

---

**ALINMA BANK**  
**(A Saudi Joint Stock Company)**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**FOR THE THREE MONTHS PERIOD ENDED**  
**MARCH 31, 2017**

---



**KPMG Al Fozan & Partners  
Certified Public Accountants**

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

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

**Introduction**

We have reviewed the accompanying interim consolidated statement of financial position of Alinma Bank and its subsidiaries (the "Bank") as of March 31, 2017, and the related interim consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the three month period then ended and other explanatory notes (the "interim condensed consolidated financial statements"). The Bank's management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard No. 34 "Interim Financial Reporting" and Saudi Arabian Monetary Authority's ('SAMA') guidance for the accounting of zakat and tax. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

**Scope of review**

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



**KPMG Al Fozan & Partners**  
**Certified Public Accountants**

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements as at March 31, 2017 are not prepared, in all material respects, in accordance with International Accounting Standard No. 34 "Interim Financial Reporting" and SAMA guidance for the accounting of zakat and tax.

## Other regulatory matters

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

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

Khalid A. Mahdhar  
Registration No. 368

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

Khalil Ibrahim Al Sedais  
Registration No. 371



Riyadh  
15 Sha'ban 1438H  
(May 11, 2017)



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

	March 31, 2017 <u>(Unaudited)</u> <u>SAR'000</u>	December 31, 2016 <u>(Audited)</u> <u>SAR'000</u>	March 31, 2016 <u>(Unaudited)</u> <u>SAR'000</u>
<b>ASSETS</b>			
Cash and balances with Saudi Arabian Monetary Authority	7,005,184	7,105,665	7,315,458
Due from banks and other financial institutions	15,011,223	17,641,780	14,702,667
Investments, net	4 6,332,141	6,157,341	6,405,402
Financing, net	5 73,541,679	70,311,948	60,250,402
Property and equipment, net	1,702,450	1,737,818	1,624,713
Other assets	1,662,834	1,775,308	1,312,664
<b>TOTAL ASSETS</b>	<b>105,255,511</b>	<b>104,729,860</b>	<b>91,611,306</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
Due to banks and other financial institutions	1,473,574	2,431,804	1,624,236
Customers' deposits	6 81,445,098	80,612,226	68,785,208
Other liabilities	2,577,075	2,507,370	3,252,481
<b>TOTAL LIABILITIES</b>	<b>85,495,747</b>	<b>85,551,400</b>	<b>73,661,925</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	15,000,000	15,000,000	15,000,000
Statutory reserve	1,756,618	1,756,618	1,381,050
Fair value reserve for available for sale investments	280,433	68,141	(23,269)
Other reserves	12,211	11,592	42,201
Retained earnings	2,076,932	1,666,469	1,704,020
Proposed dividend	744,978	787,048	-
Treasury shares	(111,408)	(111,408)	(154,621)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>19,759,764</b>	<b>19,178,460</b>	<b>17,949,381</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>105,255,511</b>	<b>104,729,860</b>	<b>91,611,306</b>

The accompanying notes from 1 to 15 form an integral part of these interim condensed consolidated financial statements.

**ALINMA BANK**  
**(A Saudi Joint Stock Company)**  
**INTERIM CONSOLIDATED STATEMENT OF INCOME (Unaudited)**  
**FOR THE THREE MONTHS PERIOD ENDED MARCH 31,**

