
ALINMA BANK
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

FOR THE SIX MONTHS PERIOD ENDED
JUNE 30, 2015



KPMG Al Fozan & Al Sadhan

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

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

**REPORT ON REVIEW OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Alinma Bank and its subsidiaries (the “Bank”) as of June 30, 2015, and the related interim consolidated statements of income and comprehensive income for the three month and six month periods ended June 30, 2015 and the interim consolidated statements of changes in shareholders’ equity and cash flows for the six month period then ended and the notes from (1) to (15) which form an integral part of the interim condensed consolidated financial statements. We have not reviewed note 14, nor the information related to “Basel III-Capital Structure” cross-referenced therein, which is not required to be within the scope of our review. The Bank’s management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with applicable Accounting Standards for Financial Institutions and certain capital adequacy disclosure requirements issued by the Saudi Arabian Monetary Agency (“SAMA”) and with International Accounting Standard No. 34 “Interim Financial Reporting”. 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 generally accepted auditing standards in the Kingdom of Saudi Arabia applicable to review engagements and with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. 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 generally accepted auditing standards in the Kingdom of Saudi Arabia and International Standards on Auditing 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.



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



KPMG Al Fozan & Al Sadhan

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with applicable Accounting Standards for Financial Institutions issued by SAMA and with International Accounting Standard No. 34.

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

Mohammed A. Al Obaidi
Registration No. 367

KPMG Al Fozan & Al Sadhan

Tareq A. Al Sadhan
Registration No. 352



Riyadh
19 Shawwal 1436 H
(August 4, 2015)



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

	Note	June 30, 2015 (Unaudited) SAR'000	December 31, 2014 (Audited) SAR'000	June 30, 2014 (Unaudited) SAR'000
ASSETS				
Cash and balances with Saudi Arabian Monetary Agency		5,322,226	6,065,881	6,123,293
Due from banks and other financial institutions		11,670,347	10,317,854	6,810,634
Investments	4	8,563,905	8,036,151	5,854,399
Financing, net	5	52,998,544	53,636,981	49,009,496
Property and equipment, net		1,565,043	1,543,578	1,481,859
Other assets		1,719,338	1,261,414	1,320,016
TOTAL ASSETS		81,839,403	80,861,859	70,599,697
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES				
Due to banks and other financial institutions		276,690	32,657	439,257
Customers' deposits	6	60,458,359	59,427,825	48,976,211
Other liabilities		3,197,933	3,462,145	3,726,542
TOTAL LIABILITIES		63,932,982	62,922,627	53,142,010
SHAREHOLDERS' EQUITY				
Share capital		15,000,000	15,000,000	15,000,000
Statutory reserve		1,013,556	1,013,556	697,448
Net change in fair value of available for sale investments		38,114	(21,094)	99,134
Other reserves		32,216	23,006	17,237
Retained earnings		1,977,156	1,268,285	1,798,489
Proposed dividend		-	810,100	-
Treasury shares		(154,621)	(154,621)	(154,621)
TOTAL SHAREHOLDERS' EQUITY		17,906,421	17,939,232	17,457,687
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		81,839,403	80,861,859	70,599,697

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 SIX MONTHS PERIOD ENDED JUNE 30

	<u>For the three months</u> <u>period ended</u>		<u>For the six months period</u> <u>ended</u>	
	<u>June 30,</u> <u>2015</u>	<u>June 30,</u> <u>2014</u>	<u>June 30,</u> <u>2015</u>	<u>June 30,</u> <u>2014</u>
Note	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>
Income from investments and financing	670,142	551,984	1,281,226	1,112,206
Return on time investments	(59,685)	(50,186)	(120,771)	(97,789)
Income from investments and financing activities, net	610,457	501,798	1,160,455	1,014,417
Fees from banking services, net	160,664	74,107	289,769	127,969
Exchange income, net	21,273	10,994	49,678	19,312
Income from FVSI financial instruments, net	5,652	2,852	9,445	12,558
Gain on sale of available for sale investments, net	35,316	16,002	50,059	25,804
Dividend income	11,759	5,666	15,295	11,124
Other operating income	384	17	400	20
Total operating income	845,505	611,436	1,575,101	1,211,204
Salaries and employee related expenses	160,948	156,540	332,250	311,844
Rent and premises related expenses	32,312	25,546	58,338	49,385
Depreciation and amortization	40,251	38,161	79,450	76,066
Other general and administrative expenses	85,303	66,519	161,340	129,220
Charge for impairment of financing	78,131	15,649	148,253	40,624
Charge for impairment of other financial assets	83,299	-	83,299	-
Total operating expenses	480,244	302,415	862,930	607,139
Net operating income	365,261	309,021	712,171	604,065
Share of loss from an associate	(500)	(1,290)	(3,300)	(3,568)
Net income for the period	364,761	307,731	708,871	600,497
Basic and diluted earnings per share (SAR)	10 0.24	0.21	0.48	0.40

