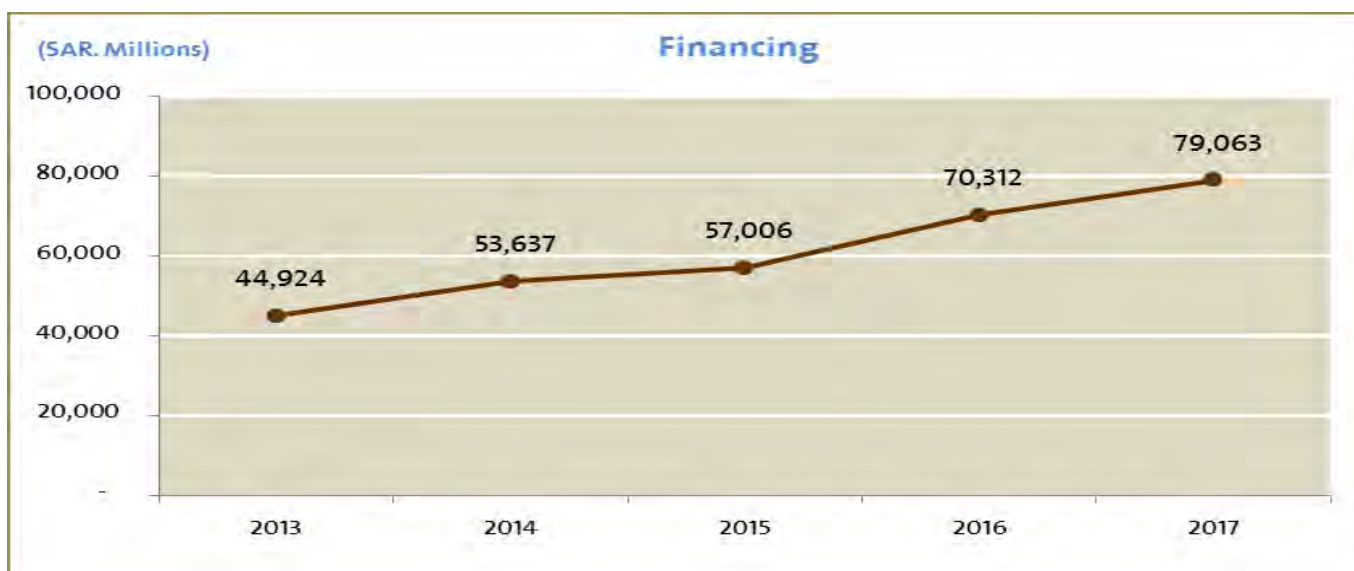
Earnings per share for the year 2017 amounted to SAR 1.35 compared to SAR 1.01 for the year 2016 an increase of 34%.

Financial Position

The bank's assets grew by 10% to SAR 115,005 million as of the year ended Dec 31, 2017 compared to SAR 104,730 million last year. Such growth was mainly driven by the 10% growth in deposits from SAR 80,612 million at the end of year 2016 to SAR 89,065 million as of December 31, 2017.



On the other hand, the financing portfolio also grew by 12% from SAR 70,312 at the end of 2016 to SAR 79,063 million by December 31, 2017.



Shareholder's equity and Capital Adequacy

The shareholders' equity rose to SAR 20,597 million at end of year 2017 compared to SAR 19,178 million as at December 31, 2016. Despite the growth in financing portfolio, the Bank continues to be one of the highest in the industry in terms of CAR at 21% and has significant edge over the minimum Basel requirement of 8%.

Change in Major Shareholding

Following are the change in the composition of the major shareholders holding more than 5% of the shares:

S	Name	Beginning of the year		End of the year	
		Shares	Ownership	Shares	Ownership
1	Public Pension Agency	162,199,680	10.81%	163,337,438	10.89%
2	Public Investments Fund	150,000,000	10.00%	150,000,000	10.00%
3	General Organization for Social Insurance	76,500,000	5.10%	76,500,000	5.10%

Financial Position by Segments

Following is the financial analysis across its major business segments of the Bank.

2017 - (SAR Million)

Particulars	Retail	Corporate	Treasury	Investment & Brokerage	Total
Total Assets	17,703	65,936	30,638	728	115,005
Total Liabilities	59,482	9,165	25,689	71	94,407
Total Operating Income	1,622	1,700	717	334	4,373

2016 - (SAR Million)

Particulars	Retail	Corporate	Treasury	Investment & Brokerage	Total
Total Assets	17,590	57,567	29,125	448	104,730
Total Liabilities	50,956	8,182	26,365	48	85,551
Total Operating Income	1,136	1,440	566	186	3,328

Geographic Analysis of Revenue

Almost the entire revenue has been derived from the banking activities in the Kingdom of Saudi Arabia. The bank's business locations are divided into five regions. The following table shows the bank's revenue allocation across regions:

SAR Million

Total revenue	Western Region	Eastern Region	Northern Region	Southern Region	Central Region	Total
Financial year ended December 31, 2017	641	427	41	36	3,228	4,373
Financial year ended December 31, 2016	595	404	45	35	2,249	3,328

Branches and ATM networks

The Bank opened 9 new locations for men, 5 for women and 4 sales centers during the year 2017 to bringing the total number of locations to 90 for men and 63 for women. In addition, the Bank also added 96 new ATMs bringing the total to 1,436 ATMs by end of the year 2017.

Borrowing by the Bank

Total outstanding funding from banks as of December 31, 2017 amounted to SAR 1,353 million and are maturing maximum by December 2018. The aggregate maximum exposure during the year was SAR 3,846 million. These borrowings represent short term interbank deposits that are used for the day-to-day liquidity management. Neither the Bank nor any of its subsidiaries has obtained any loans maturing upon demand.

Dividend Distribution Policy

As stipulated in article (43) of Alinma bank's By-Laws, the Bank distributes its net income after deducting all general expenses, other costs, providing necessary reserves for bad debts, investment losses and any other items that BOD may consider appropriate in accordance with the Banking Control Law and SAMA directives, as follows:

1. The shareholders' Zakat and tax liability is computed and paid by the bank to the concerned authorities.
2. Not less than 10% is transferred to the Statutory Reserve until such reserve becomes equal to the paid up capital.
3. After 1 and 2 above, at least 5% of the paid up capital may be distributed to shareholders when proposed by the Board of Directors and approved by the General Assembly. If the remaining profits are not sufficient to pay 5%, shareholders shall have no right to claim the payment during next or subsequent year/(s). The General Assembly shall have no right to increase the dividends beyond the one recommended by the Board of Directors.
4. Remaining balance of profits (after allocating the amounts referred to in paragraphs 1, 2 and 3 above) shall be appropriated as recommended by the Board of Directors and approved by the General Assembly.
5. Based on a recommendation made from the Board of Directors, the General Assembly may allocate amounts from the net profits to establish social services for the employees of the "Bank" or to support existing services.

The Bank has distributed a dividend for 2016 and shareholders received a net amount of SAR 0.50 per share (5% of nominal value), with total amount of SAR 745 million. The Board of Directors also approved the allocation as shown in the table below, including a proposed dividend for the year 2017 amounting to SAR 1,192 million (8% of nominal value).

Particulars	2017	2016
	SAR Millions	
Net income for the year	2,011	1,502
Transfer to statutory reserve (25% of net income)	(503)	(376)
Transfer to / from other reserves	(23)	14
Zakat	(62)	(42)
Proposed Dividend	(1,192)	(745)
Retained earnings-brought forward	1,666	1,313
Retained earnings-carried forward	1,897	1,666

Accounting Framework

The International Financial Reporting Standards (IFRS), SAMA guidance on accounting for Zakat, provisions of the Banking Control Law and Regulations for Companies in the Kingdom of Saudi Arabia have been followed in preparation of financial statements.

Financial Reporting

The Board of Directors confirms the following:

1. The financial statements prepared by the management of the Bank present fairly its state of affairs, the results of its operations, cash flow and changes in equity.
2. Appropriate accounting policies have been consistently applied in preparation of financial statements, except few changes as disclosed in note 3 (i) & (ii) to the Financial Statements,. Key accounting estimates and judgments as used in the preparation of financial statements have been duly disclosed under note 2d to the Consolidated Financial Statements.
3. Proper books of accounts have been maintained as required by law.
4. The system of internal controls is sound in design and has been effectively implemented.
5. There are no doubts about the Bank's ability to continue as a going concern.
6. Apart from the information provided in note (33) to the consolidated financial statements, there are no contracts entered into by the Bank during the financial year 2017, in which any of the members of the Board of Directors, the Chief Executive Officer, the Chief Financial Officer or any other related party has any material interest.

Board of Directors

The Bank is being managed by a Board of directors consisting of nine (9) members who are appointed by the shareholders in Ordinary General Assembly for a period of 3 years.

Qualifications, Jobs and Experience of Board Members:

Name	Current Jobs	Previous Jobs	Qualifications
Eng. AbdulAziz Abdullah Al-Zamil (Board of Directors' Chairman)	Chairman of Al-Zamil Group	Minister of Industry and Electricity, Deputy General Manager of the Center for Research and Social Development.	Master of Industrial Engineering – University of Southern California - USA
Dr. Saad Attia Al-Ghamdi (Board of Directors' Deputy Chairman)	First Deputy Chairman - Abdul Latif Jameel Limited company	General Manager - Saudi Public Transport Company "SAPTCO", General Manager - The National Shipping Company of Saudi Arabia (Bahri)	Ph.D. Philosophy and Accounting - Oklahoma State University - USA
Mr. AbdulMohsen Abdul Aziz Al-Fares (CEO - Managing Director)	Chief Executive Officer -Alinma Bank.	General Manager of Abdul Latif Jameel Financial Services Co. General Manager of General Authority of Zakat and Tax, Manager of General Accounting Dept. - SAMA, Manager of Internal Audit - SAMA.	Master of Accounting - Western Illinois University, (CPA) - USA
Dr. Hamad Suleiman Al-Bazai	Deputy Minister of Finance	Undersecretary of Ministry of Finance for Economic Affairs, General Coordinator for (GCC) negotiations	Ph.D. Economics - Colorado State University - USA
Mr. Mohammed Sulaiman Abanumay	Business Man	CEO of Abanmi Industrial Est.	Bachelor of Business Administration - Southern Illinois University - USA
Mr. AbdulMuhsin Abdul Aziz Al-Hussein	Director of Local Shares Trading-Hassana Investment Company	Senior Financial Analyst at GOSI.	Bachelor of Accounting – King Saud University
Mr. Saad Ali Al-Kathiry	Financial Adviser - Public Pension Agency	Internal Controller - Public Pension Agency, Economic Adviser - Undersecretary of Ministry of Finance for International Financial Affairs, Finance division supervisor - Public Pension Agency, Financial Controller - Ministry of Finance	Master of Accounting - University of Dundee - UK
Eng. Mutlaq Hamad Al Morished	CEO of National Industrialization Company (Tasnee)	Executive Vice President, Finance – SABIC Executive Vice President, Shared Services – SABIC	Master of Business Administration - Stanford University Master of Engineering - Princeton University - USA
Mr. Khalid Mohammed Al-Aboodi	CEO of Islamic corporation for the development of the private sector - Islamic Development Bank	Deputy CEO of Islamic corporation for the development of the private sector - Islamic Development Bank, Senior Economists – Ministry of Finance, Alternate Executive director for Saudi Arabia - The World Bank	Master of Economics - Northeastern University - USA

Qualifications, Jobs and Experience of the Non-Board Committee Members:

Name	Current Jobs	Previous Jobs	Qualifications
Dr. Saud Muhammad Al Nemer	Professor – Retired	Dean of College of Business Administration	PhD in Public Administration - Florida State University - USA
Dr. Ahmed Abdullah Al Moneef	Faculty Member, Accounting Department, King Saud University	Lecturer, Accounting Department - King Saud University, Assistant Account Auditor – Saudi Industrial Fund.	PhD in Accounting and Finance - University of Dundee - UK

Board of Directors' Meetings

The Board held five (5) meetings during the financial year 2017 as shown in the table below:

Member Name	Membership status	Other Directorship	Meetings Date					Total
			23/02/2017	28/03/2017	22/05/2017	23/01/2017	26/12/2017	
Eng. AbdulAziz Abdullah Al-Zamil (Chairman)	Independent	Al-Sahara, Sipchem, & Al-Zamil Group	√	√	√	√	√	5
Dr. Saad Attia Al-Ghamdi (Deputy Chairman)	Independent	-	√	√	√	√	√	5
Mr. AbdulMohsen Abdul Aziz Al-Fares, Managing Director/ (CEO)	Executive	NTCC, Alinma Investment Co, Alinma Tokio Marine Co	√	√	√	√	√	5
Dr. Hamad Suleiman Al-Bazai	Non- Executive	Southern Province Cement Co, Tatweer Education Holding Company	√	√	√	√	√	5
Mr. Saad Ali Al-Kathiry	Non- Executive	Saudi Industrial Investment Group	√	√	√	√	√	5
Mr. AbdulMuhsin Abdul Aziz Al-Hussein	Non- Executive	-	√	√	√	√	√	5
Mr. Khalid Mohammed Al-Aboodi	Independent	Bedaya Housing Finance	√	√	√	√	√	5
Eng. Mutlaq Hamad Al Morished	Independent	Alinma Tokio Marine Co, City Group, Maadaniyah Co.	√	√	-	√	√	4
Mr. Mohammed Sulaiman Abanumay	Independent	-	√	√	√	√	√	5

Committees of the Board of Directors

The Board has formed various committees to assist in discharging its duties and responsibilities, as follows:

- Executive Committee
- Benefits & Compensations Committee
- Audit Committee
- Risk Management Committee

Executive Committee

The Executive Committee has been formed by the Board of Directors, as stipulated by Article (20) of the Bank's Articles of Association. The Executive Committee exercises all powers conferred upon it by the Board of Directors. The committee is composed of five (5) members and headed by the Chairman of the Board of Directors. Its meetings are deemed valid if attended by at least three (3) members.

The committee held eight (8) meetings during the financial year 2017 as shown in the table below:

Name	Meeting date								Total
	08/02/2017	13/03/2017	17/04/2017	22/05/2017	12/06/2017	25/09/2017	20/11/2017	18/12/2017	
Eng. AbdulAziz Abdullah Al-Zamil (Chairman)	√	√	√	√	√	√	√	√	8
Mr. AbdulMohsen Abdul Aziz Al-Fares	√	√	√	√	√	√	√	√	8
Mr. AbdulMuhsin Abdul Aziz Al-Hussein	√	√	√	√	√	√	√	√	8
Mr. Mohammed Sulaiman Abanumay	√	√	√	√	√	√	√	√	8
Mr. Khalid Mohammed Al-Aboodi	√	√	-	√	√	√	√	√	7

Benefits & Compensations Committee

The Benefits and Compensations Committee has been formed by the Board of Directors and is composed of four (4) members. The Committee is responsible for nominating Board members and ensuring their independence. It is also responsible to formulate policies for benefits and compensation of Board members and senior executives.

Two meetings were held during the financial year 2017, and were attended by members as shown in the table below:

Name	Meeting date		Total
	2017/02/15	2017/12/18	
Dr. Saad Attia Al-Ghamdi (Chairman)	√	√	2
Eng. Mutlaq Hamad Al Morished	√	√	2
Mr. Saad Ali Al-Kathiry	√	√	2
Mr. Mohammed Sulaiman Abanumay	√	-	1

Audit Committee

The Audit Committee is composed of three (3) non-executive members, two of them are independents – Not Board member. It is responsible for review of the financial statements and accounting policies, supervision of the internal audit function, and to recommend the appointment of external auditors. The committee held four (4) meetings during the financial year 2017 as shown in the following table:

Name	Meeting date				Total
	2017/01/15	2017/04/12	2017/06/12	2017/10/11	
Dr. Saad Attia Al-Ghamdi (Chairman)	√	√	√	√	4
Dr. Saud Muhammad Al Nemer *	√	√	√	√	4
Dr. Ahmed Abdullah Al Moneef *	√	√	√	√	4

* Not Board member

Risk Management Committee

Risk Management Committee has been formed to assist the Board in overseeing the enterprise risk management process and to discharge other related responsibilities. The Risk Management Committee is composed of four (4) members. It has held two (2) meetings during the financial year 2017 as shown in the following table:

Name	Meeting date		Total
	2017/02/07	2017/11/21	
Dr. Hamad Suleiman Al-Bazai (Chairman)	√	√	2
Mr. AbdulMohsen Abdul Aziz Al-Fares	√	√	2
Mr. Saad Ali Al-Kathiry	√	√	2
Mr. AbdulMuhsin Abdul Aziz Al-Hussein	√	√	2

Sharia'h Board

Alinma Bank is committed to conduct its business in compliance with Sharia'h. Article (50) of the Articles of Association stipulates that "all the company's business shall be subject to the provisions and controls of Sharia'h". The bank appointed a Sharia'h Board to provide guidance, supervision and monitoring of all business conducted by the Bank. The Sharia'h Board has the following three members, all of whom are specialized in the jurisprudence of Islamic finance and economics:

- Dr. Abdul Rahman Ben Saleh Al Atram – Chairman
- Dr. Abdullah Ben Wakeel Al Sheikh – Deputy Chairman
- Dr. Suleiman Ben Turkey Al Turkey – Member
- Dr. Yousef Ben Abdullah Al-Shubaily – Member

To achieve its objectives, Shariah Board is supported by Shariah group, which is one of the important groups within the organizational structure of the Bank.

Executive Management

The executive management is composed of a number of executives headed by the CEO who manages the day-to-day business of the Bank.