	Note	2017 SAR'000	2016 SAR'000
Income from investments and financing		1,007,509	731,540
Return on time investments		(193,083)	(120,374)
<b>Income from investments and financing activities, net</b>		<b>814,426</b>	<b>611,166</b>
Fees from banking services, net		143,033	111,720
Exchange income, net		33,810	25,923
Loss from FVSI financial instruments, net		(906)	(9,244)
Gain/(loss) on sale of available for sale investments, net		12,030	(8,523)
Dividend income		2,386	3,263
Other operating income		67	18
<b>Total operating income</b>		<b>1,004,846</b>	<b>734,323</b>
Salaries and employee related expenses		221,306	167,764
Rent and premises related expenses		36,479	32,412
Depreciation and amortization		63,624	40,023
Other general and administrative expenses		120,218	87,488
Charge for impairment of financing		124,236	13,033
Charge for impairment of other financial assets		14,526	-
<b>Total operating expenses</b>		<b>580,389</b>	<b>340,720</b>
<b>Net operating income</b>		<b>424,457</b>	<b>393,603</b>
Share of loss from associate and joint venture		(3,135)	(2,285)
<b>Net income for the period</b>		<b>421,322</b>	<b>391,318</b>
<b>Basic and diluted earnings per share (SAR)</b>	10	<b>0.28</b>	<b>0.26</b>

The accompanying notes from 1 to 15 form an integral part of these interim condensed consolidated financial statements.

**ALINMA BANK**  
**(A Saudi Joint Stock Company)**  
**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)**  
**FOR THE THREE MONTHS PERIOD ENDED MARCH 31,**

---

	<u>2017</u>	<u>2016</u>
	<u>SAR'000</u>	<u>SAR'000</u>
<b>Net income for the period</b>	<b>421,322</b>	391,318
<b>Other comprehensive income to be reclassified to consolidated statement of income in subsequent periods:</b>		
Net change in fair value of available for sale investments	<b>209,797</b>	(21,315)
Net amount transferred to consolidated statement of income	<b>2,495</b>	8,523
<b>Total comprehensive income for the period</b>	<b><u>633,614</u></b>	<b><u>378,526</u></b>

The accompanying notes from 1 to 15 form an integral part of these interim condensed consolidated financial statements.

**ALINMA BANK**

**(A Saudi Joint Stock Company)**

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
(Unaudited) FOR THE THREE MONTHS PERIOD ENDED MARCH 31,**

2017 (SAR '000)	Share capital	Statutory reserve	Fair value reserve for available for sale investments	Other reserves	Retained earnings	Proposed dividend	Treasury shares	Total
<b>Balance at the beginning of the period</b>	15,000,000	1,756,618	68,141	11,592	1,666,469	787,048	(111,408)	19,178,460
Net income for the period	-	-	-	-	421,322	-	-	421,322
Net change in fair value of available for sale investments	-	-	209,797	-	-	-	-	209,797
Net amount realized on available for sale investments	-	-	2,495	-	-	-	-	2,495
Total comprehensive income	-	-	212,292	-	421,322	-	-	633,614
Zakat-2017	-	-	-	-	(10,859)	-	-	(10,859)
Zakat-2016	-	-	-	-	-	(42,070)	-	(42,070)
Employee share based plan reserve	-	-	-	619	-	-	-	619
<b>Balance at the end of the period</b>	15,000,000	1,756,618	280,433	12,211	2,076,932	744,978	(111,408)	19,759,764

2016 (SAR '000)	Share capital	Statutory reserve	Fair value reserve for available for sale investments	Other reserves	Retained earnings	Proposed dividend	Treasury shares	Total
<b>Balance at the beginning of the period</b>	15,000,000	1,381,050	(10,477)	36,450	1,312,702	787,057	(154,621)	18,352,161
Net income for the period	-	-	-	-	391,318	-	-	391,318
Net change in fair value of available for sale investments	-	-	(21,315)	-	-	-	-	(21,315)
Net amount realized on available for sale investments	-	-	8,523	-	-	-	-	8,523
Total comprehensive income	-	-	(12,792)	-	391,318	-	-	378,526
Dividend paid for 2015	-	-	-	-	-	(787,057)	-	(787,057)
Employee share based plan reserve	-	-	-	5,751	-	-	-	5,751
<b>Balance at the end of the period</b>	15,000,000	1,381,050	(23,269)	42,201	1,704,020	-	(154,621)	17,949,381

The accompanying notes from 1 to 15 form an integral part of these interim condensed consolidated financial statements.