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 SIX MONTHS PERIOD ENDED JUNE 30**

	<u>For the three months</u> <u>period ended</u>		<u>For the six months</u> <u>period ended</u>	
	<u>June 30,</u> <u>2015</u>	<u>June 30,</u> <u>2014</u>	<u>June 30,</u> <u>2015</u>	<u>June 30,</u> <u>2014</u>
	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>
Net income for the period	364,761	307,731	708,871	600,497
Other comprehensive income to be reclassified to consolidated statement of income in subsequent periods:				
Net change in fair value of available for sale investments	47,820	18,585	43,042	44,076
Net amount realized on available for sale investments	30,910	(16,002)	16,166	(25,804)
Total comprehensive income for the period	443,490	310,314	768,079	618,769

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
FOR THE SIX MONTHS PERIOD ENDED JUNE 30 (Unaudited)**

2015 (SAR '000)	Share capital	Statutory reserve	Net change in fair value of available for sale investments	Other reserves	Retained earnings	Proposed dividend	Treasury shares	Total
Balance at the beginning of the period	15,000,000	1,013,556	(21,094)	23,006	1,268,285	810,100	(154,621)	17,939,232
Net income for the period	-	-	-	-	708,871	-	-	708,871
Net change in fair value of available for sale investments	-	-	43,042	-	-	-	-	43,042
Net amount realized on available for sale investments	-	-	16,166	-	-	-	-	16,166
Total comprehensive income	-	-	59,208	-	708,871	-	-	768,079
Final dividend paid for 2014	-	-	-	-	-	(810,100)	-	(810,100)
Employee share based plan reserve	-	-	-	9,210	-	-	-	9,210
Balance at the end of the period	15,000,000	1,013,556	38,114	32,216	1,977,156	-	(154,621)	17,906,421

2014 (SAR '000)	Share capital	Statutory reserve	Net change in fair value of available for sale investments	Other reserves	Retained earnings	Proposed dividend	Treasury shares	Total
Balance at the beginning of the period	15,000,000	697,448	80,862	10,250	1,197,992	-	(154,621)	16,831,931
Net income for the period	-	-	-	-	600,497	-	-	600,497
Net change in fair value of available for sale investments	-	-	44,076	-	-	-	-	44,076
Net amount realized on available for sale investments	-	-	(25,804)	-	-	-	-	(25,804)
Total comprehensive income	-	-	18,272	-	600,497	-	-	618,769
Employee share based plan reserve	-	-	-	6,987	-	-	-	6,987
Balance at the end of the period	15,000,000	697,448	99,134	17,237	1,798,489	-	(154,621)	17,457,687

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 SIX MONTHS PERIOD ENDED JUNE 30**