Qualifications, Jobs and experience of Executive Management:

	Name	Current Jobs	Previous Jobs	Qualifications
1	Mr. AbdulMohsen Abdul Aziz Al-Fares (CEO - Managing Director)	Chief Executive Officer - Alinma Bank.	General Manager of Abdul Latif Jameel Financial Services Co. General Manager of General Authority of Zakat and Tax, Manager of General Accountant Dept. – SAMA, Manager of Internal Audit – SAMA.	Master of Accounting - Western Illinois University, (CPA) - USA
2	Mr. Muhammad Iqbal Ibrahim	Chief Financial Officer and General Manager Finance.	Executive Vice President of Finance Faysal Bank Ltd. – Pakistan. Accounting Manager at Prudential Group – Pakistan, Accounting Manager at Group Dawood - Pakistan	Bachelor of Commerce. University of Karachi, Chartered Accountant
3	Mr. Ibrahim Suleiman AlSayari	VP, Retail Banking Group	General Manager Information and Operation Technology, Head of Data Security, Systems Analyst at Saudi Arabian Monetary Agency.	Computer Science - Boston University - USA
4	Mr. Emad AbdulRahman AlButairi	VP, Corporate Banking Group	General Manager Corporate Banking- Bank Albilad, Head of Commercial Banking -Eastern Region NCB, Head of Corporate Banking Services United Saudi Commercial Bank	Master of Business Administration – King Fahad University
5	Mr. Fahad Mohammed AlSemari	VP, Strategy and Business Excellence	GM-Retail Banking Group Alinma Bank, General Manager of Retail Banking – ANB, Deputy General Manager of Banking Systems Development – ANB.	Master of Business Administration - Washington University - USA
6	Mr. Abdullah Jamaan Al Zahrani	VP, Treasury Group	Head of Investment and Treasury-Gulf International Bank, Senior Deputy Treasurer-Riyad Bank, Assistant General Manager of Portfolios-ANB	Bachelor of Industrial Management - King Fahad University
7	Dr. Sulaiman Ali AlHudaif	General Manager Human Capital	CEO of Elite World Co for Professional Recruitment and Human Resource Services, Vice President of Human Resources Group Samama, Head of Human Resources and Development Al Rajhi Bank.	Ph.D. Business Administration - Lyceum Northwestern University - Philippine
8	Dr. Mohammed Sultan Alsehali	General Manager, Internal Audit	Executive Manager-PwC, Head of Accounting Department, King Saud University, Head of the Control Project Team – KSU.	Ph.D. Accounting - Australia
9	Mr. Ghurmallah Khader Al-Zahrani	General Manager, Operations Division	Deputy General Manager, Corporate Banking Operations, Alinma Bank, Assistant General Manager, Operations and Technology Samba, Senior Operations and Technology Manager, Samba	High School
10	Mr. Felipe Montalban Cortejos	CRO & VP, Risk Management	Head of Risk – Central Region – SAMBA. Deputy Manager Risk – Central Region – SAMBA, Head of Corporate Risk and advisor – SAMBA.	Master of Business Administration - University of Manila - Philippine

Notifying the Board of Directors of shareholders' suggestions and observations:

The Board of Directors' are regularly updated on all comments and suggestions received from the shareholders

Boards' Remunerations

	Fixed remunerations							Variable remunerations						End-of-service award	Aggregate Amount	Expenses Allowance
	Specific amount	Allowance for attending Board meetings	Total Allowance for attending committee meetings	In-kind benefits	Remunerations for technical, managerial and consultative work	Remunerations of the chairman, Managing Director or Secretary, if a member	Total	Percentage of the profits	Periodic remunerations	Short-term incentive plans	Long-term incentive plans	Granted shares (insert the value)	Total			
First: Independent Directors																
Eng. AbdulAziz Abdullah Al-Zamil	-	15,000	40,000	-	-	445,000	500,000	-	-	-	-	-	-	-	500,000	-
Dr. Saad Attia Al-Ghamdi	450,000	15,000	18,000	-	-	-	483,000	-	-	-	-	-	-	-	483,000	13,050
Mr. Khalid Mohammed Al-Aboodi	450,000	15,000	35,000	-	-	-	500,000	-	-	-	-	-	-	-	500,000	7,250
Mr. Mohammed Sulaiman Abanumay	442,000	15,000	43,000	-	-	-	500,000	-	-	-	-	-	-	-	500,000	-
Total	1,342,000	60,000	136,000	-	-	445,000	1,983,000	-	-	-	-	-	-	-	1,983,000	20,300
Second: Non- Executive Directors																
Dr. Hamad Suleiman Al-Bazai	450,000	15,000	6,000	-	-	-	471,000	-	-	-	-	-	-	-	471,000	-
Mr. Saad Ali Al-Kathiry	450,000	15,000	12,000	-	-	-	477,000	-	-	-	-	-	-	-	477,000	-
Mr. AbdulMuhsin Abdul Aziz Al-Hussein	439,000	15,000	46,000	-	-	-	500,000	-	-	-	-	-	-	-	500,000	-
Eng. Mutlaq Hamad Al Morished	450,000	12,000	6,000	-	-	-	468,000	-	-	-	-	-	-	-	468,000	-
Total	1,789,000	57,000	70,000	-	-	-	1,916,000	-	-	-	-	-	-	-	1,916,000	-
Third: Executive Directors																
Mr. AbdulMohsen Abdul Aziz Al-Fares	-	15,000	46,000	-	-	439,000	500,000	-	-	-	-	-	-	-	500,000	-
Total	-	15,000	46,000	-	-	439,000	500,000	-	-	-	-	-	-	-	500,000	-

Board Members and Executive Management Compensation Policy

The Bank complies with the provisions of the Companies Law and instructions issued by supervisory authorities on the banking sector in the Kingdom of Saudi Arabia. Total remuneration received by a Board member during the fiscal year, including financial or in-kind benefits and privileges, shall not exceed SAR 500,000 in total. Compensations of employees and senior executives shall be determined in accordance with contracts, policies, and resolutions approved by the Board of Directors in this regard in light of relevant rules and regulations issued by supervisory bodies on the banking sector in the Kingdom of Saudi Arabia.

Remuneration of Members of Committees

	Fixed Remuneration (Except for the allowance for attending Board meetings)	Allowance for attending Board meetings	Total SAR
Audit Committee Members			
Dr. Saad Attia Al-Ghamdi	-	12,000	12,000
Dr. Saud Muhammad Al Nemer	100,000	12,000	112,000
Dr. Ahmed Abdullah Al Moneef	100,000	12,000	112,000
Total	200,000	36,000	236,000
Nomination and Remuneration Committee Members			
Dr. Saad Attia Al-Ghamdi	-	6,000	6,000
Mr. Mohammed Sulaiman Abanumay	-	3,000	3,000
Eng. Mutlaq Hamad Al Morished	-	6,000	6,000
Mr. Saad Ali Al-Kathiry	-	6,000	6,000
Total	-	21,000	21,000
Risk Committee Members			
Dr. Hamad Suleiman Al-Bazai	-	6,000	6,000
Mr. AbdulMohsen Abdul Aziz Al-Fares	-	6,000	6,000
Mr. Saad Ali Al-Kathiry	-	6,000	6,000
Mr. AbdulMuhsin Abdul Aziz Al-Hussein	-	6,000	6,000
Total	-	24,000	24,000
Executive Committee Members			
Eng. AbdulAziz Abdullah Al-Zamil	-	40,000	40,000
Mr. AbdulMohsen Abdul Aziz Al-Fares	-	40,000	40,000
Mr. AbdulMuhsin Abdul Aziz Al-Hussein	-	40,000	40,000
Mr. Mohammed Sulaiman Abanumay	-	40,000	40,000
Mr. Khalid Mohammed Al-Aboodi	-	35,000	35,000
Total	-	195,000	195,000

Remunerations of Senior Executives

Top Six Senior Executives who received the highest compensation and remuneration from the bank, including the CEO and CFO		Total SAR
Fixed remunerations	Salaries	13,757,162
	Allowances	3,287,252
	In-kind benefits	-
	Totals	17,044,414
Variable remunerations	Periodic remunerations	7,579,300
	Profits	-
	Short-term incentive plans	-
	Long-term incentive plans	-
	Granted shares (Market value at the vesting date)	1,970,798
	Totals	9,550,098
End- of service award		1,417,266
Total remunerations for Board executives		439,000
Aggregate Amount		28,450,778

Ownership of the Bank's shares by the Chairman and members of the Board of Directors and Senior Executives and their spouses and minor children

Description of all ownership by members of the Board of Directors, their spouses and minor children in the shares, Sukuks and other instruments issued by the Bank or any of its subsidiaries

S	Member's Name	Beginning of the year		End of the year		Net change	% change
		No. of Share	Sukuks	No. of Share	Sukuks		
1	Eng. AbdulAziz Abdullah Al-Zamil	990,572	-	990,572	-	-	-
2	Mr. AbdulMohsen AbdulAziz Al-Fares	572,000	-	641,000	-	69,000	12.06%
3	Mr. Saad Ali Al-Kathiry	1,290	-	1,290	-	-	-
4	Dr. Saad Attia Al-Ghamdi	10,143	-	10,143	-	-	-
5	Mr. Mohammed Sulaiman Abanumay	120,859	-	120,859	-	-	-
6	Dr. Hamad Suleiman Al-Bazai	46,000	-	46,000	-	-	-
7	Eng. Mutlaq Hamad Al Morished	21,000	-	21,000	-	-	-
8	Mr. Khalid Muhammad Al Obudi	1,000	-	1,000	-	-	-

Description of all ownership by senior executives, their spouses and minor children in the shares, Sukuks and other instruments issued by the Bank or any of its subsidiaries

S	Senior executive's Name	Beginning of the year		End of the year		Net change	% change
		No. of Share	Sukuks	No. of Share	Sukuks		
1	Mr. Ibrahim Suleiman AlSayari	-	-	18,300	-	18,300	100%
2	Mr. Emad AbdulRahman AlButairi	93,800	-	114,759	-	20,959	%22.34
3	Mr. Fahad Mohammed AlSemari	74,900	-	90,950	-	16,050	%21.43
4	Mr. Abdullah Jamaan Al Zahrani	6,359	-	6,359	-	-	-
5	Mr. Muhammad Iqbal Ibrahim	-	-	7,500	-	7,500	100%
6	Dr. Mohammed Sultan Alsehali	1,329	-	1,329	-	-	-

Legal Penalties and Sanctions

The bank has not been imposed to any material penalties during the year. Following are the penalties imposed on Alinma bank during 2017:

First\ SAMA penalties:

Violation	Current Financial Year	
	Number of penalties	Total amount of financial penalties in Saudi Riyals
Violation of Supervisory directives	6	550,000
Violation of directives regarding the performance of ATMs and Point-of-Sale machines	2	35,000
Violation of directives for conducting due diligence related to the Anti- Money laundering and the Financing of Terrorism	1	20,000
Violation of the directives for protecting customers	1	150,000

Second: Sanctions and penalties imposed by other supervisory bodies:

Penalties	Violation reason	Regulator
SAR 1,173,000	Not issuing some required licenses	Riyadh Region Municipality
SAR 30,000	Not issuing some required licenses	Eastern Region Municipality

These penalties were mainly related to operational issues that have been rectified subsequently.

Corporate Governance provisions implementation

In general, the bank ensures compliance with the guidance provided by the Corporate Governance Regulations issued by the Capital Market Authority as well as the Saudi Arabian Monetary Agency (SAMA).

Social contribution to the Society

The Extraordinary General Assembly of the Bank approved on April 6th 2017 an allocation not exceeding 1% of the net profit each year towards a Reserve for Community Service. The above Reserve will be utilized as per criteria and approved procedures prescribed by Board.

During the year 2017, following payments have been made by the bank:

S	Social contribution	Amount (SAR)
1	Contribution for supporting the KAFALAH program	4,730,000
2	Participation in the Committee for Information and Banking Awareness of the Saudi Banks	1,096,833
3	Financial support provided for establishment of the Islamic Inventions Wing at the Science Park under Qassim Scientific Center	3,000,000
Total		8,826,833

General Assembly Meetings during the year

The General Assembly held an extra ordinary meeting during the year 2017. Following table provides the names of the members of the Board who attended the meeting:

Attendance *		
	Name	Assembly meeting 06/04/2017
1	Eng. AbdulAziz Abdullah Al-Zamil	√
2	Dr. Saad Attia Al-Ghamdi	√
3	Mr. AbdulMohsen Abdul Aziz Al-Fares	√
4	Mr. AbdulMuhsin Abdul Aziz Al-Hussein	√
5	Mr. Saad Ali Al-Kathiry	√
6	Dr. Hamad Suleiman Al-Bazai	×
7	Eng. Mutlaq Hamad Al Morished	×
8	Mr. Khalid Mohammed Al-Aboodi	×
9	Mr. Mohammed Sulaiman Abanumay	×

* A second meeting was held one hour after the first meeting due to the lack of quorum, in according to the statutory requirements.

Regulatory accrued obligation

The estimated Zakat for the financial year ended December 31, 2017 amounted to SAR 62 million while the withholding tax payable at the end of financial year 2017 amounted to SAR 654,938. The Bank has filed its Zakat returns for the years up to and including the financial year 2016 with the General Authority of Zakat and Tax ("GAZT"). The bank has received Zakat assessment for the years 2009 to 2015 raising additional aggregate demand of SAR 1,656 million. The additional exposure is mainly on account of disallowances of certain long-term financing and leased assets owned by the bank. This is an industry issue and is under discussion between SAMA, MoF and the Zakat Authorities. The Bank has filed an appeal against the assessment for years 2009-2011 and intends to file similar appeals for the remaining assessed years 2012-2015 in due course.

Assessment for the year 2016 is yet to be finalized. However, if similar disallowances are made for 2016 in line with the earlier assessments, additional exposure may arise, disclosure of which may affect the Bank's interests.

It is worth mentioning that the computation of the annual Zakat liability is also subjected to a detailed review and approval of the Bank's Shariah Board before its submission to GAZT. The Bank pays the due Zakat on behalf of the shareholders every year to GAZT in accordance relevant regulations.

Staff Benefits

Benefits and compensation are paid to employees in accordance with the provisions of the Saudi Labor Law. As at December 31, 2017, the accumulated balance for the end of service benefits amounted to SAR 220 million. Additionally, the Bank and its employees make monthly contributions towards the General Organization for Social Insurance (GOSI) for staff welfare as per the Saudi Labor Law. Furthermore, the Bank has granted its employees Share-Based incentives as detailed in note 32 to the consolidated financial statements.

Treasury Shares

As required by the CMA new guidance document, below are the details of treasury shares held by the Bank along with its intended use in future.

Number of treasury shares held by the Bank as on December 31, 2017	Value	Date of acquisition	Usage details
10,416,856	107,436,000	2012	For future Employee share based plans

Shareholders' Records Requests

Below are the details of the number and dates of the Company's requests for the Shareholders Records:

Number of Shareholders Records requests	Date of request	Reasons
1	10/01/2017	For the preparation of the Board of Directors' Report for 2016
2	13/02/2017	For responding to queries received from shareholders about their dividends
3	16/03/2017	To prepare for the General Assembly meeting dated 06-04-2017
4	29/03/2017	For responding to queries received from shareholders about their dividends
5	19/06/2017	For responding to queries received from shareholders about their dividends
6	17/10/2017	For the preparation of the Board of Directors' Report for 2017
7	31/12/2017	To prepare for the General Assembly meeting

Transactions with related parties

Following are transactions with related parties for the Board member Mr. AbdulMohsen Abdul Aziz Al-Fares and the Board member Eng. Mutlaq Hamad Al Morished and Mr. Fahad Mohammed AlSemari who have an indirect interest as a members of the Board of Directors of Alinma Tokio Marine Company. The bank owns 28.75% of the shares in Alinma Tokio Marine Company as shown in the below table:

Related party	Relation type	Transaction type	Duration	Value
Alinma Tokio Marine Co	Contractual	Hosting the systems infrastructure of Alinma Tokio Marine Co, under which Alinma Bank hosts the company's data	1 Years	SAR 831,321
	Contractual	Renting a site from Al Tanweer Company (owned by Alinma Bank) to be used for archiving works	1 Years	SAR 65,500
	Contractual	Issuing the insurance policies for the bank	1 Years	The transactions made in 2017 were the issuance of the insurance policies of the bank with a total premiums of SAR 24.2 Million and claims paid in the amount of SAR 24,189 thousand
Alinma Tokio Marine Co and Alinma Insurance Agency	Contractual	Insurance agency commission to AIA (owned by Alinma Bank)	1 year	The transactions made in 2017 through an agreement for commission to the insurance agency with total premiums of SAR 993 thousand.
Alinma Tokio Marine Co and Alinma Investment Co.	Contractual	Investment Agreement	1 year	The transactions made in 2017 as an investment agreement of SAR 10.3 Million for Alinma Tokio Marine through Alinma Investment Co.

Waiver of rights/interest by Board Members, Senior Executives or Shareholders

The Bank does not have any information about any arrangement or agreement by virtue of which any Board member(s), senior executive(s) or Shareholder(s) has waived its right to receive dividend or any other interest in the Bank.

Internal Control System

The management is responsible for establishing and maintaining an adequate and effective system of internal controls for implementing strategies and policies as approved by Board of Directors. The system of internal controls is based on what management considers to be appropriate for the Bank's activities, considering the materiality of the financial and other risks inherent in those activities and the relative costs and benefits of implementing specific controls. It is designed to manage rather than eliminate the risk of failure to achieve business objectives and, as such, provides reasonable, but not absolute, assurance against material misstatement and loss. In addition, the Board of Directors has formed an Audit Committee, which periodically reviews the reports submitted by the internal/external auditors. Such reports also include the evaluation of the effectiveness or otherwise of the internal controls. In view of the above, we believe that the bank has a reasonably sound and effective system of internal controls in force, both in design and implementation. During the year, there have been no material observations in respect of the effectiveness of internal control system and procedures of the Bank.

Work ethics

Since its inception, Alinma Bank has been pursuing a business environment which is committed to the highest ethical standards stemming from the rules, regulations and guidance issued by the Sharia and regulatory authorities. The Bank is continuously striving to inculcate amongst its employees the Work ethics to improve service quality for its partners. The Bank also encourages its employees through training and awareness programs to demonstrate accountability, honesty, innovation and respect to all partners and colleagues at work, together with avoiding any acts that may contradict the Islamic values, the bank image or regulations and supervisory controls.

Risk identification and Management:

During normal course of business, the Bank is exposed to various risks. Systems and procedures are in place in Alinma to identify, control and report the major risks that could be encountered by the bank. The major risk types that might be encountered by the bank are as follows:

Credit risk:

Credit risk is the risk that counterparty may fail to meet its obligations towards the Bank and, therefore, could result in a financial loss for the Bank. The Bank actively manages its credit risk exposure through the establishment of Credit Risk Policies and procedures which provide guidance, among others, on target market, risk acceptance criteria, minimum disclosure from customers, review and approval process, concentration limits in addition to the day to day account management.

Market risk:

Market risk is the risk that the fair value or the future cash flows of the financial instruments will fluctuate due to changes in market variables such as equity prices, profit rates, foreign exchange rates, and commodity prices.

The Bank has a Market Risk Management team under the Risk Management Group that regularly monitors the Market risks including liquidity risk of the bank.

Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately. To mitigate this risk, management has diversified funding sources and assets are managed with liquidity into consideration, maintaining an adequate balance of cash and cash equivalents.

Exposure to above mentioned risks is monitored by various committees of directors and other management committees. The Board of Directors has also constituted a Risk Management Committee to assist the Board in overseeing the Enterprise risk management process and to discharge related responsibilities. A detailed discussion on significant risks and mitigation strategies is included in notes 25 to 30 of attached consolidated financial statements.

Small and Medium Enterprises

SMEs shall be defined as follows:

Type of Enterprise	Revenues	Staff
Micro Enterprise	0 to 3 M	1 to 5
Small Enterprise	3 to 40 M	6 to 49
Medium Enterprise	40 to 200 M	50 to 249
Large Enterprise	Above	

Total number of employees in the SME sector in the bank stood at 29 employees at the end of the fiscal year 2017. During the year, the bank focused on developing the business of the SME sector through:

- Expanding the SME services in the eastern, western, in addition to the central regions of the Kingdom;
- Designing and implementing unique training programs targeting partners, employees, and fresh graduates in order to train and prepare them to serve the SME sector. Training days were as follows:

Type of Enterprise	Revenues	No of Training Day
Number of man-days training provided to staff		57
Number of man-days training provided to partners		3

The following are the main performance indicators of the SME sector during the year 2017 compared to 2016:

2017 (SAR Thousand)

	Micro Enterprise	Small Enterprise	Medium Enterprise	Large Enterprise	Total
Small and Medium enterprises Financing - In the Balance Sheet	-	185,570	1,320,004	912,000	2,417,573
Small and Medium enterprises Financing - Off the Balance Sheet	-	7,590	106,586	95,450	209,626
SMEs Financing as a percentage of total financing in the financial position	-	0.23%	1.67%	1.15%	3.06%
SMEs Financing as a percentage of total financing off the financial position	-	0.07%	0.95%	0.85%	1.87%
Number of Financing transactions (in/off Balance Sheet)	-	49	1,352	1,326	2,727
Number of Financing customers (in/off Balance Sheet)	-	9	118	41	168
Number of Financing transactions guaranteed by Kafalah program	-	16	-	-	16
Total Financing amount guaranteed by Kafalah program	-	17,750	-	-	17,750

2016 (SAR Thousand)

	Micro Enterprise	Small Enterprise	Medium Enterprise	Large Enterprise	Total
Small and Medium enterprises Financing - In the Balance Sheet	-	27,070	667,268	709,000	1,403,338
Small and Medium enterprises Financing - Off the Balance Sheet	-	8,032	86,490	91,130	185,652
SMEs Financing as a percentage of total financing in the financial position	-	0.04%	0.95%	1.01%	2.00%
SMEs Financing as a percentage of total financing off the financial position	-	0.07%	0.80%	0.85%	1.72%
Number of Financing transactions (in/off Balance Sheet)	-	27	323	588	938
Number of Financing customers (in/off Balance Sheet)	-	4	71	33	108
Number of Financing transactions guaranteed by Kafalah program	-	1	-	-	1
Total Financing amount guaranteed by Kafalah program	-	2,000	-	-	2,000

Future Plans:

The Bank will continue to enhance its operations through introduction of more Shariah compliant products and services, expansion of branches/ ATMs networks and growth in number of Retail and Corporate relationships. Alinma is also planning to launch additional funds through its investment arm (Alinma Investment Company). The expansion of the SME Business in addition to the remittance business through ERSAL a joint venture with the Saudi Post company are also under consideration.

