
ALINMA BANK
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

FOR THE THREE MONTHS PERIOD ENDED
MARCH 31, 2015



KPMG Al Fozan & Al Sadhan

**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 31 March 2015, and the related interim consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the three months 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 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.

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.



KPMG Al Fozan & Al Sadhan

Other regulatory matters

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

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30 Jumada II 1436 H
(19 April 2015)



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

	Note	March 31, 2015 (Unaudited) SAR'000	December 31, 2014 (Audited) SAR'000	March 31, 2014 (Unaudited) SAR'000
ASSETS				
Cash and balances with Saudi Arabian Monetary Agency		5,394,142	6,065,881	3,821,935
Due from banks and other financial institutions		10,804,516	10,317,854	7,135,849
Investments	4	9,500,969	8,036,151	5,942,555
Financing, net	5	55,014,829	53,636,981	45,811,023
Property and equipment, net		1,564,549	1,543,578	1,470,088
Other assets		1,406,474	1,261,414	1,262,659
TOTAL ASSETS		83,685,479	80,861,859	65,444,109
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES				
Due to banks and other financial institutions		1,201,280	32,657	23,230
Customers' deposits	6	61,561,866	59,427,825	45,139,794
Other liabilities		3,462,665	3,462,145	3,137,119
TOTAL LIABILITIES		66,225,811	62,922,627	48,300,143
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		(40,615)	(21,094)	96,551
Other reserves		28,952	23,006	13,755
Retained earnings		1,612,396	1,268,285	1,490,833
Proposed dividend		-	810,100	-
Treasury shares		(154,621)	(154,621)	(154,621)
TOTAL SHAREHOLDERS' EQUITY		17,459,668	17,939,232	17,143,966
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		83,685,479	80,861,859	65,444,109

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	2015 SAR'000	2014 SAR'000
Income from investments and financing		611,084	560,222
Return on time investments		(61,086)	(47,603)
Income from investments and financing activities, net		549,998	512,619
Fees from banking services, net		129,105	53,862
Exchange income, net		28,405	8,318
Income from FVSI financial instruments, net		3,793	9,706
Gain on sale of available for sale investments, net		14,743	9,802
Dividend income		3,536	5,458
Other operating income		16	78
Total operating income		729,596	599,843
Salaries and employee related expenses		171,302	155,304
Rent and premises related expenses		26,026	23,839
Depreciation and amortization		39,199	37,905
Other general and administrative expenses		76,036	62,701
Charge for impairment of financial assets		70,122	24,975
Total operating expenses		382,685	304,724
Net operating income		346,911	295,119
Share of loss from an associate		(2,800)	(2,278)
Net income for the period		344,111	292,841
Basic and diluted earnings per share (SAR)	10	0.23	0.20

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>2015</u>	<u>2014</u>
	<u>SAR'000</u>	<u>SAR'000</u>
Net income for the period	344,111	292,841
Other comprehensive income to be reclassified to consolidated statement of income in subsequent periods:		
Net change in fair value of available for sale investments	(4,778)	25,491
Net gain realized on available for sale investments	(14,743)	(9,802)
Total comprehensive income for the period	324,590	308,530

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,**

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	-	-	-	-	344,111	-	-	344,111
Net change in fair value of available for sale investments	-	-	(4,778)	-	-	-	-	(4,778)
Net amount realized on 'available for sale' investments	-	-	(14,743)	-	-	-	-	(14,743)
Total comprehensive income	-	-	(19,521)	-	344,111	-	-	324,590
Dividend paid for 2014	-	-	-	-	-	(810,100)	-	(810,100)
Employee share based plan reserve	-	-	-	5,946	-	-	-	5,946
Balance at the end of the period	15,000,000	1,013,556	(40,615)	28,952	1,612,396	-	(154,621)	17,459,668

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	-	-	-	-	292,841	-	-	292,841
Net change in fair value of available for sale investments	-	-	25,491	-	-	-	-	25,491
Net amount realized on 'available for sale' investments	-	-	(9,802)	-	-	-	-	(9,802)
Total comprehensive income	-	-	15,689	-	292,841	-	-	308,530
Employee share based plan reserve	-	-	-	3,505	-	-	-	3,505
Balance at the end of the period	15,000,000	697,448	96,551	13,755	1,490,833	-	(154,621)	17,143,966