	Note	2015 SAR'000	2014 SAR'000
OPERATING ACTIVITIES			
Net income for the period		708,871	600,497
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization		79,450	76,066
(Gain) on disposal of property and equipment, net		(54)	-
Unrealised (gain) from FVSI financial instruments, net		(2,649)	(13,009)
Dividend income		(15,295)	(11,124)
Charge for impairment of financing		148,253	40,624
Charge for impairment of other financial assets		83,299	-
Employee share based plan reserve		9,210	6,987
Share of loss from an associate		3,300	3,568
		1,014,386	703,609
Net (increase) / decrease in operating assets:			
Statutory deposit with Saudi Arabian Monetary Agency		(509,511)	(524,918)
Due from banks and other financial institutions, maturing after ninety days from the date of acquisition.		(1,235,015)	(756,639)
Investments		(535,422)	(427,220)
Financing		490,184	(4,126,497)
Other assets		(456,228)	(61,433)
Net increase / (decrease) in operating liabilities:			
Due to banks and other financial institutions		244,033	238,521
Customers' deposits		1,013,460	6,213,588
Other liabilities		(264,213)	520,600
Net cash (used in) / generated from operating activities		(238,326)	1,779,611
INVESTING ACTIVITIES			
Acquisition of property and equipment		(100,890)	(83,013)
Proceeds from disposal of property and equipment		29	-
Dividends received		13,600	11,124
Net cash used in investing activities		(87,261)	(71,889)
FINANCING ACTIVITY			
Dividend paid		(810,100)	-
Net cash used in financing activity		(810,100)	-
Net (decrease) / increase in cash and cash equivalents		(1,135,687)	1,707,722
Cash and cash equivalents at the beginning of the period		10,066,103	6,040,732
Cash and cash equivalents at the end of the period	8	8,930,416	7,748,454
Income received from investments and financing		1,258,777	1,137,336
Return paid on time investments		89,181	91,210
Supplemental non-cash information			
Net change in fair value of available for sale investments		43,042	44,076

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 SIX MONTHS PERIOD ENDED JUNE 30, 2015

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 60 branches (June 30, 2014: 54) 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 wholly owned subsidiaries (collectively referred to as the "Bank"):

Subsidiaries	Bank's ownership	Establishment date	Main activities
Alinma Investment Company	100 %	07 Jumada II 1430 H (corresponding to May 31, 2009)	Asset management, custodianship, advisory, underwriting and brokerage services
Al-Tanweer Real Estate Company	100 %	24 Sha'aban 1430 H (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, 2014. 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, 2014.

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**

These interim condensed consolidated financial statements have been prepared:

- i) in accordance with the Accounting Standards for Financial Institutions promulgated by the Saudi Arabian Monetary Agency (“SAMA”) and International Accounting Standard No. 34 – Interim Financial Reporting; and
- ii) in compliance with the provisions of Banking Control Law, the Regulations for Companies in the Kingdom of Saudi Arabia and the Bank’s Articles of Association.

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 Alinma bank.

Subsidiaries are the entities that are controlled by 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 preparation of 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, 2014, except for the adoption of the following relevant new standards and amendments to the existing standards that are applicable during the period:

Standard and amendments	Effective date	Brief description of changes
Amendments to IAS 19	annual periods beginning on or after 1 July 2014	Provides relief, based on meeting certain criteria, from the requirements proposed in the Annual Improvements to IFRS 2011 for attributing employee / third party contributions to periods of service under the plan benefit formula or on a straight line basis. The current amendment gives an option, if certain conditions satisfy, to reduce service cost in period in which the related service is rendered.
Annual improvements to IFRS 2010-2012 and 2011-2013 cycle	annual periods beginning on or after 1 July 2014	
- IFRS 2		Clarifies, the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'.
- IFRS 8 – "Operating Segments"		Amended to explicitly require disclosure of judgments made by management in applying aggregation criteria.
- IFRS 13		It clarifies: <ul style="list-style-type: none"> a) Measurement of profit free short term receivables and payables at their invoiced amount without discounting, if the effect of discounting is immaterial. b) That the portfolio exception potentially applies to contracts in the scope of IAS 39 and IFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under IAS 32.
- IAS 16 – "Property Plant and Equipment" and IAS 38 – "Intangible Assets":		Clarify the requirements of revaluation model recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

- IAS 24 – “Related Party Disclosures”–
The definition of a related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or indirectly.
- IAS 40 – “Investment Property”
Clarifies that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition constitutes a business combination.

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

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

4. Investments

	June 30, 2015 (Unaudited) SAR'000	December 31, 2014 (Audited) SAR'000	June 30, 2014 (Unaudited) SAR'000
Murabahas with SAMA, (at amortized cost)	6,500,000	6,000,000	4,000,000
Available for sale investments	1,804,460	1,897,758	1,737,918
Held as FVSI investments	115,423	113,640	86,498
Held to maturity investments	97,568		
Investment in an associate	4.1 21,454	24,753	29,983
Investment in joint venture	4.2 25,000	-	-
Total	8,563,905	8,036,151	5,854,399

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 200 million.