Gratitude:

The Board of Directors is proud of the bank's performance for the year 2017 in terms of the expansion in branches, ATMs, electronic channels and the banking products and services made available to its customers that in turn have reflected in the improved operational results and the customer base.

The board also expresses its sincere gratitude and appreciation to the honorable shareholders, customers, and the governmental and supervisory authorities in the Kingdom of Saudi Arabia for their support, trust and cooperation, which led to the aforesaid achievements and that will surely play a vital role in further advancement and prosperity for the Bank. The Board would also like to place on record the sincere appreciation for the loyalty and dedication of the Alinma group employees in accomplishment of their tasks.

On this occasion, the Board of Directors and the bank's employees would like to express their gratitude to the Custodian of the Two Holy Mosques King Salman bin Abdulaziz Al Saud, to His Royal Highness the Deputy Prime Minister and the Minister of Defense Prince Mohamed Bin Salman Bin Abdulaziz Al Saud for the extensive efforts exerted by them for the country and the citizens. May Allah bless them and guide to lead the Kingdom in the best manner and protect our precious country in all aspects.

The Board of Directors

Internal Control System

Management is responsible for establishing and maintaining an adequate and effective internal control system. An internal control system includes the policies, procedures and processes, which are designed under the supervision of the Board to achieve the strategic objectives of the Bank.

The scope of the Internal Audit department, independent from line management, includes the assessment of the adequacy and the effectiveness of the internal control system across the Bank, as well as to assess compliance with prescribed policies and procedures. All significant and material findings of Internal Audit assessments are reported to the Audit Committee. Bank's internal audit function forms an opinion on the adequacy and effectiveness of the control processes and reports to the Audit Committee and senior management at least once a year. The opinion is based on sufficient audit evidence obtained through completion of audits and, where appropriate, reliance on the work of other assurance providers.

Concerted and integrated efforts are made by all functions of the Bank to improve the Control Environment at grass root level through continuous reviewing and streamlining of procedures to prevent and rectify any control deficiencies. Each function, under the supervision of the senior executive management, is entrusted with the responsibility to oversee rectification of control deficiencies identified by internal and external auditors. The compliance function, through centrally automated applications, self-assessment and compliance testing ensures adherence to regulatory requirements and the Bank's internal policies and procedures.

The Bank's Internal controls system has been designed to provide reasonable assurance to the Board, on the management of risks to achieve the Bank's strategic objectives. Internal controls systems, no matter how well designed, have inherent limitations, and may not prevent or detect all control deficiencies. Moreover, the projection of current evaluations of the effectiveness to future periods is subject to a limitation that controls may become inadequate due to changes in conditions or compliance with policies or procedures.

Management has adopted the Internal Controls integrated framework as recommended by SAMA through its guidelines on internal controls.

The Audit Committee also reviews the assessment report on the effectiveness of the internal control system, as prepared by the Internal Audit Department of the Bank. The report on assessment of Internal controls does not contain material weaknesses in the Bank's internal control framework which has not been adequately addressed by the management.

Based on the results of the ongoing evaluation of internal controls carried out by Management during the year, the Management considers that the Bank's existing internal control system is adequately designed, operating effectively, and monitored consistently. Nevertheless, the management continuously endeavors to enhance and further strengthen the internal control system of the bank. Based on the above, the Board of Directors has duly endorsed Management's evaluation of the internal control system, as prescribed by SAMA.

Audit Committee’s Report to the General Assembly For the year ended 31 December 2017

The Audit Committee “the Committee” undertakes responsibilities of reviewing Bank’s financial statements, accounting policies and overseeing the work of internal and external auditors. The Committee held four meetings during the financial year 2017 and carried out the following main tasks within its scope:

- Reviewing and approving Internal Audit plan for the year 2017.
- Overseeing the Internal Audit function and the execution of Internal Audit plan.
- Reviewing Internal Audit reports issued during 2017.
- Reviewing annual financial statements as of 31/12/2017, quarterly reviews and providing recommendations for approval to the Board of Directors.
- Reviewing the “Management Letter” issued by External Auditors.
- Evaluating External Auditors’ proposals and providing recommendation on appointment of External Auditors for the year ended 31/12/2017.
- Reviewing quarterly compliance reports reflecting Bank’s adherence to the regulatory requirements.
- Reviewing and revising of “Audit Committee Charter” to include latest requirements of regulatory and supervisory bodies and providing recommendation for approval to the Board of Directors.

Internal Control System

The Management is responsible for establishing and maintaining an adequate and effective system of internal controls for implementing strategies and policies as approved by Board of Directors. The system of internal controls is based on what management considers to be appropriate for the Bank’s activities, to the materiality of the financial and other risks inherent in those activities and to the relative costs and benefits of implementing specific controls. It is designed to manage rather than eliminate the risk of failure to achieve business objectives and, as such, provides reasonable, but not absolute, assurance against the material misstatement and loss. In addition, the Board of Directors has formed an Audit Committee, which periodically reviews the reports submitted by the internal/external auditors. Such reports also include the evaluation of the effectiveness or otherwise of the internal controls.

In view of the above, we believe that the bank has reasonably sound and effective system of internal controls in force, both in design and implementation. During the year, there have been no material observations in respect of effectiveness of internal control system and procedures of the Bank.

Dr. Saad Attia Al-Ghamdi	(Chairman)
Dr. Saud Mohammed Al Nemer	(Member)
Dr. Ahmed Abdullh Al Monief	(Member)

**Auditors'
Report
& Financial
Statements**



KPMG Al Fozan & Partners
Certified Public Accountants



Independent Auditors' Report

To the Shareholders of Alinma Bank (A Saudi Joint Stock Company)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Alinma Bank and its subsidiaries (collectively referred to as the "Bank"), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and summary of significant accounting policies and other explanatory notes from 1 to 38.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as at December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as modified by the Saudi Arabian Monetary Authority ("SAMA") for the accounting of zakat and income tax.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Bank in accordance with the professional code of conduct and ethics, as endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Auditors' Report (continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, a description of how our audit addressed the matter is provided in that context:

Key audit matter	How our audit addressed the key audit matter
<p>Impairment of financing</p> <p>At December 31, 2017, the gross financing was Saudi Riyals 80,566 million against which impairment provision of Saudi Riyals 1,503 million was maintained. This comprises impairment against specific financing, and collective impairment recorded on a portfolio basis through use of models.</p> <p>We considered this as a key audit matter as the Bank makes complex and subjective judgments and makes assumptions to determine the impairment and the timing of recognition of such impairment.</p> <p>In particular the determination of impairment against financing includes:</p> <ul style="list-style-type: none"> ▪ The identification of impairment events and judgments used to calculate the impairment against specific financing; ▪ The use of assumptions underlying the calculation of collective impairment for portfolios of financing, and the use of the models to make those calculations; and ▪ An assessment of the Bank's exposure to certain economic sectors affected by economic conditions. <p>Refer to the significant accounting policies notes 3(g) and 3(h) to the financial statements, which contain the disclosure of significant accounting estimates and assessment methodology used by the Bank relating to impairment against financing and note 7 which contains the disclosure of impairment against financing.</p>	<p>We assessed the design and implementation, and tested the operating effectiveness of the key controls over management's processes for establishing and monitoring both specific and collective impairment.</p> <p>We tested a sample of financing (including financing that had not been identified by management as potentially impaired) to form our own assessment as to whether impairment events had occurred and to assess whether impairment had been identified and recorded in a timely manner.</p> <p>Where impairment was individually calculated, we tested the assumptions underlying the impairment identification including forecasted future cash flows, discount rates and estimated recovery from any underlying collateral, etc.</p> <p>For the collective impairment models used by the Bank, among other procedures, we tested:</p> <ul style="list-style-type: none"> ▪ On a sample basis the extracts of historical data from underlying systems; ▪ the assumptions used by management including probability of default, loss given default and delinquency days analysis etc. used in the models; and ▪ the calculations within the models on a sample basis. <p>For individually assessed financing, we also selected a sample of financing for certain economic sectors adversely affected by the economic conditions to evaluate management's impairment assessment for such financing.</p>



Auditors' Report (continued)

Key audit matter	How our audit addressed the key audit matter
<p>Zakat</p> <p>The Bank has received the Assessment Orders and additional demands from the General Authority of Zakat and Tax (GAZT) for the years 2009 to 2015 aggregating to Saudi Riyals 1,656 million. The additional demand arose, as GAZT considered certain long term assets, including Ijarah assets owned by the Bank, as non-deductible for the purpose of computation of Zakat base which has consequently increased the zakat liability. The Bank has filed an appeal against the assessments for the years 2009 to 2011.</p> <p>The assessment for the year 2016 is yet to be finalized by the GAZT. However, if the disallowances are made by the GAZT in line with the earlier years, additional zakat exposure may emerge which remains an industry issue and its disclosure in the financial statements may affect the Bank's interests.</p> <p>Consequently, the management makes judgments about the incidence and magnitude of zakat liabilities which are subject to the future outcome of assessments by the GAZT and based on such assessment, the management is confident of a favourable outcome of the appeal process.</p> <p>We considered this as a key audit matter as this matter is subjective and the amounts involved are material.</p> <p>Refer to note 3(t) for the accounting policy relating to zakat and note 21 for the related disclosures.</p>	<p>We reviewed the correspondences between the Bank and the GAZT and the Bank's tax advisors.</p> <p>We examined the matters in dispute, used our knowledge of zakat regulations and assessed available evidence and considered whether additional provision is required.</p> <p>We held meetings with those charged with governance and executive management of the Bank to obtain update on the zakat matter and the results of their interactions with the relevant authorities.</p> <p>We also assessed the appropriateness of the disclosures, in light of the facts and circumstances of the Bank.</p>



Auditors' Report (continued)

Key audit matter	How our audit addressed the key audit matter
<p>Fees from banking services</p> <p>The Bank charges certain fees upfront to customers on corporate financing. Generally, such fees are an integral part of generating an involvement with the resulting financial instrument, and therefore, should be recognized as an adjustment to effective yield within income from investments and financing. However, due to large volume of transactions with mostly insignificant fee amounts, adjustments to effective yield is made by the management based on certain thresholds and assumptions.</p> <p>We considered this as a key audit matter since the use of thresholds and significant judgements could result in material over / under statement of fee from banking services and income from investments and financing.</p> <p>Refer to note 3(e) for the accounting policy relating to fees from banking services and note 18 for breakdown of fee from banking services</p>	<p>We assessed the design and implementation and tested the operating effectiveness of the key controls over the consistent application of the assumptions and thresholds by management.</p> <p>We evaluated the assumptions used and thresholds established by the Bank for making the adjustments to the effective yield of financing.</p> <p>We obtained the management's assessment of the impact of the use of thresholds and assumptions on fees from banking services and:</p> <ul style="list-style-type: none"> ▪ traced the data used by the management to the source documents on a sample basis; ▪ assessed the management's estimation of the impact of the use of thresholds and assumptions on the recognition of fee from banking services.



Auditors' Report (continued)

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of investments held as available for sale</p> <p>Investments available for sale comprise a portfolio of sukuk, mutual funds and equity investments. These instruments are measured at fair value with the corresponding fair value change recognized under other comprehensive income.</p> <p>The fair value of these financial instruments is determined through the application of valuation techniques, which often involve the exercise of judgment by the management and the use of assumptions and estimates.</p> <p>Estimation uncertainty exists for those instruments not traded in an active market and where the internal modeling techniques are applied using:</p> <ul style="list-style-type: none"> ▪ significant observable valuation inputs (i.e. level 2 investments) and ▪ significant unobservable valuation inputs (i.e. level 3 instruments) <p>Estimation uncertainty is particularly high for level 3 instruments.</p> <p>In the Bank's accounting policies, the management has described the key sources of estimation involved in determining the valuation of level 2 and level 3 financial instruments and in particular when the fair value is established using a valuation technique due to lack of availability of the market based data for that particular instrument.</p> <p>The valuation of the Bank's available for sale investments in level 2 and 3 categories was considered as a key audit matter given the significance of the judgment and estimates made by the management.</p> <p>Refer to the significant accounting policies note 3(f) to the financial statements which explains the investment valuation methodology used by the Bank and note 2(d) which explains critical judgment and estimates.</p>	<p>We assessed the design and implementation and tested the operating effectiveness of the key controls over management's processes for performing valuation of investments classified as available for sale which are not traded in an active market.</p> <p>We performed an assessment of the methodology and the appropriateness of the valuation models and inputs used to value available for sale investments.</p> <p>We tested the valuation of a sample of available for sale investments not traded in an active market. As part of these audit procedures, we assessed key inputs used in the valuation such as the expected cash flows, risk free rates and credit spreads by benchmarking them with external data.</p>



Auditors' Report (continued)

Key audit matter	How our audit addressed the key audit matter
<p>Impairment of available for sale investments</p> <p>As at December 31, 2017, the Bank had available for sale investments of SR 13.2 billion. These investments comprise sukus, mutual funds and equities, which are subject to the risk of impairment in value due to either adverse market condition and / or liquidity constraints faced by the issuers.</p> <p>For assessing the impairment of equities, the management monitors volatility of share prices and uses the criteria of significant or prolonged decline in their fair values below their costs as the basis for determining impairment. A significant or prolonged decline in fair value below its cost represents objective evidence of impairment. The determination of what is significant and prolonged requires judgment. In assessing whether it is significant, the decline in fair value is evaluated against the original cost of the equity instrument at initial recognition. In assessing whether it is prolonged, the decline is evaluated against the period in which the fair value of the equity instrument has been below its original cost at initial recognition.</p> <p>For sukuk and others, management considers them to be impaired when there is evidence of a deterioration in the financial health of the investee, industry or sector performance and operational and financing cash flows.</p> <p>We considered this as a key audit matter since the assessment of impairment requires significant judgment by management and the potential impact of impairment could be material to the consolidated financial statements.</p> <p>Refer to note 3(h) to the financial statements for the accounting policy relating to the impairment of non-trading investments, note 2(d) for the critical accounting estimates and judgments, and notes 25 and 26 for the disclosures of credit and market risks, respectively.</p>	<p>We assessed the design and implementation and tested the operating effectiveness of the key controls over management's processes for identifying significant or prolonged decline in the fair value of listed equities and/or any defaults on corporate bonds/sukuk.</p> <p>For equity investments, on a sample basis, we:</p> <ul style="list-style-type: none"> ▪ Assessed the appropriateness of management criteria for determining the significant or prolonged decline in the value of investments; ▪ Evaluated the basis for determining the costs and fair value of investments; ▪ Verified the costs and valuations; and ▪ Considered the price fluctuation / movement during the holding period to determine if the investment meets the significant or prolong criteria. <p>For sukuk and others, on a sample basis, we assessed the creditworthiness of counter parties and cash flows from the instruments to consider any defaults based on the terms and conditions of the issuance of these investments.</p>



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Auditors' Report (continued)

Other Information included in the Bank's 2017 Annual Report

The Board of Directors of the Bank (the "Directors") is responsible for the Bank's annual report. Other information consists of the information included in the Bank's 2017 annual report, other than the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS as modified by SAMA for the accounting of zakat and income tax, the applicable requirements of the Regulations for Companies, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's By-Laws, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



Auditors' Report (continued)

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Bank's audit. We remain jointly responsible for our audit opinion.



KPMG Al Fozan & Partners
Certified Public Accountants



Auditors' Report (continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Further, in accordance with the applicable requirements of the Regulations for Companies, the Banking Control law in the Kingdom of Saudi Arabia and the Bank's By-Laws, we report that, based on the information that has been made available to us, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements have not been prepared and presented, in all material respects, in accordance with the applicable requirements of the Regulations for Companies, the Banking Control law in the Kingdom of Saudi Arabia and the Bank's By-Laws.

KPMG Al Fozan & Partners
Certified Public Accountants

P O Box 92876
 Riyadh 11663
 Kingdom of Saudi Arabia

Khalil Ibrahim Al Sedais
 Certified Public Accountant
 Registration No. 371



PricewaterhouseCoopers

P O Box 8282
 Riyadh 11482
 Kingdom of Saudi Arabia

Omar M. Al Sagga
 Certified Public Accountant
 Registration No. 369



Riyadh
 20 Jumada I, 1439 H
 (February 06, 2018)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at December 31, 2017 and 2016	Notes	2017 SAR'000	2016 SAR'000
Assets			
Cash and balances with Saudi Arabian Monetary Authority	4	7,299,371	7,105,665
Due from banks and other financial institutions	5	9,788,857	17,641,780
Investments, net	6	15,319,590	6,157,341
Financing, net	7	79,062,597	70,311,948
Property and equipment, net	8	1,876,423	1,737,818
Other assets	9	1,658,229	1,775,308
TOTAL ASSETS		115,005,067	104,729,860
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Due to banks and other financial institutions	10	1,352,887	2,431,804
Customers' deposits	11	89,064,751	80,612,226
Other liabilities	12	3,990,276	2,507,370
TOTAL LIABILITIES		94,407,914	85,551,400
SHAREHOLDERS' EQUITY			
Share capital	13	15,000,000	15,000,000
Statutory reserve	14	2,259,457	1,756,618
Fair value reserve for available for sale investments		340,155	68,141
Other reserves		16,484	11,592
Retained earnings		1,896,529	1,666,469
Proposed dividend	21	1,191,964	787,048
Treasury shares	15	(107,436)	(111,408)
TOTAL SHAREHOLDERS' EQUITY		20,597,153	19,178,460
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		115,005,067	104,729,860

The accompanying notes from 1 to 38 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME		2017	2016
For the years ended December 31, 2017 and 2016		SAR'000	SAR'000
	Notes		
Income from investments and financing	17	4,254,739	3,485,894
Return on time investments	17	(761,715)	(833,797)
Income from investments and financing activities, net	17	3,493,024	2,652,097
Fees from banking services, net	18	676,436	514,461
Exchange income, net		152,857	120,560
Gain/ (loss) from FVSI financial instruments, net		4,553	(1,243)
Gain on sale of available for sale investments, net		20,241	20,945
Dividend income		22,426	19,737
Other operating income		3,419	1,244
Total operating income		4,372,956	3,327,801
Salaries and employee related expenses	19	876,009	755,347
Rent and premises related expenses		148,563	144,621
Depreciation and amortization	8	199,601	163,920
Other general and administrative expenses		520,560	435,910
Charge for impairment of financing	7.1	558,482	195,154
Charge for impairment of other financial assets		52,918	117,657
Total operating expenses		2,356,133	1,812,609
Net operating income		2,016,823	1,515,192
Share of loss from associate and joint venture	6.3, 6.4	(5,466)	(12,921)
Net income for the year		2,011,357	1,502,271
Basic and diluted earnings per share (SAR)	20	1.35	1.01

The accompanying notes from 1 to 38 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME For the years ended December 31, 2017 and 2016	2017 SAR'000	2016 SAR'000
Net income for the year	2,011,357	1,502,271
Other comprehensive income that cannot be reclassified to consolidated statement of income:		
Actuarial loss on re-measurement of employees benefit obligations	(9,381)	-
Other comprehensive income to be reclassified to consolidated statements of income in subsequent years:		
Available for sale financial assets:		
Net change in fair value	263,758	(18,095)
Net amount transferred to consolidated statements of income	8,256	96,713
Total comprehensive income for the year	<u>2,273,990</u>	<u>1,580,889</u>