**ALINMA BANK**  
**(A Saudi Joint Stock Company)**  
**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)**  
**FOR THE THREE MONTHS PERIOD ENDED MARCH 31,**

	2017	2016
Note	SAR'000	SAR'000
<b>OPERATING ACTIVITIES</b>		
Net income for the period	421,322	391,318
<b>Adjustments to reconcile net income to net cash from operating activities:</b>		
Depreciation and amortization	63,624	40,023
Loss on disposal of property and equipment, net	226	951
Unrealised loss / (gain) from FVSI financial instruments, net	1,768	2,931
Dividend income	(2,386)	(3,263)
Charge for impairment of financial assets	124,236	13,033
Charge for impairment of other financial assets	14,526	-
Employee share based plan reserve	619	5,751
Share of loss from an associate and joint ventures	3,135	2,285
	<u>627,070</u>	<u>453,029</u>
<b>Net (increase) / decrease in operating assets:</b>		
Statutory deposit with Saudi Arabian Monetary Agency	(108,628)	(311,992)
Due from banks and other financial institutions, with original maturity of more than ninety days	1,012,559	2,830,520
Investments	18,063	49,956
Financing	(3,353,967)	(3,257,858)
Other assets	110,947	81,204
<b>Net increase / (decrease) in operating liabilities:</b>		
Due to banks and other financial institutions	(958,230)	(639,852)
Customers' deposits	832,872	3,090,684
Other liabilities	16,776	51,667
<b>Net cash (used in) / from generated operating activities</b>	<u>(1,802,538)</u>	<u>2,347,358</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment, net	(28,482)	(36,683)
Dividends received	3,913	1,106
<b>Net cash used in investing activities</b>	<u>(24,569)</u>	<u>(35,577)</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>		
	<u>(1,827,107)</u>	<u>2,311,781</u>
Cash and cash equivalents at the beginning of the period	<u>15,368,063</u>	<u>11,107,547</u>
<b>Cash and cash equivalents at the end of the period</b>	<u>8</u> <u>13,540,956</u>	<u>13,419,328</u>
Income received from investments and financing	<u>811,006</u>	<u>505,457</u>
Return paid on time investments	<u>310,415</u>	<u>76,192</u>
<b>Supplemental non-cash information</b>		
Net change in fair value of available for sale investments	<u>209,797</u>	<u>(21,315)</u>

The accompanying notes from 1 to 15 form an integral part of these interim condensed consolidated financial statements.



## ALINMA BANK

### (A Saudi Joint Stock Company)

#### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2017

---

#### 1. General

##### a) Incorporation

Alinma Bank, a Saudi Joint Stock Company, was formed and licensed pursuant to Royal Decree No. M/15 dated 28 Safar 1427H (corresponding to March 28, 2006), in accordance with the Council of Ministers' Resolution No. 42 dated 27 Safar 1427H (corresponding to March 27, 2006). It operates under Ministerial Resolution No.173 and Commercial Registration No. 1010250808 both dated 21 Jumada-I 1429H (corresponding to May 26, 2008) and provides banking services through 77 branches (March 31, 2016: 70) in the Kingdom of Saudi Arabia. Its head office address is as follows:

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

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

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

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

##### b) Shariah Board

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

## **2. Basis of preparation**

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

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

### **a) Statement of compliance**

During 2017, SAMA issued a Circular no. 381000074519 dated 11 April 2017 and subsequent amendments through certain clarifications relating to the accounting for zakat and tax. The impacts of these amendments are as follows:

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

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

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

### **b) Basis of measurement**

These interim condensed consolidated financial statements have been prepared under the historical cost convention except for the measurement at fair value of the financial instruments held at fair value through statement of income (“FVSI”), available for sale (“AFS”) investments and employees share based program.