4.2 During the period, the Bank has invested SAR 25 million in ERSAL Financial Remittance Company (a joint venture between Alinma Bank and Saudi Post). The company is in startup phase and has been established under Commercial Registration No.1010431244 dated 21 Jumada I (corresponding to March 12, 2015) with a paid-up capital of SAR 50 million.

5. Financing, net

	June 30, 2015 (Unaudited) SAR'000	December 31, 2014 (Audited) SAR'000	June 30, 2014 (Unaudited) SAR'000
Retail	12,670,882	11,907,369	11,111,879
Corporate	40,748,804	42,038,020	38,145,351
Performing financing	53,419,686	53,945,389	49,257,230
Non-performing financing	385,839	350,320	307,110
Total financing, gross	53,805,525	54,295,709	49,564,340
Allowance for impairment	(806,981)	(658,728)	(554,844)
Financing, net	52,998,544	53,636,981	49,009,496

6. Customers' deposits

	Note	June 30, 2015 (Unaudited) SAR'000	December 31, 2014 (Audited) SAR'000	June 30, 2014 (Unaudited) SAR'000
Demand deposits		36,393,261	32,013,183	27,997,367
Customers' time investments	6.1	23,307,786	26,822,730	19,974,174
Others	6.2	757,312	591,912	1,004,670
Total		<u>60,458,359</u>	<u>59,427,825</u>	<u>48,976,211</u>

6.1 This represents Murabaha and Mudaraba with customers.

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

7. Credit related commitments and contingencies

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

	Note	June 30, 2015 (Unaudited) SAR'000	December 31, 2014 (Audited) SAR'000	June 30, 2014 (Unaudited) SAR'000
Letters of credit		1,834,268	1,520,862	2,237,102
Letters of guarantee		5,572,750	4,387,032	3,443,275
Acceptances		432,265	319,640	421,638
Irrevocable commitments to extend credit		618,489	1,948,122	1,484,643
Total		<u>8,457,772</u>	<u>8,175,656</u>	<u>7,586,658</u>

8. Cash and cash equivalents

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

	Note	June 30, 2015 (Unaudited) SAR'000	December 31, 2014 (Audited) SAR'000	June 30, 2014 (Unaudited) SAR'000
Cash in hand		1,749,386	1,287,943	1,354,656
Balances with SAMA excluding statutory deposit		166,595	1,881,204	2,068,107
Due from banks and other financial institutions maturing within ninety days from the date of acquisition.		7,014,435	6,896,956	4,325,691
Total		<u>8,930,416</u>	<u>10,066,103</u>	<u>7,748,454</u>

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, institutional customers. and small to medium size businesses.

c) Treasury

Murabahas and mudaraba with banks, investments and treasury services.

d) Investment and brokerage

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

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

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

SAR '000	June 30, 2015				
	Retail	Corporate	Treasury	Investment & brokerage	Total
Total assets	14,787,591	41,135,033	25,626,805	289,974	81,839,403
Total liabilities	42,889,860	5,970,773	15,054,138	18,211	63,932,982
Income from investments and financing activities, net	427,049	548,439	182,473	2,494	1,160,455
Fees from banking services and other operating income	85,541	158,759	104,766	65,580	414,646
Total operating income	512,590	707,198	287,239	68,074	1,575,101
Charge for impairment of financing	17,753	130,500	-	-	148,253
Charge for impairment of others financial assets	-	17,074	66,225	-	83,299
Depreciation and amortization	40,506	23,853	14,031	1,060	79,450
Other operating expenses	313,022	132,440	71,760	34,706	551,928
Total operating expenses	371,281	303,867	152,016	35,766	862,930
Net operating income	141,309	403,331	135,223	32,308	712,171
Share of loss from an associate	-	-	(3,300)	-	(3,300)
Net income for the period	141,309	403,331	131,923	32,308	708,871