The accompanying notes from 1 to 38 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the years ended December 31, 2017 and 2016

SAR'000

2017	Notes	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 year		15,000,000	1,756,618	68,141	11,592	1,666,469	787,048	(111,408)	19,178,460
Net income for the year		-	-	-	-	2,011,357	-	-	2,011,357
Net change in fair value of available for sale investments		-	-	263,758	-	-	-	-	263,758
Net amount realized on available for sale investments		-	-	8,256	-	-	-	-	8,256
Actuarial loss on re-measurement of employees benefit obligations		-	-	-	-	(9,381)	-	-	(9,381)
Total comprehensive income		-	-	272,014	-	2,001,976	-	-	2,273,990
Transfer to statutory reserve	14	-	502,839	-	-	(502,839)	-	-	-
Zakat for current year		-	-	-	-	(62,090)	-	-	(62,090)
Zakat for prior year		-	-	-	-	-	(42,070)	-	(42,070)
Proposed dividend	21	-	-	-	-	(1,191,964)	1,191,964	-	-
Final dividend paid for 2016		-	-	-	-	-	(744,978)	-	(744,978)
Employee share based plans reserve and others	15	-	-	-	4,892	(15,023)	-	-	(10,131)
Net change in treasury shares	15	-	-	-	-	-	-	3,972	3,972
Balance at the end of the year		15,000,000	2,259,457	340,155	16,484	1,896,529	1,191,964	(107,436)	20,597,153

The accompanying notes from 1 to 38 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY									SAR'000
For the years ended December 31, 2017 and 2016									
2016	Notes	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 year		15,000,000	1,381,050	(10,477)	36,450	1,312,702	787,057	(154,621)	18,352,161
Net income for the year		-	-	-	-	1,502,271	-	-	1,502,271
Net change in fair value of available for sale investments		-	-	(18,095)	-	-	-	-	(18,095)
Net amount realized on available for sale investments		-	-	96,713	-	-	-	-	96,713
Total comprehensive income		-	-	78,618	-	1,502,271	-	-	1,580,889
Transfer to statutory reserve	14	-	375,568	-	-	(375,568)	-	-	-
Proposed dividend	21	-	-	-	-	(787,048)	787,048	-	-
Final dividend paid for 2015		-	-	-	-	-	(787,057)	-	(787,057)
Employee share based plans reserve		-	-	-	(24,858)	14,112	-	-	(10,746)
Net change in treasury shares	15	-	-	-	-	-	-	43,213	43,213
Balance at the end of the year		15,000,000	1,756,618	68,141	11,592	1,666,469	787,048	(111,408)	19,178,460

The accompanying notes from 1 to 38 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS			2017	2016
For the years ended December 31, 2017 and 2016		Notes	SAR' 000	SAR' 000
OPERATING ACTIVITIES				
Net income for the year			2,011,357	1,502,271
Adjustments to reconcile net income to net cash from operating activities:				
Depreciation and amortization	8		199,601	163,920
Loss on disposal of property and equipment, net			228	940
Unrealised loss from FVSI financial instruments, net			6,223	11,873
Dividend income			(22,426)	(19,737)
Charge for impairment of financing , net	7.1		558,482	195,154
Charge for impairment of other financial assets			52,918	117,657
Employees share based plans reserve	32		1,444	3,711
Share of loss from associate and joint ventures	6.3,6.4		5,466	12,921
			2,813,293	1,988,710
Net (increase)/decrease in operating assets:				
Statutory deposit with SAMA			(522,776)	(1,038,768)
Due from banks and other financial institutions with original maturity of more than three months			3,516,130	2,776,711
Investments			(8,930,422)	252,192
Financing			(9,309,133)	(13,501,525)
Other assets			91,133	(382,070)
Net increase/(decrease) in operating liabilities:				
Due to banks and other financial institutions			(1,078,917)	167,716
Customers' deposits			8,452,525	14,917,702
Other liabilities			1,403,833	93,613
			(3,564,334)	5,274,281
INVESTING ACTIVITIES				
Purchase of property and equipment	8		(338,434)	(273,729)
Proceeds from disposal of property and equipment			-	55
Dividends received			23,953	18,210
			(314,481)	(255,464)
FINANCING ACTIVITIES				
Proceeds from employee share scheme			-	28,756
Dividend and zakat paid			(787,048)	(787,057)
			(787,048)	(758,301)
Net (decrease) / increase in cash and cash equivalents				
Cash and cash equivalents at beginning of the year			15,368,063	11,107,547
Cash and cash equivalents at end of the year	22		10,702,200	15,368,063
Income received from investments and financing			3,995,808	3,140,466
Return paid on time investments			905,022	680,654
Supplemental non-cash information:				
Net changes in fair value of available for sale investments			263,758	(18,095)

The accompanying notes from 1 to 38 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2017 and 2016

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 21/05/1429H (corresponding to May 26, 2008) and provides banking services through 85 branches (2016: 76) in the Kingdom of Saudi Arabia. The address of the Bank's head office is as follows:

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

The consolidated financial statements comprise the financial statements of Alinma Bank and its following subsidiaries (the Bank) which are register in KSA:

Subsidiary	Bank 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 associate company)

The Bank provides a full range of banking and investment services through products and instruments that are in accordance with Shariah, it's 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

a) Statement of compliance

The consolidated financial statements of the Bank have been prepared;

- i) in accordance with 'International Financial Reporting Standards (IFRS) as modified by the Saudi Arabian Monetary Authority ("SAMA") for the accounting of zakat and income tax', which requires, adoption of all IFRSs as issued by the International Accounting Standards Board ("IASB") except for the application of International Accounting Standard (IAS) 12 - "Income Taxes" and IFRIC 21 - "Levies" so far as these relate to zakat and income tax. As per the SAMA Circular no. 381000074519 dated April 11, 2017 and subsequent amendments through certain clarifications relating to the accounting for zakat and income tax ("SAMA Circular"), the Zakat and Income tax are to be accrued on a quarterly basis through shareholders equity under retained earnings and;

- ii) in compliance with the provisions of Banking Control Law, the Regulations for Companies in the Kingdom of Saudi Arabia and the Article of Association of the Bank.

Further, the above SAMA Circular has also repealed the existing Accounting Standards for Commercial Banks, as promulgated by SAMA, and are no longer applicable from January 1, 2017.

b) Basis of measurement and presentation

The consolidated financial statements are 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 plans.

The consolidated statement of financial position is stated broadly in order of liquidity.

c) Functional and presentation currency

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

d) Critical accounting judgments, estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting judgments, estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgment in the process of applying the Bank’s accounting policies. Such judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advices and expectations of future events that are believed to be reasonable under the circumstances. Significant areas where management has used estimates, assumptions or exercised judgments are valuation of investments (3f), impairment of financial assets (3h), employee end of service benefits (3s), assessment of control over investees (3v) and zakat (3t).

e) Going concern

The Bank’s management has made an assessment of the Bank’s ability to continue as a going concern and is satisfied that the Bank has the intention and resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Bank’s ability to continue as a going concern.

3. Summary of significant accounting policies

The accounting policies adopted are consistent with those described in the annual consolidated financial statements for the year ended December 31, 2016, except for change in accounting policies as explained in 3(i) and 3(ii) below:

i) Zakat

The Bank amended its accounting policy and has started to accrue zakat on a quarterly basis through a charge to retained earnings in accordance with SAMA guidance on zakat and income tax issued during the year. Previously, zakat was being deducted from dividend payment to the shareholders. The above change in accounting policy did not have material impact on the consolidated financial statements for any of the year presented, and therefore, comparative figures have not been restated.

ii) Amendments to existing standards

Standards and amendments	Effective date	Brief description of changes
Amendments to IAS 7, Statement of cash flows in disclosure 2017 initiative	1 January 2017	These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The above amendments had no material impact on the consolidated financial statements other than certain additional disclosures.

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 by banks for the accounting years beginning on or after January 1, 2018 (note 36).

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below.

a) Basis of consolidation

The 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 year as that of Alinma Bank.

Subsidiaries are the entities that are controlled by Alinma Bank. Alinma Bank controls an entity when, it has power over the investee entity, it is exposed, 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 equity 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 consolidated statement of income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The consolidated financial statements have been prepared using uniform accounting policies and valuation methods for like transactions and other events in similar circumstances. The accounting policies adopted by the subsidiaries are consistent with that of 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. The functional currency of all subsidiaries is Saudi Arabian Riyal ("SAR").

Inter-group balances and any income and expenses arising from inter-group transactions, are eliminated in preparing these consolidated financial statements.

b) Trade date accounting

All regular way purchases and sales of financial assets are initially recognized and derecognized on the trade date (i.e. the date on which the Bank becomes a party to the contractual provision of the instrument). Regular way purchases or sales of financial assets require delivery of those assets within the time frame generally established by regulation or convention in the market place.

All other financial assets and liabilities are also initially recognized on the trade date at which the Bank becomes a party to the contractual provision of the instrument.

c) Foreign currencies

Transactions in foreign currencies are translated into Saudi Arabian Riyals at the spot exchange rates prevailing at transaction dates. Monetary assets and liabilities at year-end, denominated in foreign currencies, are translated into Saudi Arabian Riyals at the exchange rates prevailing at the reporting date. Realized and unrealized gains or losses on exchange are recognized in the consolidated statement of income.

d) Offsetting

Financial assets and liabilities are offset and reported net in the consolidated statement of financial position when there is a currently legally enforceable right to set off the recognized amounts and when the Bank intends to settle on a net basis, or to realize the asset and to settle the liability simultaneously.

Income and expenses are not offset in the consolidated statement of income unless required by any accounting standard.

e) Revenue/expenses recognition

Income from investments and financing

Revenue and expenses related to profit bearing financial instruments are recognized in the consolidated statement of income using effective yield. The effective yield is the rate that exactly discounts the estimated future cash flows through the expected life (or where appropriate, a short period) of the financial asset or liability to its carrying amount. When calculating the effective yield the Bank estimates future cash flows considering all contractual terms including all fees, transaction costs, discounts that are an integral part of the effective yield but does not include the future financing losses. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of financial asset or liability.

The carrying amount of the financial asset or liability is adjusted if the Bank revises its estimates of payments or receipts. The change in carrying amount is recorded as income/expense.

Exchange income/loss

Exchange income/loss is recognized when earned/incurred.

Fees from banking services, net

Fees from banking services that are not an integral part of the effective yield calculation on the financial assets are recognized when the related service is provided. In all other cases, the fee is recognized as part of the effective yield on financial assets. Commitment fee is recognized over the commitment period..

Fees and commission expense relate mainly to transaction and service fees, and are expensed as the transaction is completed or the services are received.

Dividend income

Dividend income is recognized when the right to receive income is established. Dividends from FVSI investments are reflected as a component of income from FVSI financial instruments, net.

Income/(Loss) from FVSI financial instruments, net

Net income/(loss) from FVSI financial instruments relates to financial assets designated as FVSI and include all realized and unrealized fair value changes, profit, dividends and foreign exchange differences.

f) Investments

All investment securities are initially recognized at fair value and are subsequently accounted for depending on their classification as either held as FVSI, Held to maturity, Available for sale or other investments held at amortized cost.

Except for investments held as FVSI, incremental direct transaction cost is also added to the fair value of investment upon initial recognition. Premiums are amortized and discounts accreted using the effective yield basis and charged to consolidated statement of income.

For securities traded in organized financial markets, fair value is determined by reference to exchange quoted market bid prices at the close of business on the reporting date. Fair value of managed assets and investments in mutual funds are determined by reference to declared net asset values.

For securities where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same, or is based on the expected cash flows of the security. Where the fair values cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

Following initial recognition, subsequent transfers between the various classes of investments are permissible only if certain conditions are met. The subsequent period-end reporting values for each class of investment are determined on the basis as set out in the following paragraphs.

Held as FVSI

Investments in this category are classified as either investment held for trading or those designated as FVSI on initial recognition. Investments classified as trading are acquired principally for the purpose of selling in short term.

Investments at FVSI are recorded in the consolidated statement of financial position at fair value. Changes in the fair value are recognized in the consolidated statement of income for the year in which it arises. Transaction costs, if any, are not added to the fair value measurement at initial recognition of FVSI investments and are expensed through consolidated statement of income. Dividend income on financial assets held as FVSI is reflected as "Income from FVSI financial instruments, net" in the consolidated statement of income.

Available for sale

These are investments neither classified as held to maturity nor designated as FVSI and are intended to be held for an unspecified period of time, which may be sold in response to needs for liquidity, changes in profit rates or changes in equity prices. Available for sale investments are subsequently measured at fair value. Unrealized gain or loss arising from a change in its fair value is recognized in other comprehensive income (OCI). On de-recognition, any cumulative gain or loss previously recognized in OCI is charged to income in the consolidated statement of income.

Investments held at amortized cost

These are commodity Murabahas held at amortized cost. These are initially recognized at cost, including associated acquisition charges representing the fair value of amounts paid. Subsequently, these are measured at amortized cost net of impairment, if any.

Held to Maturity

Investments having fixed or determinable payments and fixed maturity and the Bank has the positive intention and ability to hold to maturity are classified as held to maturity. Held to maturity investments are initially recognized at fair value including direct and incremental transaction costs and subsequently measured at amortized cost, less provision for impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition using an effective yield basis. On de-recognition, any gain or loss is charged to income in the consolidated statement of income.

Investments in associates and Joint ventures

An associate is an entity where the Bank has significant influence (but not control) over its financial and operating policies and which is neither a subsidiary nor a joint venture. Investments in associates are accounted for under the equity method whereby investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the Bank's share of net assets in the associate, less impairment in the value of investments if any.

The Bank's share of its associate's post-acquisition profits or losses is recognized in the consolidated statement of income, and its share of movements in other comprehensive income is recognized in reserves.

When the Bank's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables (if applicable), the Bank does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

A joint venture is a joint arrangement whereby the Bank has a joint control and therefore, rights to the net assets of the entity. Investment in joint ventures is accounted for under equity method.

g) Financing

Financing assets are originated or acquired by the Bank with fixed or determinable payments. These are recognized upon actual disbursements. Financing assets are derecognized upon repayment, or when sold or written off, or upon transfer of substantially all risk and rewards of ownership.

All financing assets are initially measured at fair value including any incremental associated acquisition charges. Subsequently these are measured at amortized cost less impairment (if any).

Financing primarily includes Murabaha, Ijarah, Musharaka and Bei Ajel products. A brief description of these products is as follows:

Murabaha: is an agreement whereby the Bank sells to a customer certain commodity or an asset, which the Bank has initially purchased. The selling price comprises of cost plus an agreed profit margin.

Ijarah: is an agreement whereby the Bank, acting as a lessor, purchases or constructs an asset according to the customer (lessee) request, based on his promise to lease the asset for an agreed rent over a specific period.

Ijarah could conclude either by transferring the ownership of the leased asset to the lessee at an agreed amount or by termination of lease and re-possession of underlying asset.

Musharaka: is an agreement between the Bank and the customer to contribute to a project, investment enterprise or property and concludes by transferring the full ownership of the underlying investment to the customer. The profit or loss is shared as per the terms of the agreement.

Bei Ajel: is an agreement whereby the Bank sells on a deferred payment basis, to a customer certain commodity or an asset on a negotiated price.

h) Impairment of financial assets

A financial asset or group of financial assets is classified as impaired when there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the financial asset or group of financial assets and that event (s) (loss event) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. An assessment for impairment is made on regular basis.

Impairment of financial assets held at amortized cost

A specific provision for losses due to impairment of a financing or any other financial asset held at amortized cost is recognized if there is objective evidence that the Bank will not be able to collect all amounts as they fall due. The amount of the specific provision is the difference between the carrying amount and the estimated recoverable amount. The estimated recoverable amount is the present value of expected future cash flows, including amounts estimated to be recoverable from guarantees and collateral, discounted based on the original effective yield rate.

In addition to a specific provision for losses, an additional portfolio provision for collective impairment is made on a portfolio basis for losses where there is objective evidence that unidentified losses exist at the reporting date. The provision is estimated based on various factors including obligor's credit rating, probability of default, loss given default, structural weaknesses and /or deterioration in cash flows.

When a financial asset is uncollectible, it is written off against the related allowance for impairment or directly by a charge to income in the consolidated statement of income. Financial assets are written off only in circumstances where effectively all possible means of recovery have been exhausted, and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the obligor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the consolidated statement of income, under charge for impairment of financing.

Impairment of available for sale financial assets

For equity investments held as available-for-sale, a significant or prolonged decline in fair value below its cost represents objective evidence of impairment. If such evidence exists, an impairment loss is recorded in consolidated statement of income. The impairment loss cannot be reversed through consolidated statement of income as long as the asset continues to be recognized i.e. any increase in fair value after impairment has been recorded can only be recognized in equity. On de-recognition, any gain or loss previously recognized in equity is transferred to consolidated statement of income for the year.

For sukuk and like instruments having fixed or determinable maturities, the Bank assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of income.

If, in a subsequent period, the fair value of these instruments increases and the increase can be objectively related to credit event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

i) Property and equipment

Property and equipment are measured at cost and presented net of accumulated depreciation / amortization and impairment loss, if any. Land is not depreciated. The cost of other property and equipment is depreciated and amortized on the straight-line method over the estimated useful lives of the assets as follows:

Buildings	33 years
Furniture, equipment (including intangibles)	5-10 years
Leasehold improvements	the shorter of lease period or 10 years

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Depreciation is charged from the month of addition and up till the month preceding disposal.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of income.

All assets are reviewed for impairment at each reporting date whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

j) Other real estate

The Bank, in the ordinary course of business, acquires certain real estate properties in settlement of due financing. Such properties are considered as assets held for sale and are initially stated at the lower of net realizable value of due financing and the current fair value of the related properties, less any costs to sell. No depreciation is charged on such properties.

Subsequent to initial recognition, any write down to fair value, less costs to sell, is charged to the consolidated statement of income. Any subsequent revaluation gain in the fair value less costs to sell of these assets to the extent this does not exceed the cumulative write down is recognized in the consolidated statement of income. Gains or losses on disposal are recognized in the consolidated statement of income.

k) Financial liabilities

All customer deposits and amounts due to banks and other financial institutions are initially recognized at fair value. Subsequently, all profit-bearing financial liabilities are measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium. Premiums are amortized and discounts accreted on an effective yield basis to maturity and charged to consolidated statement of income.

l) Financial guarantees

In the ordinary course of business, the Bank issues financial guarantees, consisting of letter of credit, guarantees, standby letter of credits and acceptances. Financial guarantees are initially recognized in the consolidated financial statements at fair value being the value of the premium received. Subsequent to the initial recognition, the Bank's liability under each guarantee is measured at the higher of the amortized premium and the best estimate of expenditure required settling any financial obligations arising as a result of guarantees. Any increase in the liability relating to the financial guarantee is recognized as "charge for impairment of financing", in the consolidated statement of income.

The premium received is recognised in the consolidated statement of income under "Fees from banking services, net" on a straight line basis over the life of the guarantee.

m) Provisions

Provisions are recognized when a reliable estimate can be made by the Bank for a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources embodying economic benefit will be required to settle the obligation.

n) Accounting for Ijarah (leases)

Where the Bank is the lessor

When assets are leased under Ijarah, the present value of the lease payments is recognized as a receivable and disclosed under “Financing”. Lease income is recognized over the term of the lease on net investment basis, using the effective yield method, which reflects a constant periodic rate of return.