### **c) Functional and presentation currency**

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

### **d) Basis of consolidation**

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

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

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

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

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

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

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

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

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

### 3. Summary of significant accounting policies

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

#### a. Zakat

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

#### b. Adoption of amendments to existing standards

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

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

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

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

#### 4. Investments

	March 31, 2017 <b>(Unaudited)</b>	December 31, 2016 (Audited)	March 31, 2016 (Unaudited)
Note	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>
Murabahas with SAMA (at amortized cost)	2,906,302	2,906,726	3,501,632
Available for sale investments	3,261,482	3,084,561	2,627,382
Held as FVSI investments	69,684	68,246	68,499
Held to maturity	-	-	99,445
Investment in an associate	4.1 81,029	81,029	87,629
Investment in joint venture	4.2 13,644	16,779	20,815
<b>Total</b>	<b>6,332,141</b>	<b>6,157,341</b>	<b>6,405,402</b>

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

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

#### 5. Financing, net

	March 31, 2017 <b>(Unaudited)</b>	December 31, 2016 (Audited)	March 31, 2016 (Unaudited)
	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>
Retail	13,941,221	14,136,673	13,676,998
Corporate	59,993,461	56,575,205	46,908,181
<b>Performing financing</b>	<b>73,934,682</b>	<b>70,711,878</b>	<b>60,585,179</b>
Non-performing financing	676,798	545,635	428,858
<b>Total financing, gross</b>	<b>74,611,480</b>	<b>71,257,513</b>	<b>61,014,037</b>
Allowance for impairment	(1,069,801)	(945,565)	(763,635)
<b>Financing, net</b>	<b>73,541,679</b>	<b>70,311,948</b>	<b>60,250,402</b>

#### 6. Customers' deposits

	March 31, 2017 <b>(Unaudited)</b>	December 31, 2016 (Audited)	March 31, 2016 (Unaudited)
Note	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>
Demand deposits	45,848,608	43,560,127	37,526,992
Customers' time investments	6.1 34,534,958	36,434,224	30,375,596
Others	6.2 1,061,532	617,875	882,620
<b>Total</b>	<b>81,445,098</b>	<b>80,612,226</b>	<b>68,785,208</b>

6.1 This represents Murabaha and Mudaraba with customers.

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

## 7. Credit related commitments and contingencies

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

	<b>March 31, 2017 (Unaudited)</b>	December 31, 2016 (Audited)	March 31, 2016 (Unaudited)
	<b>SAR'000</b>	SAR'000	SAR'000
Letters of credit	<b>2,039,962</b>	2,130,282	2,524,617
Letters of guarantee	<b>7,732,269</b>	7,686,186	8,765,905
Acceptances	<b>162,596</b>	217,114	454,485
Irrevocable commitments to extend credit	<b>722,176</b>	746,037	435,934
<b>Total</b>	<b>10,657,003</b>	10,779,619	12,180,941

## 8. Cash and cash equivalents

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

	<b>March 31, 2017 (Unaudited)</b>	December 31, 2016 (Audited)	March 31, 2016 (Unaudited)
	<b>SAR'000</b>	SAR'000	SAR'000
Cash in hand	<b>2,003,861</b>	1,933,052	1,924,036
Balances with SAMA excluding statutory deposit	<b>469,704</b>	749,622	1,695,207
Due from banks and other financial institutions maturing within ninety days from the date of acquisition.	<b>11,067,391</b>	12,685,389	9,800,085
<b>Total</b>	<b>13,540,956</b>	15,368,063	13,419,328

## 9. Operating segments

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

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

The Bank's reportable segments are as follows:

### a) Retail banking

Financing, deposit and other products/services for individuals.

### b) Corporate banking

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

### c) Treasury

Murabahas and mudaraba with banks, investments and treasury services.