SAR '000	June 30, 2014				
	Retail	Corporate	Treasury	Investment & brokerage	Total
Total assets	12,949,524	39,820,377	17,576,106	253,690	70,599,697
Total liabilities	34,343,016	6,577,680	12,208,703	12,611	53,142,010
Income from investments and financing activities, net	354,614	480,824	177,435	1,544	1,014,417
Fees from banking services and other operating income	43,602	55,897	63,535	33,753	196,787
Total operating income	398,216	536,721	240,970	35,297	1,211,204
Charge for impairment of financial assets	17,705	22,919	-	-	40,624
Depreciation and amortization	38,938	25,931	10,657	540	76,066
Other operating expenses	269,105	142,657	59,264	19,423	490,449
Total operating expenses	325,748	191,507	69,921	19,963	607,139
Net operating income	72,468	345,214	171,049	15,334	604,065
Share of loss from an associate	-	-	(3,568)	-	(3,568)
Net income for the period	72,468	345,214	167,481	15,334	600,497

10. Earnings per share

Earnings per share is calculated by dividing the net income by the weighted average number of outstanding shares (Basic: 1,485 million, 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 fair value of on-balance sheet financial instruments are not significantly different from their carrying values included in the interim condensed 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.

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

June 30, 2015 (unaudited)	SAR '000			
	Level 1	Level 2	Level 3	Total
Financial assets held as FVSI	115,423	-	-	115,423
Financial assets held as available for sale	1,704,460	-	100,000	1,804,460
Total	1,819,883	-	100,000	1,919,883

	SAR '000			
June 30, 2014 (unaudited)	Level 1	Level 2	Level 3	Total
Financial assets held as FVSI	86,498	-	-	86,498
Financial assets held as available for sale	1,637,918	-	100,000	1,737,918
Total	1,724,416	-	100,000	1,824,416

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

12. Employees share-based plans

Significant features of Alinma bank's employee share based plans outstanding at the end of the period are as follows:

Nature of plans	ESPS	ESGS
No. of outstanding plans	one	one
Grant date	June 01, 2013	April 01, 2013
Maturity date	May 31, 2016	March 31, 2018
Number of shares granted	2,352,949	2,863,000
Vesting period	3 years	3-5 years
Value of shares granted (SAR)	32,941,286	37,648,450
Strike price per share at grant date (SAR)	11.5	-
Fair value per share at grant date (SAR)	14.0	13.15
Vesting conditions	Employee remains in service and meets prescribed performance criteria	Employee remains in service and meets prescribed performance criteria
Method of settlement	Equity	Equity
Valuation model used	Market Value	Market Value
Weighted average remaining contractual life	0.92 years	2.75 years

The movement in weighted average price and in the number of shares in the employees share participation based plans is as follows:

	Weighted average exercise price (SAR)		Number of shares in plan	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Beginning of the period	11.5	11.5	2,414,288	2,580,654
Granted during the period	-	-	-	-
Forfeited	-	-	(61,339)	(95,221)
Exercised/expired	-	-	-	-
End of the period	11.5	11.5	2,352,949	2,485,433
Exercisable at period end	-	-	-	-

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 plans was SAR 6.6 million. (June 30, 2014: SAR 7.0 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.

	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)	June 30, 2014 (Unaudited)
	SAR'000	SAR'000	SAR'000
Credit risk weighted assets	68,276,911	60,266,168	54,804,935
Operational risk weighted assets	4,639,275	4,203,105	3,834,775
Market risk weighted assets	726,025	5,670,815	7,191,596
Total Pillar-I Risk Weighted Assets	73,642,211	70,140,088	65,831,306
Tier I capital	17,906,421	17,939,232	17,457,687
Tier II capital	518,524	380,149	349,687
Total Tier I & II Capital	18,424,945	18,319,381	17,807,374
Capital Adequacy Ratio %			
Tier I ratio	24%	26%	27%
Tier I + Tier II ratio	25%	26%	27%

14. Disclosures under Basel III framework

Certain additional disclosures are required under the Basel III framework. These disclosures will be made available on Alinma bank's website www.alinma.com within the prescribed time as required by SAMA. Such disclosures are not subject to review by the external auditors of the Bank.

15. Approval of the financial statements

These interim condensed consolidated financial statements were approved on 19 Ramadan, 1436H (corresponding to July 06, 2015).