Where the Bank is the lessee

Payments made under operating leases are charged to the consolidated statement of income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any additional payment required to be made is recognized as an expense in the period in which termination takes place.

o) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, “cash and cash equivalents” are defined as amounts included in cash, balances with SAMA excluding statutory deposits, and due from banks and other financial institutions with an original maturity of ninety days or less from the date of acquisition.

p) De-recognition of financial instruments

A financial asset (or a part of a financial asset, or a part of a group of similar financial assets) is derecognized, when contractual rights to receive the cash flows from the financial asset expire or the asset is transferred and the transfer qualifies for de-recognition.

In instances where the Bank is assessed to have transferred a financial asset, the asset is derecognized if the Bank has transferred substantially all the risks and rewards of ownership. Where the Bank has neither transferred nor retained substantially all the risks and rewards of ownership, the financial asset is derecognized only if the Bank has not retained control of the financial asset. The Bank recognizes separately as assets or liabilities any rights and obligations created or retained in the process to the extent of its continuing involvement.

A financial liability (or part of a financial liability) can only be derecognized when it is extinguished, that is when the obligation specified in the contract is discharged, cancelled or expired.

q) Short term employee benefits

Short term employee benefits are measured on an undiscounted basis and are expensed as the related services are provided. A liability is recognized for the amount expected to be paid under short term cash bonus or share based plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided to the Bank and the obligation can be estimated reliably.

r) Share based payments

The Bank offers its eligible employees two types of plans (the “Plans”). Brief description of the Plans as approved by SAMA is as follows:

Employee Share Grant Scheme (ESGS)

Under the terms of ESGS, eligible employees are granted shares with a vesting period of 3 to 5 years. At the maturity of the vesting period, the Bank delivers the underlying allotted shares to the employee.

The service cost is measured by reference to the fair value of the shares in the scheme at the grant date. The management is of the view that the fair value of the shares at grant date approximates its market value.

The cost of the schemes is recognized over the period during which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the shares (“the vesting date”). The cumulative expense recognized for the schemes at each reporting date until the vesting date, reflects the extent to which the vesting period has expired and the Bank’s best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated statement of income for a reporting period represents the movement in cumulative expense recognized as at the beginning and end of that period.

s) End of service benefits

Benefits payable to the employees of the Bank at the end of their services are accrued based on actuarial valuation in accordance with Saudi Arabian Labor laws. These are included in other liabilities in the consolidated statement of financial position.

t) 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 a charge to retained earnings. The Bank, being a Saudi Company, is subject to zakat only

u) Treasury Shares

These are recorded at cost and presented as a deduction from the equity as adjusted for any transaction cost, dividends and gains or losses on sale of such shares. Subsequent to their acquisition, these are carried at the amount equal to consideration paid.

v) Investment management services

The Bank provides investment management services to its customers, through its subsidiary which includes management of certain mutual funds. Determining whether the Bank controls such a mutual fund usually depends on the assessment of the aggregate economic interests of the Bank in the fund (comprising its investments, any carried profit and expected management fees) and the investor's rights to remove the Fund Manager.

As a result of the above assessment, the Bank has concluded that it acts as an agent for the investors in all cases, and therefore has not consolidated these funds. Fee earned are disclosed in consolidated statement of income. The Bank's share of investments is included under available for sale investments in the consolidated statement of financial position.

4. Cash and balances with Saudi Arabian Monetary Authority

	2017 SAR'000	2016 SAR'000
Cash in hand	1,902,511	1,933,052
Statutory deposit	4,945,767	4,422,991
Cash management account with SAMA	371,000	643,000
Current accounts	249	1,969
Others	79,844	104,653
Total	7,299,371	7,105,665

In accordance with the Banking Control Law and regulations issued by SAMA, the Bank is required to maintain a statutory deposit with SAMA at stipulated percentages of its customers' deposits as calculated at the end of each month. The statutory deposit is not available to finance the Bank's day to day operations and therefore does not form part of cash and cash equivalents.

5. Due from banks and other financial institutions

	Notes	2017 SAR'000	2016 SAR'000
Current accounts		288,368	372,459
Murabaha and Wakala with banks	5.1	9,500,489	17,269,321
Total		9,788,857	17,641,780

5.1 These are investment grade exposures in the range of "substantially credit risk free to very good credit risk quality" based on external credit ratings.

6. Investments, net

	Notes	2017 SAR'000	2016 SAR'000
Murabahas with SAMA (at amortized cost)		1,906,817	2,906,726
Available for sale investments	6.1	13,243,386	3,084,561
Held as FVSI investments	6.2	77,045	68,246
Investment in an associate	6.3	78,429	81,029
Investment in a joint venture	6.4	13,913	16,779
Total		15,319,590	6,157,341

6.1 Available for sale investments

	2017 SAR'000	2016 SAR'000
Sukuk	11,234,219	2,204,475
Equities	112,095	168,337
Others	1,897,072	711,749
Total	13,243,386	3,084,561

The above investments are mainly in quoted securities and include investment amounting to SAR 716 million (2016: SAR 226 million) in funds operating outside the Kingdom of Saudi Arabia. During the year, the Bank recorded an impairment of SAR 28.5 million (2016: SAR 118 million) against certain equity investments under "charge for impairment of other financial assets".

6.2 Held as FVSI investment

These are held for trading investments mainly in quoted equities of domestic market.

6.3 Investment in associate

Investment in an associate represents the Bank's share of investment of 28.75%, (2016 : 28.75%) in Alinma Tokio Marine Company (a cooperative insurance company). The company has a paid up share capital of SAR 300 million (2016: 450 million). It has been established under Commercial Registration No.1010342537 dated 28 Rajab 1433H (corresponding to June 18, 2012).

	2017 SAR'000	2016 SAR'000
Opening balance	81,029	87,629
Share of loss for the year	(2,600)	(6,600)
	78,429	81,029

The fair value of above investment based on quoted value as at December 31, 2017 is SAR 188 million (2016: SAR 244 million).

The table below provides summarized financial information for the associate based on their latest available reviewed/ audited financial statements.

	2017	2016
	SAR 000'	SAR 000'
	(un-audited)	(Audited)
Current assets	668,812	644,545
Total assets	719,839	696,135
Current liabilities	436,490	401,698
Total liabilities	440,702	404,481
Total equity	279,137	291,654
Total income	120,675	145,290
Total expenses	133,192	166,562

6.4 Investment in joint venture

The Bank had invested SAR 25 million (50%) in ERSAL Financial Remittance Company (a joint venture between Alinma Bank and Saudi Post). The company has been established under Commercial Registration No.1010431244 dated 21 Jumada I 1436H (corresponding to March 12, 2015) with a paid-up capital of SAR 50 million. The Bank's share of loss for the year is SAR 2.9 million (2016: SAR 6.3 million).

6.5 Analysis of investments by type

	2017	2016
	SAR'000	SAR'000
Fixed-rate investments	9,174,083	2,906,726
Floating-rate investments	3,966,953	2,204,475
Equities	183,786	229,428
Others	1,994,768	816,712
Total	15,319,590	6,157,341

6.6 Analysis of investments by counter-parties

	2017	2016
	SAR'000	SAR'000
Government and quasi government	10,038,117	2,906,726
Banks and Other financial institutions	531,315	43,909
Corporate	4,750,158	3,206,706
Total	15,319,590	6,157,341

6.7 Analysis of investments by credit quality

	2017	2016
	SAR'000	SAR'000
Government and quasi government	10,038,117	2,906,726
Investment grade	3,102,919	2,204,475
Equities and others	2,178,554	1,046,140
Total	15,319,590	6,157,341

Investment grade includes exposures in the range of "substantially credit risk free to very good credit risk quality".

7. Financing, net (at amortized cost)

SAR'000					
2017	Performing	Non-performing	Total	Allowance for impairment	Net
Retail	14,601,023	398,095	14,999,118	(310,209)	14,688,909
Corporate	65,150,897	415,912	65,566,809	(308,914)	65,257,895
Total	79,751,920	814,007	80,565,927	(619,123)	79,946,804
Collective provision					(884,207)
Financing, net					79,062,597

SAR'000					
2016	Performing	Non-performing	Total	Allowance for impairment	Net
Retail	14,136,673	450,937	14,587,610	(277,067)	14,310,543
Corporate	56,575,205	94,698	56,669,903	(94,698)	56,575,205
Total	70,711,878	545,635	71,257,513	(371,765)	70,885,748
Collective provision					(573,800)
Financing, net					70,311,948

7.1 Movement in allowance for impairment of financing:

2017	SAR'000		
	Retail	Corporate	Total
Balance at the beginning of the year	277,067	94,698	371,767
Provided during the year	72,713	214,216	286,929
Bad debts written off	(717)	-	(717)
Reversals/recoveries of amounts previously provided	(38,854)	-	(38,854)
Balance at the end of the year	310,209	308,914	619,123
Collective provision	55,000	829,207	884,207
Total	365,209	1,138,121	1,503,330

2016	SAR'000		
	Retail	Corporate	Total
Balance at the beginning of the year	221,077	47,349	268,426
Provided during the year	74,226	47,349	121,575
Bad debts written off	(191)	-	(191)
Reversals/recoveries of amounts previously provided	(18,045)	-	(18,045)
Balance at the end of the year	277,067	94,698	371,765
Collective provision	51,863	521,937	573,800
Total	328,930	616,635	945,565

7.2 Credit quality of financing portfolio:

The Bank follows a robust credit evaluation process anchored on strong credit policies, extensive due diligence and credit review/approval process combined with stringent credit administration and limit monitoring.

For the purpose of the internal risk rating, the Bank has implemented the Moody's Risk Analyst Tool (MRA). The MRA Tool, which is also being used by several leading banks globally and in the Kingdom, enables the Bank to assign internal risk ratings to individual obligors. The internal risk rating indicates the one year probability of credit default (PDs).

The Credit Risk Policy defines a 10 point rating scale with 1 (best) through 10 (worst). As part of the Bank's financing policy, only obligors with risk rating of 1 to 6 are considered as eligible for financing. The Bank has reviewed and validated the MRA rating system; and as an outcome, calibrated the score range with rating grades and associated PDs.

Credit risks of the retail portfolio is estimated based on personal credit worthiness scores, derived from an automated credit scoring platform and is not subject to the MRA tool rating.

7.2.1 Neither past due nor impaired:

Bank's internal risk rating scale	Credit risk quality rating definition	2017 SAR'000	2016 SAR'000
1 - 4	Investment Grade	22,116,699	20,794,296
5 - 6	Below Investment Grade	33,173,223	30,834,940
7	Watch list	376,348	123,104
		55,666,270	51,752,340
	Unrated exposure (Retail)	13,396,234	12,933,369
Total		69,062,504	64,685,709

Rating Scale (1 – 4) represents:	Substantially credit risk free, Exceptionally strong credit quality, Excellent credit risk quality, Very good credit risk quality.
Rating Scale (5 – 6) represents:	Good to Satisfactory credit quality.
Rating Scale (7) represents:	Watch list category.

7.2.2 Aging of financing (Past due but not impaired):

2017	SAR'000		
	Retail	Corporate	Total
From 1 day to 30 days	936,823	7,834,412	8,771,235
From 31 days to 90 days	267,966	1,083,295	1,351,261
From 91 days to 180 days	-	191,609	191,609
More than 180 days	-	375,311	375,311
Total	1,204,789	9,484,627	10,689,416

2016	SAR'000		
	Retail	Corporate	Total
From 1 day to 30 days	1,049,125	4,536,786	5,585,911
From 31 days to 90 days	154,179	135,089	289,268
From 91 days to 180 days	-	-	-
More than 180 days	-	150,990	150,990
Total	1,203,304	4,822,865	6,026,169

7.3 Economic sectors risk concentration for financing and allowance for impairment are as follows:

2017	SAR'000			
	Performing	Non-performing	Allowance for impairment	Financing, net
Government and quasi government	6,265,258	-	-	6,265,258
Manufacturing	8,998,871	-	-	8,998,871
Electricity, water, gas & health services	1,301,411	-	-	1,301,411
Building, construction and real estate	19,815,539	94,698	(94,698)	19,815,539
Services	7,534,505	54,177	(8,745)	7,579,937
Mining	490,945	-	-	490,945
Agriculture	2,147,890	-	-	2,147,890
Consumer financing	14,601,024	398,095	(310,209)	14,688,910
Transportation and communication	4,597,817	-	-	4,597,817
Commerce	9,998,331	267,037	(205,471)	10,059,897
Others	4,000,329	-	-	4,000,329
	79,751,920	814,007	(619,123)	79,946,804
Collective provision				(884,207)
Financing, net				79,062,597

2016	SAR'000			
	Performing	Non-performing	Allowance for impairment	Financing, net
Government and quasi government	6,606,033	-	-	6,606,033
Manufacturing	9,649,731	-	-	9,649,731
Electricity, water, gas & health services	836,591	-	-	836,591
Building, construction and real estate	15,561,844	94,698	(94,698)	15,561,844
Services	5,288,365	-	-	5,288,365
Mining	491,094	-	-	491,094
Agriculture	1,301,246	-	-	1,301,246
Consumer financing	14,136,673	450,937	(277,067)	14,310,543
Transportation and communication	1,637,211	-	-	1,637,211
Commerce	11,032,325	-	-	11,032,325
Others	4,170,765	-	-	4,170,765
	70,711,878	545,635	(371,765)	70,885,748
Collective provision				(573,800)
Financing, net				70,311,948

7.4 Collateral

The Bank, in the ordinary course of business holds collateral as security to mitigate credit risk. These collaterals mostly include customers' deposits, financial guarantees, equities, real estate and other fixed assets. The Bank held collateral of SAR 126,766 million (2016: SAR 99,314 million) against its secured financing .

7.5 Financing includes Ijarah as follows:

	2017 SAR'000	2016 SAR'000
Less than 1 year	2,736,786	1,493,611
1 to 5 years	16,469,588	12,469,605
Over 5 years	22,886,112	18,789,715
Gross receivables from Ijarah	42,092,486	32,752,931
Unearned future finance income on Ijarah	(11,385,052)	(8,567,287)
Specific provision	(33,784)	(24,041)
Net receivables from Ijarah	30,673,650	24,161,603

8. Property and equipment, net

	SAR'000				
	Land and buildings	Leasehold improvements	Furniture and equipment	Total 2017	Total 2016
Cost:					
Balance at beginning of the year	1,062,340	380,733	1,336,502	2,779,575	2,509,877
Additions	172,152	20,051	146,231	338,434	273,729
Disposals	-	(13,303)	(1,158)	(14,461)	(4,031)
Balance at end of the year	1,234,492	387,481	1,481,575	3,103,548	2,779,575
Accumulated depreciation:					
Balance at beginning of the year	54,757	176,129	810,871	1,041,757	880,873
Charge for the year	14,446	38,649	146,506	199,601	163,920
Disposals	-	(13,142)	(1,091)	(14,233)	(3,036)
Balance at end of the year	69,203	201,636	956,286	1,227,125	1,041,757
Net book value-as at December 31, 2017	1,165,289	185,845	525,289	1,876,423	
Net book value-as at December 31, 2016	1,007,583	204,604	525,631		1,737,818

Property and equipment includes work in progress as at December 31, 2017 amounting to SAR 216 million (2016: SAR 178 million).

Furniture and equipment includes information technology-related assets as follows:

Information technology related assets:	SAR'000		
	Tangible	Intangible	Total
Cost	587,104	740,934	1,328,038
Accumulated depreciation/amortization	(344,869)	(472,155)	(817,024)
Net book value-as at December 31, 2017	242,235	268,779	511,014
Net book value-as at December 31, 2016	214,259	280,899	495,158

9. Other assets

	Note	2017 SAR'000	2016 SAR'000
Prepaid rental		40,196	40,584
Advances to suppliers		9,503	8,827
Other real estate	9.1	436,780	389,229
Other prepayments		51,855	49,105
Others		1,119,895	1,287,563
Total		1,658,229	1,775,308

9.1 This represents the properties held for sale which were acquired in settlement of financing due from customers.

10. Due to banks and other financial institutions

	Note	2017 SAR'000	2016 SAR'000
Time investments from banks and other financial institutions	10.1	1,269,734	2,364,079
Others		83,153	67,725
Total		1,352,887	2,431,804

10.1 It represents Murabaha, Mudaraba and Wakala with banks.

11. Customers' deposits

i) Customers' deposits include the following:

	Note	2017 SAR'000	2016 SAR'000
Demand		45,316,467	43,560,127
Customers' time investments	11.1	42,987,385	36,434,224
Others	11.2	760,899	617,875
Total		89,064,751	80,612,226

11.1 It represents Murabaha and Mudaraba with customers.

11.2 Others represent cash margins for letters of credit and guarantees.

ii) The above includes foreign currency deposits as follows:

	2017 SAR'000	2016 SAR'000
Demand	1,057,621	2,971,917
Customers' time investments	4,222,959	271,864
Other	17,369	46,528
Total	5,297,949	3,290,309

12. Other liabilities

	2017 SAR'000	2016 SAR'000
Accrued expenses	224,485	162,321
Outward drafts payable	1,888,222	923,305
Accounts payable	385,210	167,551
Advance rentals	882,038	813,344
Employees End of Service liability	219,553	123,906
Others	390,768	316,943
Total	3,990,276	2,507,370

13. Share capital

The authorized, issued and fully paid share capital of the Bank consists of 1,500 million shares (2016: 1,500 million shares) of SAR 10 each.

The ownership of the Bank's share capital is as follows:

	2017	2016
	Percentage	
Public Pension Agency ("PPA")	10.89	10.81
Public Investment Fund ("PIF")	10.00	10.00
General Organization for Social Insurance ("GOSI")	5.10	5.10
General public and others	74.01	74.09
Total	100.00	100.00

14. Statutory reserve

In accordance with the Banking Control Law in the Kingdom of Saudi Arabia, a minimum of 25% of the annual net income is required to be transferred to a statutory reserve until this reserve equals the paid up capital of the Bank. Accordingly, SAR 502.9 million (2016: SAR 375.6 million) has been transferred from the net income for the year to statutory reserve. The statutory reserve is not available for distribution.

15. Treasury shares

These shares have been acquired, after due approvals, for discharging the obligations of employees share based plans.

During the year an amount of SAR 15 million (2016: Nil) was appropriated from retained earnings to other reserves as per approval of the General Assembly held on April 06, 2017. Such reserves will be utilized towards discharging the Bank's corporate social responsibilities.

16. Commitments and contingencies

A. Legal proceedings

As at December 31, 2017 and 2016, there were no significant legal proceedings outstanding against the Bank.

B. Capital commitments

As at December 31, 2017, the Bank had capital commitments of SAR 145.1 million (2016: SAR 135.6 million) relating to acquisition of property and equipment.

C. Credit related commitments and contingencies

Credit related commitments and contingencies comprise letters of guarantee, letters of credit, acceptances and unused irrevocable commitments to extend financing facilities. The primary purpose of these instruments is to ensure that funds are available to customers as required. Letters of guarantee and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as investments and financing. Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Bank does not generally expect the third party to invoke such commitments.

Documentary letters of credit are generally collateralised by the underlying assets to which they relate, and therefore have significantly lower risk.

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be presented before being reimbursed by the customers.