**d) Investment and brokerage**

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

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

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

SAR '000	March 31, 2017 (Unaudited)				
	Retail	Corporate	Treasury	Investment and brokerage	Total
<b>Total assets</b>	17,272,606	61,018,964	26,477,873	486,068	105,255,511
<b>Total liabilities</b>	54,066,007	16,231,272	15,129,171	69,297	85,495,747
Income from investments and financing	352,126	464,722	189,431	1,230	1,007,509
Return on time investments	(28,203)	(85,670)	(79,210)	-	(193,083)
Income from investments and financing activities, net	323,923	379,052	110,221	1,230	814,426
Fees from banking services and other operating income	57,288	45,781	37,364	49,987	190,420
<b>Total operating income</b>	381,211	424,833	147,585	51,217	1,004,846
Charge for impairment of financing	13,163	111,073	-	-	124,236
Charge for impairment of other financial assets	-	-	14,526	-	14,526
Depreciation and amortization	24,032	26,950	11,727	915	63,624
Other operating expenses	218,562	98,293	40,475	20,673	378,003
<b>Total operating expenses</b>	255,757	236,318	66,727	21,587	580,389
<b>Net operating income</b>	125,454	188,515	80,858	29,630	424,457
Share of loss from an associate and joint venture	-	-	(3,135)	-	(3,135)
<b>Net income for the period</b>	125,454	188,515	77,723	29,630	421,322

SAR '000	March 31, 2016 (Unaudited)				
	Retail	Corporate	Treasury	Investment and brokerage	Total
<b>Total assets</b>	16,328,885	48,050,869	26,888,785	342,767	91,611,306
<b>Total liabilities</b>	42,534,288	8,166,862	22,919,191	41,584	73,661,925
Income from investments and financing	257,812	295,487	177,044	1,197	731,540
Return on time investments	(34,497)	(5,303)	(80,574)	-	(120,374)
Income from investments and financing activities, net	223,315	290,184	96,470	1,197	611,166
Fees from banking services and other operating income	48,369	26,913	8,975	38,900	123,157
<b>Total operating income</b>	271,684	317,097	105,445	40,097	734,323
Charge for impairment of financing	13,033	-	-	-	13,033
Charge for impairment of other financial assets	-	-	-	-	-
Depreciation and amortization	20,321	12,496	7,024	182	40,023
Other operating expenses	161,369	71,741	37,536	17,018	287,664
<b>Total operating expenses</b>	194,723	84,237	44,560	17,200	340,720
<b>Net operating income</b>	76,961	232,860	60,885	22,897	393,603
Share of loss from an associate and joint venture	-	-	(2,285)	-	(2,285)
<b>Net income for the period</b>	76,961	232,860	58,600	22,897	391,318

SAR '000	March 31, 2017 (Unaudited)				
Other information:	Retail	Corporate	Treasury	Investment and brokerage	Total
Revenue from:					
-External	222,899	686,091	44,639	51,217	1,004,846
-Inter-segment	158,312	(261,258)	102,946	-	-
<b>Total operating income</b>	<b>381,211</b>	<b>424,833</b>	<b>147,585</b>	<b>51,217</b>	<b>1,004,846</b>

SAR '000	March 31, 2016 (Unaudited)				
Other information:	Retail	Corporate	Treasury	Investment and brokerage	Total
Revenue from:					
-External	194,304	505,830	(5,908)	40,097	734,323
-Inter-segment	77,380	(188,733)	111,353	-	-
<b>Total operating income</b>	<b>271,684</b>	<b>317,097</b>	<b>105,445</b>	<b>40,097</b>	<b>734,323</b>

#### 10. Earnings per share

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

#### 11. Fair values of financial assets and liabilities

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

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

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

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

Level 2: quoted prices in active market for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data: and

Level 3: valuation techniques for which any significant input is not based on observable market data.