Commitments to extend credit represent the unused portion of approved credit, principally in the form of financing, guarantees and letters of credit. With respect to these commitments, the Bank is exposed to an insignificant potential credit risk as most commitments to extend credit are contingent upon customers maintaining specific

credit standards. The total outstanding commitments to extend credit do not necessarily represent future cash requirements, as many of these commitments could expire or terminate without being funded.

i) The contractual maturity structure of the Bank's commitments and contingencies is as follows:

2017	SAR'000				
	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Letters of credit	1,730,135	802,337	490,385	223	3,023,080
Letters of guarantee	2,781,836	2,152,009	2,545,021	68,986	7,547,852
Acceptances	159,762	13,910	-	-	173,672
Irrevocable commitments to extend credit	-	488,627	-	-	488,627
Total	4,671,733	3,456,883	3,035,406	69,209	11,233,231

2016	SAR'000				
	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Letters of credit	867,679	1,044,056	218,547	-	2,130,282
Letters of guarantee	568,489	1,783,492	5,280,948	53,257	7,686,186
Acceptances	193,654	23,460	-	-	217,114
Irrevocable commitments to extend credit	-	746,037	-	-	746,037
Total	1,629,822	3,597,045	5,499,495	53,257	10,779,619

ii) The analysis of commitments and contingencies by counter-party is as follows:

	2017 SAR'000	2016 SAR'000
Government and quasi government	720	9,746
Corporate	9,590,562	9,508,041
Banks and other financial institutions	1,641,949	1,261,832
Total	11,233,231	10,779,619

iii) The outstanding unused portion of commitments as at December 31, 2017, which can be revoked unilaterally at any time by the Bank, amounts to SAR 26,717 million (2016: SAR 32,431 million).

D. Operating lease commitments

The future minimum lease payments under non-cancellable operating leases where the Bank is lessee are as follows:

	2017 SAR'000	2016 SAR'000
Less than one year	5,437	6,005
One year to five years	35,263	128,658
Over five years	186,847	250,566
Total	227,547	385,229

17. Income from investments and financing, net

	2017 SAR'000	2016 SAR'000
Income from investments and financing:		
Investments (Murabaha with SAMA)	41,099	40,446
Investments in Sukuk	177,011	58,848
Murabaha with banks and other financial institutions	183,325	268,226
Financing	3,853,304	3,118,374
Total	4,254,739	3,485,894
Return on time investments:		
Customers' time investments	(729,791)	(803,188)
Time investments from banks and other financial institutions	(31,924)	(30,609)
Total	(761,715)	(833,797)
	3,493,024	2,652,097

18. Fees from banking services, net

	2017 SAR'000	2016 SAR'000
Income on:		
Trade finance services	94,517	97,934
Card services	385,729	311,715
Fund management and other banking services	395,381	261,081
	875,627	670,730
Expense on:		
Card services	(192,891)	(145,569)
Other fees	(6,300)	(10,700)
	676,436	514,461

19. Salaries and employee related expenses

The following table summarizes the Bank's employee categories defined in accordance with SAMA's rules on compensation practices.

Categories of employees	SAR'000									
	Number of employees		Fixed compensation		Variable Compensation paid					
					Cash		Shares		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Senior executives requiring SAMA no objections	15	16	31,060	31,113	11,076	11,453	1,662	9,649	12,738	21,102
Employees engaged in risk taking activities	552	517	191,913	171,922	36,233	31,074	871	13,665	37,104	44,739
Employees engaged in control functions	149	145	58,249	52,299	9,756	8,473	470	4,446	10,226	12,919
Other employees	1,542	1,478	326,043	304,755	47,630	41,517	1,028	14,346	48,658	55,863
Outsourcing employees (engaged in risk taking activities)	-	-	-	-	-	-	-	-	-	-
	2,258	2,156	607,265	560,089	104,695	92,517	4,031	42,106	108,726	134,623
Variable compensation accrued			134,854	103,657						
Other employee related benefits			133,890	91,601						
Total	2,258	2,156	876,009	755,347	104,695	92,517	4,031	42,106	108,726	134,623

19.1 Salient features of Compensation Policy

As an integral part of the compensation governance, the Bank follows appropriate compensation practices in line with the SAMA guidelines and Financial Stability Board (FSB) Principles/Standards. The Bank has implemented a "Compensation & Allowances" policy approved by the Board of Directors (the "Board").

The Bank has also established a Nomination and Compensation Committee. It has been mandated by the Board to review and recommend sound compensation policies for adoption by the Bank.

While developing and implementing such policies, the Bank has sought to align the same with the risks related to capital, liquidity and sustainability as well as timing of revenue streams.

The Bank has adopted fixed as well as variable compensation schemes. The variable component is aligned not only with the aforesaid risks but also with the overall performance of the Bank and the individual, and risk involved in the relevant job function. The Bank consistently evaluates its compensation policies against the industry and makes necessary revisions as and when required.

20. Earnings per share

Basic and diluted earnings per share are calculated by dividing the net income by the weighted average number of outstanding shares which were (Basic and diluted): 1,490 million shares at the end of the year, after accounting for treasury shares.

21. Proposed dividend and zakat

	2017	2016	2017	2016
	SAR'000	SAR'000	SAR per share	
Proposed gross dividend	1,191,964	744,978	0.80	0.50

The Bank has filed its Zakat returns for the years up to and including the financial year 2016 with the General Authority of Zakat and Tax ("GAZT"). The Bank has received Zakat assessment for the years 2009 to 2015 raising additional demands of SAR 1,656 million. The additional exposure is mainly on account of disallowances of certain long-term financing and leased assets owned by the Bank. The Bank has filed an appeal against the assessments for the years 2009-2011 and intends to file similar appeals for the remaining years 2012-2015 in due course.

The assessment for the year 2016 is yet to be received. However, if in line with the earlier assessed years, similar disallowances are made for 2016, an additional exposure may arise, disclosure of which might affect the Bank's interests.

The estimated zakat for the year ended December 31, 2017 amounted to SAR 62 million (2016: SAR 42 million) which has been charged to retained earnings.

22. Cash and cash equivalents

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

	2017 SAR'000	2016 SAR'000
Cash in hand	1,902,511	1,933,052
Balances with SAMA excluding statutory deposit	451,093	749,622
Due from banks and other financial institutions maturing within three months of acquisition	8,348,596	12,685,389
Total	10,702,200	15,368,063

23. Employee benefit obligations

23.1 General description

The Bank operates an End of Service Benefit Plan for its employees based on the prevailing Saudi Labor Laws. Accruals are made in accordance with the actuarial valuation under projected unit credit method while the benefit payments obligation is discharged as and when it falls due.

23.2 The amounts recognized in the statement of financial position and movement in the obligation during the year based on its present value are as follows:

	2017 SAR'000	2016 SAR'000
Defined benefit obligation at the beginning of the year	129,977	90,257
Current service cost	81,766	40,671
Interest cost	7,148	5,415
Benefits paid	(8,719)	(6,366)
Unrecognized actuarial loss / (gain)	9,381	-
Defined benefit obligation at the end of the year	219,553	129,977

The current service cost for the year was SAR 50.9 million (2016: 46.1 million).

23.3 Principal actuarial assumptions (in respect of the employee benefit scheme)

	2017	2016
Discount rate	5.00% p.a.	5.50% p.a.
Expected rate of salary increase	5.00% p.a.	5.00% p.a.
Normal retirement age	60 years	60 years

Assumptions regarding future mortality are set based on actuarial advice in accordance with the published statistics and experience in the region.

23.4 Sensitivity of actuarial assumptions

The table below illustrates the sensitivity of the Defined Benefit Obligation valuation as at December 31, 2017 to the discount rate (5.00%), salary escalation rate (5.00%).

Base Scenario	SAR 000'		
	Impact on defined benefit obligation – Increase / (Decrease)		
2017	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	(25,749)	31,114
Expected rate of salary increase	1%	30,791	(25,974)

Base Scenario	SAR 000'		
	Impact on defined benefit obligation – Increase / (Decrease)		
2016	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	(14,338)	17,226
Expected rate of salary increase	1%	17,137	(14,526)

The above sensitivity analyses are based on a change in an assumption holding all other assumptions constant.

23.5 Expected maturity

Expected maturity analysis of undiscounted defined benefit obligation for the end of service plan is as follows:

Less than a year	1-2 years	2-5 years	Over 5 years	Total
18,502	16,576	61,183	1,299,419	1,395,680

Less than a year	1-2 years	2-5 years	Over 5 years	Total
12,159	13,410	58,000	1,281,795	1,365,364

The weighted average duration of the defined benefit obligation is 15.6 years.

24. 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. 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 with banks, investments and treasury services.

d) Investment and brokerage

Asset Management, custodianship, advisory, underwriting and brokerage services.

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:

2017	SAR '000				
	Retail	Corporate	Treasury	Investment & brokerage	Total
Total assets	17,703,057	65,936,266	30,638,468	727,276	115,005,067
Total liabilities	59,482,498	9,165,695	25,688,531	71,190	94,407,914
Income from investments and financing	1,556,501	1,696,162	995,373	6,703	4,254,739
Return on time investments	(202,166)	(126,505)	(433,044)	-	(761,715)
Income from investments and financing, net	1,354,335	1,569,657	562,329	6,703	3,493,024
Fees from banking services and other income	267,545	130,340	154,480	327,567	879,932
Total operating income	1,621,880	1,699,997	716,809	334,270	4,372,956
Charge for impairment of financing	36,997	521,485	-	-	558,482
Charge for impairment of other financial assets	-	24,420	28,498	-	52,918
Depreciation and amortization	88,855	73,680	34,304	2,762	199,601
Other operating expenses	874,660	408,847	182,266	79,359	1,545,132
Total operating expenses	1,000,512	1,028,432	245,068	82,121	2,356,133
Net operating income	621,368	671,565	471,741	252,149	2,016,823
Share of loss from associate and joint venture	-	-	(5,466)	-	(5,466)
Net income	621,368	671,565	466,275	252,149	2,011,357

2016	SAR '000				
	Retail	Corporate	Treasury	Investment & brokerage	Total
Total assets	17,590,090	57,566,502	29,124,646	448,622	104,729,860
Total liabilities	50,956,498	8,181,961	26,365,168	47,773	85,551,400
Income from investments and financing	1,134,751	1,331,657	1,014,004	5,482	3,485,894
Return on time investments	(222,464)	(33,090)	(578,243)	-	(833,797)
Income from investments and financing, net	912,287	1,298,567	435,761	5,482	2,652,097
Fees from banking services and other income	223,385	142,018	130,045	180,256	675,704
Total operating income	1,135,672	1,440,585	565,806	185,738	3,327,801
Charge for impairment of financing	66,180	128,974	-	-	195,154
Charge for impairment of other financial assets	-	-	117,657	-	117,657
Depreciation and amortization	80,348	54,825	27,841	906	163,920
Other operating expenses	728,393	356,547	173,974	76,964	1,335,878
Total operating expenses	874,921	540,346	319,472	77,870	1,812,609
Net operating income	260,751	900,239	246,334	107,868	1,515,192
Share of loss from associate and joint venture	-	-	(12,921)	-	(12,921)
Net income	260,751	900,239	233,413	107,868	1,502,271

SAR '000	December 31, 2017				
Other information:	Retail	Corporate	Treasury	Investment and brokerage	Total
Income from:					
-External	869,471	3,047,191	122,024	334,270	4,372,956
-Inter-segment	752,409	(1,347,194)	594,785	-	-
Total operating income	1,621,880	1,699,997	716,809	334,270	4,372,956

SAR '000	December 31, 2016				
Other information:	Retail	Corporate	Treasury	Investment and brokerage	Total
Income from:					
-External	757,935	2,466,825	(82,697)	185,738	3,327,801
-Inter-segment	377,737	(1,026,240)	648,503	-	-
Total operating income	1,135,672	1,440,585	565,806	185,738	3,327,801

The Bank's credit exposure by operating segments is as follows:

2017	SAR '000				
	Retail	Corporate	Treasury	Investment & brokerage	Total
On balance sheet assets	14,581,166	64,417,318	29,934,216	717,673	109,650,373
Commitments and contingencies	-	11,233,231	-	-	11,233,231
Total	14,581,166	75,650,549	29,934,216	717,673	120,883,604

2016	SAR '000				
	Retail	Corporate	Treasury	Investment & brokerage	Total
On balance sheet assets	14,543,457	57,074,314	28,893,691	448,621	100,960,083
Commitments and contingencies	-	10,779,619	-	-	10,779,619
Total	14,543,457	67,853,933	28,893,691	448,621	111,739,702

Credit exposure comprises the carrying value of balance sheet assets, excluding cash, property and equipment, and other assets. The credit equivalent value of commitments and contingencies are included in credit exposure.

25. Credit risk

Credit risk is the most significant risk for the Bank's business. It is defined as the risk that a counterparty may fail to meet its obligations to the Bank and, therefore, could result in a financial loss for the Bank. While credit exposures arise principally from financing and investment, there is also credit risk in off-balance sheet financial instruments, such as letters of credit/acceptances, letters of guarantee, and other forms of financial commitments.

The Bank actively manages its credit risk exposure through the establishment of Credit Risk Policies and procedures which provide guidance, among others, on target market, risk acceptance criteria, minimum disclosure from customers, standard due diligence process, review and approval process, documentation, concentration limits, and day to day account management and problem recognition/remedial action. The Bank has a robust Credit Risk Stress Testing process, used to evaluate the potential impact of negative factors on asset quality, risk ratings, profitability and capital allocations.

To ensure proper check and balance of generating business and taking on credit risks, the Bank has an independent Risk Management Group (RMG) led by a Chief Risk Officer (CRO), tasked with the responsibility of implementing, reviewing and safeguarding the Credit and other Risk Policies.

Analysis of investments is provided in note (6). For details of the composition of financing refer note (7). For commitments and contingencies refer note (16).

25.1 Geographical concentration of financial assets, financial liabilities, commitments and contingencies are as follows:.

2017	SAR'000				
	Kingdom of Saudi Arabia	Other GCC and Middle East countries	Europe	Other countries	Total
Financial assets					
Cash and balances with SAMA	7,299,371	-	-	-	7,299,371
Due from banks and other financial institutions					
Current accounts	-	11,917	179,165	97,286	288,368
Murabaha and Wakala with banks	7,016,127	1,788,115	696,247	-	9,500,489
Investments, net					
Available for sale	12,433,459	94,076	14	715,837	13,243,386
Held as FVSI	77,045	-	-	-	77,045
Other	1,999,158	-	-	-	1,999,158
Financing, net					
Retail	14,633,909	-	-	-	14,633,909
Corporate	61,977,626	-	-	2,451,062	64,428,688
Other assets	1,556,674	-	-	-	1,556,674
Total financial assets	106,993,369	1,894,108	875,426	3,264,185	113,027,088
Financial liabilities					
Due to banks and other financial institutions					
Demand	77,344	2,568	-	3,241	83,153
Time investments	977,329	25,110	-	267,295	1,269,734
Customers' deposits					
Demand	46,077,366	-	-	-	46,077,366
Customer's Time investments	42,987,385	-	-	-	42,987,385
Other liabilities	3,108,240	-	-	-	3,108,240
Total financial liabilities	93,227,664	27,678	-	270,536	93,525,878
Commitments and contingencies:					
Letters of credit	3,023,080	-	-	-	3,023,080
Letters of guarantee	7,547,852	-	-	-	7,547,852
Acceptances	173,672	-	-	-	173,672
Irrevocable commitments to extend credit	488,627	-	-	-	488,627
Maximum credit exposure (stated at credit equivalent amounts) of commitments and contingencies	6,562,400	-	-	-	6,562,400

2016	SAR'000				
	Kingdom of Saudi Arabia	Other GCC and Middle East countries	Europe	Other countries	Total
Financial assets					
Cash and balances with SAMA	7,105,665	-	-	-	7,105,665
Due from banks and other financial institutions					
Current accounts	51	18,870	81,256	272,282	372,459
Murabaha and Wakala with banks	8,018,867	8,589,854	660,600	-	17,269,321
Investments, net					
Available for sale	3,045,732	-	13,258	25,571	3,084,561
Held as FVSI	68,246	-	-	-	68,246
Held to maturity	-	-	-	-	-
Others	3,004,534	-	-	-	3,004,534
Financing, net					
Retail	14,258,680	-	-	-	14,258,680
Corporate	56,053,268	-	-	-	56,053,268
Other assets	1,676,792	-	-	-	1,676,792
Total financial assets	93,231,835	8,608,724	755,114	297,853	102,893,526
Financial liabilities					
Due to banks and other financial institutions					
Demand	29,942	36,947	-	836	67,725
Time investments	2,153,777	210,302	-	-	2,364,079
Customers' deposits					
Demand	44,178,002	-	-	-	44,178,002
					36,434,224
Customer's Time investments	36,434,224	-	-	-	
Other liabilities	1,694,026	-	-	-	1,694,026
Total financial liabilities	84,489,971	247,249	-	836	84,738,056
Commitments and contingencies					
Letters of credit	2,130,282	-	-	-	2,130,282
Letters of guarantee	7,686,186	-	-	-	7,686,186
Acceptances	217,114	-	-	-	217,114
Irrevocable commitments to extend credit	746,037	-	-	-	746,037
Maximum credit exposure (stated at credit equivalent amounts) of commitments and contingencies	6,788,482	-	-	-	6,788,482

25.2 The distributions by geographical concentration of non performing financing and allowances for impairment on financing are as follows:

2017	SAR'000				
	Kingdom of Saudi Arabia	Other GCC and Middle East countries	Europe	Other countries	Total
Non performing financing, net	814,007	-	-	-	814,007
Allowances for impairment on financing	1,503,330	-	-	-	1,503,330

2016	SAR'000				
	Kingdom of Saudi Arabia	Other GCC and Middle East countries	Europe	Other countries	Total
Non performing financing, net	545,635	-	-	-	545,635
Allowances for impairment on financing	945,565	-	-	-	945,565

26. Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate due to changes in market variables such as equity prices, profit rates, foreign exchange rates, and commodity prices. The Bank classifies exposures to market risks into either trading or non-trading (or banking book).

i. Market risk – trading book

The Bank is exposed to an insignificant market risk on its trading book position of equities in local currency which is regularly marked to market and losses or gains on equity prices are taken directly into consolidated statement of income.

ii. Market risk – non trading book

Market risks on non-trading book mainly arise from profit rate movements and, to a minor extent, from currency fluctuations. The Bank also faces price risks on securities held as “available for sale”.

a) Profit rate risk

It arises from changes in profit rates which will affect either the fair values or the future cash flows of the financial instruments. The Board has established profit rate gap limits which are regularly monitored by ALCO. Treasury imputes the funding costs based on the yield curve and the margins are also adjusted to account for liquidity premium based on the duration of the financing.

Following table depicts the sensitivity on the Bank’s consolidated statement of income or equity due to reasonably possible changes in profit rates, with other variables held constant. The sensitivity is the effect of the assumed changes in profit rates on the net income or equity, based on profit bearing non-trading financial assets and financial liabilities as of the reporting date after taking in to account their respective maturities and re-pricing structure. Due to insignificant foreign currency exposures of profit bearing financial assets and liabilities in banking book, all the banking book exposures are monitored only in reporting currency.

2017						
						Sensitivity of equity (SAR '000)
Increase/decrease in basis points	Sensitivity of net income	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
+10	9,857	(195)	(14,154)	(72,549)	(42,310)	(129,208)
-10	(9,857)	195	14,154	72,549	42,310	129,208

2016						
						Sensitivity of equity (SAR '000)
Increase/decrease in basis points	Sensitivity of net income	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
+10	16,165	(855)	(16,723)	(56,265)	(7,731)	(81,574)
-10	(16,165)	855	16,723	56,265	7,731	81,574

Yield sensitivity of assets, liabilities and off balance sheet items

The Bank manages exposure to the effects of various risks associated with fluctuations in the prevailing levels of market profit rates on its financial position and cash flows. The Bank uses the SAIBOR for SAR and the LIBOR for USD lending as a benchmark rate for different maturities. At times when these benchmark rates are not representative of the actual transactions in the market, marginal cost of fund is provided by Treasury. The Bank charges profit rates based on the maturity of loans (longer term loans usually require a higher profit rate) based on marginal costs of funds.

The table below summarizes the Bank's exposure to profit rate risks. Included in the table are the Bank's financial instruments at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates.

2017	SAR'000					
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-profit bearing	Total
Assets						
Cash and balances with SAMA	-	-	-	-	7,299,371	7,299,371
Due from banks and other financial institutions:						
Current accounts	-	-	-	-	288,368	288,368
Murabaha and Wakala with banks	8,060,229	391,888	1,048,372	-	-	9,500,489
Investments, net						
Available for sale	647,065	1,425,140	3,633,126	5,528,888	2,009,167	13,243,386
Held as FVSI	-	-	-	-	77,045	77,045
Others	901,650	-	1,005,167	-	92,342	1,999,159
Financing, net						
Retail	891,146	3,670,787	8,603,838	1,468,138	-	14,633,909
Corporate	22,203,499	30,782,632	9,977,669	1,464,888	-	64,428,688
Property and equipment, net	-	-	-	-	1,876,423	1,876,423
Other assets	-	-	-	-	1,658,229	1,658,229
Total assets	32,703,589	36,270,447	24,268,172	8,461,914	13,300,945	115,005,067
Liabilities & shareholders' equity						
Due to banks and other financial institutions						
Demand	-	-	-	-	83,153	83,153
Time investments	769,508	500,226	-	-	-	1,269,734
Customer deposit						
Demand	595,822	-	-	-	45,481,544	46,077,366
Customer's Time investments	29,778,887	13,123,315	85,183	-	-	42,987,385
Other liabilities	-	-	-	-	3,990,276	3,990,276
Shareholders' equity	-	-	-	-	20,597,153	20,597,153
Total liabilities & shareholders' equity	31,144,217	13,623,541	85,183	-	70,152,126	115,005,067
Yield sensitivity - On statement of financial position	1,559,372	22,646,906	24,182,989	8,461,914	(56,892,181)	
Yield sensitivity - Off statement of financial position	4,671,734	3,456,883	3,035,405	69,209	-	11,233,231
Total yield sensitivity gap	6,272,106	26,103,789	27,218,394	8,631,123		
Cumulative yield sensitivity gap	6,272,106	32,375,895	59,594,289	68,225,412		

2016	SAR'000					
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-profit bearing	Total
Assets						
Cash and balances with SAMA	-	-	-	-	7,105,665	7,105,665
Due from banks and other financial institutions						
Current accounts	-	-	-	-	372,459	372,459
Murabaha and Wakala with banks	14,461,217	1,383,855	1,424,249	-	-	17,269,321
Investments, net						
Available for sale	-	2,204,475	-	-	880,086	3,084,561
Held as FVSI	-	-	-	-	68,246	68,246
Held to maturity	-	-	-	-	-	-
Others	1,901,503	-	1,005,223	-	97,808	3,004,534
Financing, net						
Retail	1,526,358	3,204,431	8,258,436	1,269,455	-	14,258,680
Corporate	17,341,361	26,416,049	12,019,098	276,760	-	56,053,268
Property and equipment, net	-	-	-	-	1,737,818	1,737,818
Other assets	-	-	-	-	1,775,308	1,775,308
Total assets	35,230,439	33,208,810	22,707,006	1,546,215	12,037,390	104,729,860
Liabilities & shareholders' equity						
Due to banks and other financial institutions						
Demand	-	-	-	-	67,725	67,725
Time investments	1,378,160	985,919	-	-	-	2,364,079
Customer deposits						
Demand	-	-	-	-	44,178,002	44,178,002
Customer's Time investments	27,016,278	5,466,032	3,951,914	-	-	36,434,224
Other liabilities	-	-	-	-	2,507,370	2,507,370
Shareholders' equity	-	-	-	-	19,178,460	19,178,460
Total liabilities & shareholders' equity	28,394,438	6,451,951	3,951,914	-	65,931,557	104,729,860
Yield sensitivity - On statement of financial position	6,836,001	26,756,859	18,755,092	1,546,215	(53,894,167)	
Yield sensitivity - Off statement of financial position	1,629,822	3,597,045	5,499,495	53,257		10,779,619
Total Yield sensitivity gap	8,465,823	30,353,904	24,254,587	1,599,472		
Cumulative yield sensitivity gap	8,465,823	38,819,727	63,074,314	64,673,786		

b) Currency risk

Represents the risks of change of value of financial instruments due to changes in foreign exchange rates. The Risk Appetite Framework and policies contain limits for positions by currencies. However, the Bank has negligible exposure in foreign exchange because its assets and liabilities are mainly denominated in Saudi Riyals and to a smaller extent in United States Dollars (USD) or in USD pegged currencies.

The Bank has the following summarized exposure to foreign currency exchange rate risk as at December 31:

	2017 SAR'000	2016 SAR'000
Assets		
Cash & balances with SAMA	106,703	166,532
Due from banks and other financial institutions	3,026,013	3,936,618
Investments, net	809,606	263,947
Financing, net	2,604,553	164,268
Other assets	38,581	45,990
Total currency risk on assets	6,585,456	4,577,355
Liabilities		
Due to banks and other financial institutions	288,610	227,239
Customers' deposits	5,297,949	3,290,309
Other liabilities	367,106	602,160
Total currency risk on liabilities	5,953,665	4,119,708

The table below shows the currencies to which the Bank has a significant exposure as at December 31:

	2017 SAR'000	2016 SAR'000
USD	622,712	424,835
Euro	(4,530)	(503)
UAE Dirham	9,645	14,485
BHD	(14)	1,629
QAR	692	1,377
others	3,286	15,824
Total	631,791	457,647

Equity price risk

Equity price risk refers to the risk of decrease in fair values of equities as a result of changes in the levels of equity index and the value of individual stocks.

The effect on the Bank's equity investment held as available for sale due to reasonable possible change in equity index, with all other variables held constant is as follows:

	2017		2016	
	SAR'000		SAR'000	
Market index-(Tadawul)	Increase/decrease in market prices%	Effect on equity	Increase/decrease in market prices%	Effect on equity
Impact of change in market prices	±10%	± 10,359	±10%	± 16,834

27. Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately. To mitigate this risk, management has diversified funding sources and assets are managed taking liquidity into consideration, maintaining an adequate balance of cash and cash equivalents. The Bank has a Market Risk Management team under the Risk Management Group that regularly monitors the liquidity risk of the Bank.

In accordance with Banking Control Law and the regulations issued by SAMA, the Bank maintains a statutory deposit with SAMA equal to 7% of total demand deposits and 4% of customers' time investments.

In addition to the statutory deposit, the Bank also maintains liquid reserves of no less than 20% of its deposit liabilities, in the form of cash and assets, which can be converted into cash within a period not exceeding 30 days.

a) Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Bank's financial liabilities at December 31, 2017 and 2016 based on contractual undiscounted repayment obligations whereas the Bank manages the inherent liquidity risk based on expected undiscounted cash inflows.

As profit payments up to contractual maturity are included in the table, totals do not match with the figures as appearing in the consolidated statement of financial position.

2017	SAR'000					
	Within 3 months	3 months to 12 months	1 to 5 years	Over 5 years	No fixed maturity	Total
Liabilities						
Due to banks and other financial institutions						
Demand	83,153	-	-	-	-	83,153
Time investments	769,710	510,290	-	-	-	1,280,000
Customers' deposits						
Demand	46,077,366	-	-	-	-	46,077,366
Customer's time investments	29,835,815	13,272,277	88,848	-	-	43,196,940
Other liabilities	-	-	-	-	3,990,276	3,990,276
Total liabilities	76,766,044	13,782,567	88,848	-	3,990,276	94,627,735

2016	SAR'000					
	Within 3 months	3 months to 12 months	1 to 5 years	Over 5 years	No fixed maturity	Total
Liabilities						
Due to banks and other financial institutions						
Demand	67,725	-	-	-	-	67,725
Time investments	1,381,314	1,005,481	-	-	-	2,386,795
Customers' deposits						
Demand	44,178,002	-	-	-	-	44,178,002
Customer's time investments	27,071,571	5,551,656	4,131,994	-	-	36,755,221
Other liabilities	-	-	-	-	2,507,370	2,507,370
Total liabilities	72,698,612	6,557,137	4,131,994	-	2,507,370	85,895,113

b) The tables below show the maturity profile of the assets and liabilities:

The maturities of assets and liabilities have been determined on the basis of the remaining period at reporting date and does not reflect the effective maturities as indicated by the historical experience.

2017	SAR'000					
	Within 3 months	3 months to 12 months	1 to 5 years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances with SAMA	7,299,371	-	-	-	-	7,299,371
Due from banks and other financial institutions:						
Current accounts	288,368	-	-	-	-	288,368
Murabaha and Wakala with banks	8,060,228	391,888	1,048,373	-	-	9,500,489
Investments, net						
Available for sale	647,065	3,204,026	3,855,000	5,528,888	8,407	13,243,386
Held as FVSI	-	77,045	-	-	-	77,045
Others	901,650	-	1,005,167	-	92,342	1,999,159
Financing, net						
Retail	656,648	1,937,431	7,409,626	4,630,204	-	14,633,909
Corporate	13,000,479	18,323,191	21,565,090	11,539,928	-	64,428,688
Property and equipment, net	-	-	-	-	1,876,423	1,876,423
Other assets	-	-	-	-	1,658,229	1,658,229
Total	30,853,809	23,933,581	34,883,256	21,699,020	3,635,401	115,005,067
Liabilities and shareholders' equity						
Due to banks and other financial institutions						
Demand	83,153	-	-	-	-	83,153
Time investments	769,508	500,226	-	-	-	1,269,734
Customers' deposits						
Demand	46,077,366	-	-	-	-	46,077,366
Customer's Time investments	29,778,887	13,123,315	85,183	-	-	42,987,385
Other liabilities	-	-	-	-	3,990,276	3,990,276
Shareholders' equity	-	-	-	-	20,597,153	20,597,153
Total	76,708,914	13,623,541	85,183	-	24,587,429	115,005,067
Commitments & contingencies						
Letters of credit	1,730,135	802,337	490,385	223	-	3,023,080
Letters of guarantee	2,781,836	2,152,009	2,545,021	68,986	-	7,547,852
Acceptances	159,762	13,910	-	-	-	173,672
Irrevocable commitments	-	488,627	-	-	-	488,627

2016	SAR'000					
	Within 3 months	3 months to 12 months	1 to 5 years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances with SAMA	7,105,665	-	-	-	-	7,105,665
Due from banks and other financial institutions:						
Current accounts	372,459	-	-	-	-	372,459
Murabaha and Wakala with banks	14,461,217	1,383,855	1,424,249	-	-	17,269,321
Investments, net						
Available for sale	-	659,837	2,417,210	-	7,514	3,084,561
Held as FVSI	-	68,246	-	-	-	68,246
Others	1,901,503	-	1,005,223	-	97,808	3,004,534
Financing, net						
Retail	937,991	1,821,062	6,536,933	4,962,694	-	14,258,680
Corporate	12,137,548	16,079,343	21,863,839	5,972,538	-	56,053,268
Property and equipment, net	-	-	-	-	1,737,818	1,737,818
Other assets	-	-	-	-	1,775,308	1,775,308
Total	36,916,383	20,012,343	33,247,454	10,935,232	3,618,448	104,729,860
Liabilities and shareholders' equity						
Due to banks and other financial institutions						
Demand	67,725	-	-	-	-	67,725
Time investments	1,378,160	985,919	-	-	-	2,364,079
Customers' deposits						
Demand	44,178,002	-	-	-	-	44,178,002
Customer's Time investments	27,016,278	5,466,032	3,951,914	-	-	36,434,224
Other liabilities	-	-	-	-	2,507,370	2,507,370
Shareholders' equity	-	-	-	-	19,178,460	19,178,460
Total	72,640,165	6,451,951	3,951,914	-	21,685,830	104,729,860
Commitments & contingencies						
Letters of credit	867,679	1,044,056	218,547	-	-	2,130,282
Letters of guarantee	568,489	1,783,492	5,280,948	53,257	-	7,686,186
Acceptances	193,654	23,460	-	-	-	217,114
Irrevocable commitments	-	746,037	-	-	-	746,037

28. Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk arises throughout the Bank and from almost any activity.

The Bank has an Operational Risk Team as a part of Risk Management Group which is tasked with monitoring and controlling the operational risks of the Bank. Functions of this unit are guided by the Operational Risk Policy and Framework. To systematize the assessment and mitigation of operational risks, the Business Environment and Internal Control Framework is established through Risk Control and Self-Assessment (RCSA) along with establishing Key Risk Indicators (KRIs) for all business and support units. These risk metrics are proactively monitored by Operational Risk department on a regular basis. In addition, the Bank has a successfully tested and documented business continuity plan and operational disaster recovery site.

29. Shariah non-compliance risk

Being an Islamic bank, the Bank is exposed to the risk of Shariah non-compliance. To mitigate such risk, extensive Shariah policies and procedures are in place. Further, the Bank has established a Shariah Board and a Shariah Compliance Audit Unit to monitor such risk.

30. Reputational risk

Reputational risk covers the potential adverse effects resulting from negative publicity about the Bank's products, services, competence, integrity and reliability.

As an Islamic bank, one of the major sources of reputational risk is Shariah non-compliance. The other sources of negative publicity could be major frauds, customer complaints, regulatory actions and negative perceptions about the Bank's financial condition. The Bank has put in place controls around reputational risk in order to mitigate and avoid such risks. Currently, the Bank measures the reputational risk through a Scorecard based approach, where Risk Management group compiles the results of assessments made by business heads to derive the Bank's overall reputational risk indicators.

31. Fair values of financial assets and liabilities

Fair value is the price that would be received on sale of 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 fair values of on-balance sheet financial instruments are not significantly different from their carrying values included in the consolidated financial statements.

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.

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

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

2017	SAR '000			
	Level 1	Level 2	Level 3	Total
Financial assets held as FVSI				
- Equities	71,691	-	-	71,691
- Mutual funds	5,354	-	-	5,354
Financial assets held as available for sale				
- Equities	112,095	-	-	112,095
- Mutual funds	1,690,789	-	206,283	1,897,072
- Sukuk	8,922,889	2,311,330	-	11,234,219
Total	10,802,818	2,311,330	206,283	13,320,431

2016	SAR '000			
	Level 1	Level 2	Level 3	Total
Financial assets held as FVSI				
- Equities	61,091	-	-	61,091
- Mutual funds	7,155	-	-	7,155
Financial assets held as available for sale				
- Equities	168,337	-	-	168,337
- Mutual funds	503,179	-	208,570	711,749
- Sukuk	37,831	2,166,644	-	2,204,475
Total	777,593	2,166,644	208,570	3,152,807

(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	2017		2016	
	Carrying value	Fair value	Carrying value	Fair value
Assets				
Due from banks and other financial institutions	9,788,857	9,755,746	17,641,780	17,567,378
Investments – Murabaha with SAMA	1,906,817	1,896,071	2,906,726	2,891,454
Financing, net	79,062,597	79,054,001	70,311,948	69,987,810
Liabilities				
Due to banks and other financial institutions	1,352,887	1,352,251	2,431,804	2,437,961
Customers' deposits	89,064,751	89,093,574	80,612,226	80,649,644

32. Employees share based Schemes

Significant features of the employee share based schemes outstanding at the end of the year are as follows:

Nature of scheme	ESGS
No. of outstanding Schemes	One
Grant date	April 01, 2013
Maturity date	March 31, 2018
Number of shares granted	2,717,200
Number of shares vested	2,342,650
Vesting period	3-5 years
Value of shares granted (SAR)	35,731,181
Value of shares vested (SAR)	30,805,848
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	0.25 years

These rights are granted only under a service/performance condition with no market condition associated with it. Total amount of expense recognized during the year in the consolidated financial statements, in respect of these plans was SAR 1.4 million (2016: SAR 3.7 million).

33. Related party balances and transactions

In the ordinary course of its activities, the Bank transacts business with related parties. Related party transactions are governed by limits set by the Banking Control Law and regulations issued by SAMA.

(i) The balances as at December 31, resulting from such transactions included in the consolidated financial statements are as follows:

	2017 SAR'000	2016 SAR'000
Directors, key management personnel, Bank's mutual funds, major shareholders and affiliates		
Financing	41,480	20,362
Customers' deposits	11,490,257	17,152,299
Investments in associates	92,341	97,808
Financing and investments in mutual funds	2,794,093	1,846,999
Deposits from mutual funds	687,550	196,495

(ii) Income and expenses pertaining to transactions with related parties included in the consolidated statement of income are as follows:

	2017 SAR'000	2016 SAR'000
Income on financing	98,185	83,191
Return on time investments	320,937	261,837
Fee from banking services, net	193,726	176,656
Directors' remuneration	4,257	2,871

The advances and expenses related to executives are in line with the normal employment terms.

(iii) The total amount of compensation to key management personnel during the year is as follow:

	2017 SAR'000	2016 SAR'000
Short-term employees benefits	53,259	45,239
End of service benefit	2,216	1,302
Shares under employee share based scheme	1,662	8,817

34. 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 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.

SAMA has issued the framework and guidance for implementation of capital reforms under Basel III, which are effective from January 01, 2013. Accordingly, the risk weighted assets, total capital and related ratios are calculated using Basel III framework.

Particulars	2017 SAR'000	2016 SAR'000
Credit Risk Weighted Assets	95,890,718	89,919,894
Operational Risk Weighted Assets	6,727,186	5,631,488
Market Risk Weighted Assets	870,356	663,137
Total Pillar-I Risk Weighted Assets	103,488,260	96,214,519
Tier I Capital	20,597,153	19,178,460
Tier II Capital	884,207	573,800
Total Tier I & II Capital	21,481,360	19,752,260
Capital Adequacy Ratio %		
Tier I ratio	20%	20%
Tier I + Tier II ratio	21%	21%

35. Investment management and brokerage services

The Bank offers investment management services to its customers through its subsidiary which include management of funds with total assets under management of SAR 31,510 million (2016: SAR 24,470 million).

36. Prospective changes in the International Financial Reporting Standards

The Bank has chosen not to early adopt the standards and amendments which have been published and are mandatory for compliance by the Banks effective from accounting period beginning on or after January 1, 2018.

Standard, and amendments	Effective date	Brief description of changes
IFRS 16 – “Leases”	January 01, 2019	The new standard eliminates the current dual accounting model for lessees under IAS 17, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 proposes on-balance sheet accounting model.
Amendments to IFRS 2 -- “Share-based Payment”	January 01, 2018	The amendments cover classification and measurement of three accounting areas, first, measurement of cash-settled share-based payments, second, classification of share-based payments settled net of tax withholdings, and third, accounting for a modification of a share-based payment from cash-settled to equity-settled.
IFRS 15 – “Revenue from contracts with customers”	January 1, 2018	This is a converged standard from the IASB and Financial Accounting Standards Board (FASB) on revenue recognition. This standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

Amendments to IAS 40 – January 1, 2018 “Investment Property”	These amendments clarify that to transfer to, or from, investment properties there must be a change in use. If a property has changed use, there should be an assessment of whether the property meets the definition and this change must be supported by evidence.
Amendments to IAS 28 – January 1, 2018 “Investments in associates and joint ventures”	These amendments clarify that companies account for long-term interests in an associate or joint venture to which the equity method is not applied using IFRS 9.
Annual improvements 2014 - 2016 January 1, 2018	<p>These amendments impact two standards:</p> <ul style="list-style-type: none"> • IFRS 1, ‘First-time adoption of IFRS’, regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IFRS 19 and IFRS 10 effective from January 1, 2018. • IAS 28, ‘Investments in associates and joint ventures’ regarding measuring an associate or joint venture at fair value effective January 1, 2018.
Amendments to IFRIC 22 – January 1, 2018 “Foreign currency transactions and advance consideration”	This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

Implementation and Impact Analysis of IFRS-9

Implementation strategy

In July 2014, the IASB issued IFRS 9 Financial Instruments, the standard that replaces IAS 39 Financial Instruments: Recognition and Measurement effective from 1 January 2018, with early adoption permitted. The Bank considers implementing IFRS 9 as a significant project and therefore has set up a multidisciplinary implementation team with members from its Credit risk and Modeling, Finance, IT, Operations and other respective businesses to achieve a successful and robust implementation. The project is managed by the Chief Financial Officer and the Chief Risk Officer.