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

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

March 31, 2017 (Unaudited)	SAR '000			Total
	Level 1	Level 2	Level 3	
Financial assets held as FVSI				
- Equities	62,924	-	-	62,924
- Mutual funds	6,760	-	-	6,760
Financial assets held as available for sale				
- Equities	124,796	-	-	124,796
- Mutual funds	713,614	-	212,492	926,106
- Sukuks	37,831	2,172,749	-	2,210,580
<b>Total</b>	<b>945,925</b>	<b>2,172,749</b>	<b>212,492</b>	<b>3,331,166</b>

March 31, 2016 (Unaudited)	SAR '000			Total
	Level 1	Level 2	Level 3	
Financial assets held as FVSI				
- Equities	61,587	-	-	61,587
- Mutual funds	6,912	-	-	6,912
Financial assets held as available for sale				
- Equities	364,972	-	-	364,972
- Mutual funds	254,591	-	213,763	468,354
- Sukuks	-	1,794,056	-	1,794,056
<b>Total</b>	<b>688,062</b>	<b>1,794,056</b>	<b>213,763</b>	<b>2,695,881</b>

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

**11 (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.

March 31, 2017 (Unaudited)	SAR '000	
	Carrying value	Fair value
<b>ASSETS</b>		
Due from banks and other financial institutions	15,011,223	14,946,504
Investments -at amortized cost	2,906,302	2,907,500
Financing, net	73,541,679	72,924,227
<b>LIABILITIES</b>		
Due to banks and other financial institutions	1,473,574	1,474,432
Customers' deposits	81,445,098	81,486,927



<b>March 31, 2016 (Unaudited)</b>	<b>SAR '000</b>	
	<b>Carrying value</b>	<b>Fair value</b>
<b>ASSETS</b>		
Due from banks and other financial institutions	14,702,667	14,476,332
Investments -at amortized cost	3,501,632	3,498,526
Financing, net	60,250,402	60,004,922
<b>LIABILITIES</b>		
Due to banks and other financial institutions	1,624,236	1,624,129
Customers' deposits	68,785,208	68,653,044

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

## 12. Employees share-based plans

Significant features of Alinma Bank's Employee Share based schemes outstanding at the end of the period are as follows:

<b>Nature of scheme</b>	<b>ESGS</b>
No. of outstanding Schemes	one
Grant date	April 01, 2013
Maturity date	March 31, 2018
Number of shares granted	2,714,500
Vesting period	3-5 years
Value of shares granted (SAR)	35,695,675
Fair value per share at grant date (SAR)	13.15
Vesting conditions	Employee remains in service and meets prescribed performance criteria
Method of settlement	Equity
Valuation model used	Market Value
Weighted average remaining contractual life	1 year

These rights are granted only under a service/performance condition with no market condition associated with them. Total amount of expense recognized during the period in these interim condensed consolidated financial statements in respect of these schemes was SAR 0.6 million. (March 31, 2016: SAR 3.2 million).

### 13. Capital adequacy

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

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

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

	<b>March 31, 2017 (Unaudited)</b>	December 31, 2016 (Audited)	March 31, 2016 (Unaudited)
	<b>SAR'000</b>	SAR'000	SAR'000
Credit risk weighted assets	<b>91,001,487</b>	89,919,894	76,928,343
Operational risk weighted assets	<b>5,884,662</b>	5,631,488	5,108,918
Market risk weighted assets	<b>1,211,786</b>	663,137	684,320
<b>Total Pillar-I Risk Weighted Assets</b>	<b>98,097,935</b>	96,214,519	82,721,581
Tier I capital	<b>19,759,764</b>	19,178,460	17,949,381
Tier II capital	<b>652,800</b>	573,800	482,176
<b>Total Tier I &amp; II Capital</b>	<b>20,412,564</b>	19,752,260	18,431,557
<b>Capital Adequacy Ratio %</b>			
<b>Tier I ratio</b>	<b>20%</b>	20%	22%
<b>Tier I + Tier II ratio</b>	<b>21%</b>	21%	22%

### 14. Comparative figures

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

### 15. Approval of the financial statements

These interim condensed consolidated financial statements were approved on 15 Rajab, 1438H (corresponding to April 12, 2017).