Classification and measurement

The classification and measurement of financial assets (except equity instruments) will depend on how these are managed (the entity’s business model) and their contractual cash flow characteristics. These factors determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income (‘FVOCI’) or fair value through profit or loss (‘FVTPL’). For equity instruments that are not held for trading, the bank may irrevocably elect to designate them as FVOCI, with no subsequent reclassification of gains or losses to the income statement. This election is made on an investment-by-investment basis.

The majority of the bank’s sukuk instruments that are currently classified as available for sale (AFS) will satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change in the accounting for these assets except for new impairment requirements. Equity investments currently measured at FVTPL will continue to be measured on the same basis under IFRS 9.

The majority of financial assets that are classified as financing and are measured at amortised cost under IAS 39 are expected to be measured at amortised cost under IFRS 9 as well. Sukuks instruments that are classified

as AFS under IAS 39 may, under IFRS 9, be measured at amortised cost, FVOCI or FVTPL, depending on particular circumstances.

Under IFRS 9, the accounting for financial liabilities will largely remain similar to IAS 39.. The de-recognition rules have been transferred from IAS 39 and have not been changed. The Bank therefore does not expect any material impact on its financial liabilities and the de-recognition accounting policy.

Impairment

The Bank will recognize impairment allowances based on a forward looking Expected Credit Loss (ECL) approach on financial assets that are not measured via FVTPL. This mainly include financing, investments that are measured at amortised cost or at FVOCI (other than equity investments), interbank placements, financial guarantees, lease receivables and credit commitments. No impairment loss will be recognised on equity investments. The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD)
- Loss given default (LGD)
- Exposure at default (EAD)

The above parameters are generally derived from internally developed statistical models, other historical data and are adjusted for forward looking information. The Bank will categorize its financial assets into following three stages in accordance with IFRS 9 methodology:

- Stage 1: Performing assets: Financial asset(s) that have not significantly deteriorated in credit quality since origination. The impairment allowance will be recorded based on 12 months ECL.
- Stage 2: Underperforming assets: Financial asset(s) that have significantly deteriorated in credit quality since origination. This credit quality assessment is made by comparing the remaining lifetime PD as at reporting date with the remaining lifetime PD point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations). The impairment allowance will be recorded based on lifetime ECL.
- Stage 3: Impaired assets: For Financial asset(s) that are impaired, the Bank will recognise the impairment allowance based on lifetime ECL.

The Bank will also consider the forward-looking information in its assessment of significant deterioration in credit risk since origination as well as the measurement of ECLs.

The forward-looking information will include the elements such as macroeconomic factors (e.g., unemployment, GDP growth, inflation, profit rates and house prices) and economic forecasts obtained through internal and external sources.

To evaluate a range of possible outcomes, the Bank intends to formulate various scenarios. For each scenario, the Bank will derive an ECL and apply a probability weighted approach to determine the impairment allowance in accordance with the accounting standards requirements.

The bank is now ready to implement IFRS-9 after due validation by the external consultant

Overall expected impact

The bank has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of IFRS 9 on 1 January 2018:

- According to transitional provisions for initial application of IFRS 9, the bank is allowed to recognize any difference between previous carrying amount under IAS 39 and the carrying amount at the beginning of the annual reporting period that includes the date of initial application in opening retained earnings. Accordingly, the impact on equity and the aggregated carrying value of relevant financial assets is estimated to be less than 3% and 1% respectively, arising due to application of expected credit loss model as against Incurred loss model;
- Furthermore and as a result, the bank's Tier 1 ratio will be impacted primarily from potential increase in credit impairment provisions. Based on the balances as at 31 December 2017, the day 1 impact of IFRS 9 (applicable from 1 January 2018) would be an estimated reduction of approximately less than 1% in Capital Adequacy Ratio which would be transitioned over five years in accordance with SAMA guidelines.
- Gains or losses realized on the sale of equity instruments classified as FVOCI will no longer be transferred to consolidated statement of income. During the year ended 31 December 2017, only SAR 8.3 million of such gains were recognised.
- The new standard also introduces extended disclosure requirements and changes in presentation. These are expected to change the nature and extent of the bank's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Governance and controls

The Governance structure and controls will be implemented by following the IFRS-9 Guidance document applicable to Saudi banks. These Guidelines call for establishing a Board approved Governance framework with detailed policies and controls, including roles and responsibilities.

Caveat:

The estimated decrease in shareholders' equity includes the impact of both balance sheet classification and measurement changes and the increase to credit impairment provisions compared to those applied at 31 December 2017 under IAS 39. The assessment above is a point in time estimate and is not a forecast. The actual effect of the implementation of IFRS 9 on the Bank could vary significantly from this estimate. The Bank continues to refine models, methodologies and controls, and monitor developments in regulatory rulemaking in advance of IFRS 9 adoption on 1 January 2018.

Other than IFRS 9, the above new IFRS and amendments are not likely to have any material impact on the Bank's future consolidated financial statements except for certain additional disclosures

37. Comparative figures

Figures have been rearranged or reclassified wherever necessary for the purpose of better presentation; however, no significant rearrangements or reclassifications have been made in these consolidated financial statements.

38. Approval of the consolidated financial statements

These consolidated financial statements were approved by the Board of Directors of the Bank on 20 Jumada -I, 1439H (corresponding to 06 February, 2018).

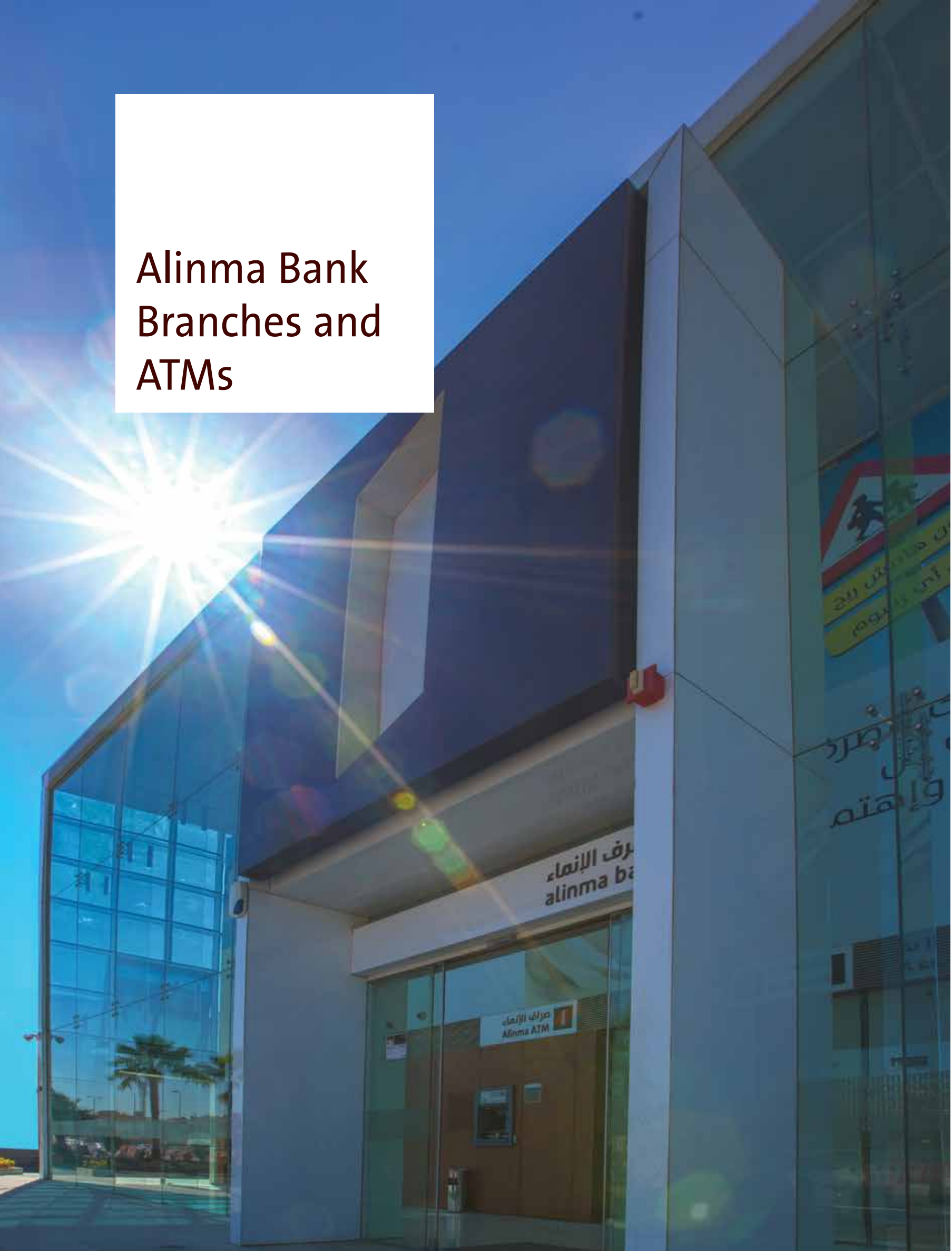
Disclosures under Basel III framework

Following additional disclosures are required under Basel III framework.

Disclosures	Frequency
Pillar III, Qualitative disclosures	Annually
Pillar III, Quantitative disclosures	Semi-annually
Capital Structure	Quarterly
Liquidity coverage ratio	Quarterly
Leverage ratio	Quarterly

These disclosures will be made available to the public on the Bank's website (www.alinma.com) within prescribed time as required by SAMA.

Alinma Bank Branches and ATMs



Alinma Bank Branches

The following are Alinma locations that are operating as of printing of this report:

Riyadh

Branch	Area	Street
Head Office	Al Olaya	King Fahad
Dharat Al Badiyah (Gent's & Ladies)	Dharat Al-Badiyah	Al-Madinah Al-Munawara
Takhassusi (Gent's & Ladies)	Al Olaya	Takhassusi
Al Malaz	Al Malaz	Salah Al Deen Al-Ayoubi (Siteen)
Al Suwaidi (Gent's & Ladies)	Al Suwaidi	Al-Suwaidi
Al Rabwah (Gent's & Ladies)	Al Rabwah	Omar Bin Abdulaziz
Al Nahda (Gent's & Ladies)	Al Nahda	Prince Bandar Ibn Abdulaziz
Al Aziziyah (Gent's & Ladies)	Al Aziziyah	Al Nasr
Al Ghadeer (Gent's & Ladies)	Al Ghadeer	King Abdulaziz
Al Nassem	Al Nassem	Hassan Bin Thabit
Al Raya'an (Gent's & Ladies)	Al Raya'an	Imam Shafi
King Faisal (Gent's & Ladies)	King Faisal	King Abdullah Road
Al Muraba'a	Al Muraba'a	Faisal Bin Turkey Ibn Abdulaziz
Al Amal (Batha)	Al Amal	Assad Ibn Alforat
Al Rawabi (Gent's & Ladies)	Al Rawabi	Imam Saad Bin Abdulrahman
Al Nozha (Gent's & Ladies)	Al Nozha	Imam Saud Bin Abdulaziz Bin Mohammed
Derab Road	Al Shaifa'a	Derab
Al Shifa'a (Gent's & Ladies)	Al Shifa'a	Ibn Taymiya
Al Yasmine (Gent's & Ladies)	Al Yasmine	Anas Ibn Malek
Al Rowda (Gent's & Ladies)	Al Rowda	Intersection of Al Hassan Ibn Ali and Obada Ibn Al Samit
Qurtoba (Gent's & Ladies)	Qurtoba	Dammam High Way, Khalid Ibn Al Walid Exit
Western Swaide (Gent's & Ladies)	Western Swaide Dist.	Western Ring Road Exit 27
King khaled Airport	King khaled Airport	King khaled Airport - domestic arrival terminal
Al Deerah	Al Deerah district	Al Imam Mohammed bin Saud bin Moqren St.
Al Morouj (Gent's & Ladies)	Al Morouj	Imam Saud Bin AbdulAziz Bin Mohammad
Al Yarmouk	Al Yarmouk	Imam Abdullah Bin Saud Bin Abdulaziz
Prince Mohammad bin AbdulAziz Hospital (Gent's & Ladies)	Al Rawabi	Inside Prince Mohammad Hospital
Takhassusi Sales	Al Mohamdiyyah	Takhassusi
Exchange Center - Inside King Khalid Airport	King khaled Airport	Departure Terminal - International Flights
King Fahad Sales	King Fahad District	King Abdulaziz Road
Second Industrial City «Male»	Industrial City in Riyadh Dist	108 street
Ar Rabi Sales	Ar Rabi	Thumamah Road
King Fahad Dist. Branch	King Fahad Dist	King Abdul Aziz Road
AL Nassem Sales Branch	AL Nassem Dist	saed bin 'abi waqas
Al Farouq Branch	Alfaruq Dist	Eastern Ring Rd - exit 13
Hitteen Branch	Hitteen Dist	Prince Mohamaed bin Saad Road

Alinma Bank Branches

Dariyyah

Branch	Area	Street
Dariyyah Branch	Al Khaldiya	King Abdulaziz

Kharj

Branch	Area	Street
Kharj Branch (Gent's & Ladies)	Al Nahda	King Fahad

Majmaah

Branch	Area	Street
Majmaah Branch (Gent's & Ladies)	King Fahd Dist	King Salman Rd

Zulfi

Branch	Area	Street
Zulfi Branch Branch (Gent's & Ladies)	Khalidia	King Fahad Roed

Al Dawadmi

Branch	Area	Street
Al Dawadmi Branch	Al Haramain dest.	King Abdulaziz Road

Sikaka

Branch	Area	Street
Sikaka Branch (Gent's & Ladies)	Al Shalhoub	King Fahad

Makkah

Branch	Area	Street
Al Aziziyah Branch (Gent's & Ladies)	Al Aziziyah	Al Aziziyah - Al-Aql Tower
Al Shawqia Branch (Gent's & Ladies)	Al Shawqia dest.	Ibraheem AlKhaleel street

Jeddah

Branch	Area	Street
Al Rabwah Branch (Gent's & Ladies)	Al Rabwah	King Fahad (Siteen)
Al Rawdah Branch (Gent's & Ladies)	Al Rawdah	Sari
Al Balad Branch	Al Balad	King Abdulaziz
Al Safa Branch (Gent's & Ladies)	Al Safa	Prince Miteb
Al Marwa Branch (Gent's & Ladies)	Al Marwa	Hira'a
Al Shati Branch (Gent's & Ladies)	Al shati district	King Abdulaziz Road
Aziziah Branch	Aziziah Dist	Al Madinah Al Munawarah Road
Al Rehab Branch	Al Rehab Dest.	Palastine Road
Al Manar Branch (Gent's & Ladies)	Al Manar Dist	Al Ajwad Street

Taif

Branch	Area	Street
Taif Branch (Gent's & Ladies)	Moeashi	Al Jaish

Madinah

Branch	Area	Street
Al Madinah Branch (Gent's & Ladies)	Al Khaledya	Ring Road near Al Naghi Agency
Al Defa Branch (Gent's & Ladies)	Al Defa Dest.	Alimam Albukhari Street
Prince Mohammed bin Abdulaziz Airport Branch	Inside Prince Mohammad Bin Abdulaziz Airport in Medina	between arrival Hall and departure lounge

Yanbu

Branch	Area	Street
Yanbu Branch (Gent's & Ladies)	Al Nakheel Dist	King Fahd Road

Dammam

Branch	Area	Street
Dammam Branch (Gent's & Ladies)	Al Tubaishi	Prince Mohammad Bin Fahad (First Street)
Rayaan Branch (Gent's & Ladies)	Rayaan	Ali Bin Abi Talib
Uhod Branch (Gent's & Ladies)	Uhod	King Fahad
Gurnata Branch (Gent's & Ladies)	Ghirmatah Dist	King Saud Road
King Fahad Airport Branch	Airport Dist	King Fahad Street

Khobar

Branch	Area	Street
Al Raka Branch	Al Raka	Dammam - Khobar Coastal Road
Al Yarmouk Branch (Gent's & Ladies)	Al Yarmouk	Prince Turki
Al Thoqba Branch	Al Thoqba	Makkah AlMokarramah street
Al Tahliah Branch (Gent's & Ladies)	Al Tahliah	King Khalid Street

Dhahran

Branch	Area	Street
Doha Branch (Gent's & Ladies)	Doha District	Abdullah bin Abbas intersection with Prince Sultan District
Al Qusour Branch	Al Qusoor Dist	Prince Mohammed Bin Fahd Road

Jubail

Branch	Area	Street
Jubail Branch (Gent's & Ladies)	Al Fanateer	Al Khamis

AI QATIF

Branch	Area	Street
Al Qatif Branch	Fifth Area	Al Quds street

Hafr Al Batin

Branch	Area	Street
Hafr Al Batin Branch (Gent's & Ladies)	Al Baladiya	King Faisal
King Khalid Military City Branch	King Khalid Military City Dist	King Khaled Road

Mubarraz

Branch	Area	Street
Mubarraz (Gent's & Ladies)	Al Khars	King Fahad

Al Hofouf

Branch	Area	Street
Al Souq Branch	Al Souq	King Abdulaziz
Al Rodah Branch (Gent's & Ladies)	AlRodha Dest.	Al Khaleeg Road

Buraidah

Branch	Area	Street
Buraidah (Gent's & Ladies)	Al Safra	King Abdullah
AlRayyan Branch	AlRayyan dest.	Umar ben AlKhatib street

Onaiza

Branch	Area	Street
Onaiza Branch (Gent's & Ladies)	Al Ahrafia	Al Zolfi

Al Rass

Branch	Area	Street
Al Rass Branch (Gent's & Ladies)	King Abdulaziz	King Abdulaziz

Al Bukayriah

Branch	Area	Street
Khalidiya Branch	Al Khaldiye Dist	King Abdulaziz Road

Abha

Branch	Area	Street
Abha Branch (Gent's & Ladies)	Al Sad	Al Hozam Ring Road

Khamis Mushait

Branch	Area	Street
Khamis Mushait Branch (Gent's & Ladies)	Al Rowda	King Khalid near King Fahad Mosque

Bisha

Branch	Area	Street
Bisha Branch	Al Matar District	King Saud Road

Al Baha

Branch	Area	Street
Al Baha Branch (Gent's & Ladies)	Al Dfeer Dist	King Saud Road

Najran

Branch	Area	Street
Najran Branch (Gent's & Ladies)	Prince Mishal	King Abdulaziz

Jazan

Branch	Area	Street
Al Shati Branch (Gent's & Ladies)	Al Shati Dist.	Allmam Mohammed ben Abdulaziz Road

Sabia

Branch	Area	Street
Sabia Branch (Gent's & Ladies)	Muhammadiyah area	King Abdulaziz Road

Hail

Branch	Area	Street
Hail Branch (Gent's & Ladies)	Al Matar	King Abdulaziz

Tabouk

Branch	Area	Street
Tabouk Branch (Gent's & Ladies)	Al Morouj	King Abdullah

Skaka

Branch	Area	Street
Skaka Branch (Gent's & Ladies)	Al Shelhob Area	King Fahad Road

Arar

Branch	Area	Street
Arar (Gent's & Ladies)	Al Rowda	Intersection of King Saud with Prince Abdulaziz Bin Masa'ad

Alinma ATMs

The bank has a kingdom-wide network of more than 1,460 state-of-the-art ATMs. For more information about the bank's branches and ATMs, please visit our website www.alinma.com or call the Alinma Phone service at 800 120 8000.



800 120 8000
www.alinma.com



alinmabankSA

ص.ب 66674 P.O.Box
الرياض 11586 Riyadh
المملكة العربية السعودية KSA