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,

	Note	2015 SAR'000	2014 SAR'000
OPERATING ACTIVITIES			
Net income for the period		344,111	292,841
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization		39,199	37,905
Unrealised (gain)/loss from FVSI financial instruments, net		(1,615)	(3,571)
Dividend income		(3,536)	(5,458)
Charge for impairment of financial assets		70,122	24,975
Employee share based plan reserve		5,946	3,505
Share of loss from an associate		2,800	2,278
		<u>457,027</u>	<u>352,475</u>
Net (increase) / decrease in operating assets:			
Statutory deposit with Saudi Arabian Monetary Agency		(398,979)	(216,592)
Due from banks and other financial institutions, maturing after ninety days from the date of acquisition.		(1,049,188)	(187,712)
Investments		(1,485,524)	(526,107)
Financing		(1,447,970)	(912,375)
Other assets		(144,338)	(2,125)
Net increase / (decrease) in operating liabilities:			
Due to banks and other financial institutions		1,168,623	(177,506)
Customers' deposits		2,134,041	2,377,171
Other liabilities		520	(68,823)
Net cash (used in) / generated from operating activities		<u>(765,788)</u>	<u>638,406</u>
INVESTING ACTIVITIES			
Acquisition of property and equipment		(60,170)	(33,081)
Dividends received		2,814	3,507
Net cash used in investing activities		<u>(57,356)</u>	<u>(29,574)</u>
FINANCING ACTIVITIES			
Dividend paid		(810,100)	-
Net cash used in financing activities		<u>(810,100)</u>	<u>-</u>
Net (decrease) /increase in cash and cash equivalents		<u>(1,633,244)</u>	<u>608,832</u>
Cash and cash equivalents at the beginning of the period		<u>10,066,103</u>	<u>6,040,732</u>
Cash and cash equivalents at the end of the period	8	<u>8,432,859</u>	<u>6,649,564</u>
Income received from investments and financing		<u>500,070</u>	<u>543,567</u>
Return paid on time investments		<u>33,066</u>	<u>47,603</u>
Supplemental non-cash information			
Net change in fair value of available for sale investments		<u>(4,778)</u>	<u>25,491</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, 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 59 branches (March 31, 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 subsidiaries (collectively referred 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 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, 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 –		Clarify the requirements of revaluation model recognizing that the restatement of accumulated depreciation

“intangible assets”:	(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

		March 31, 2015	December 31, 2014	March 31, 2014
	Note	(Unaudited)	(Audited)	(Unaudited)
		SAR'000	SAR'000	SAR'000
Murabahas with SAMA, (at amortized cost)		7,300,000	6,000,000	4,000,000
Available for sale investments		2,035,836	1,897,758	1,820,679
Held as FVSI investments		118,180	113,640	90,603
Investment in an associate	4.1	21,953	24,753	31,273
Investment in Joint venture	4.2	25,000	-	-
Total		<u>9,500,969</u>	<u>8,036,151</u>	<u>5,942,555</u>

4.1. Investment in an associate represents the Bank's share of ownership (28.75%) in Alinma Tokio Marine Company (a cooperative insurance company). The company has a paid-up share capital of SAR 200 million.

4.2. During the period, Alinma bank has invested SAR 25 million 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 (corresponding to March 12,2015 with a paid-up capital of SAR 50 million).

5. Financing, net

		March 31, 2015	December 31, 2014	March 31, 2014
		(Unaudited)	(Audited)	(Unaudited)
		SAR'000	SAR'000	SAR'000
Retail		12,375,393	11,907,369	10,371,911
Corporate		43,013,396	42,038,020	35,661,147
Performing financing		55,388,789	53,945,389	46,033,058
Non-performing financing		354,890	350,320	317,160
Total financing, gross		55,743,679	54,295,709	46,350,218
Allowance for impairment		(728,850)	(658,728)	(539,195)
Financing, net		<u>55,014,829</u>	<u>53,636,981</u>	<u>45,811,023</u>

6. Customers' deposits

		March 31, 2015	December 31, 2014	March 31, 2014
	Note	(Unaudited)	(Audited)	(Unaudited)
		SAR'000	SAR'000	SAR'000
Demand deposits		34,924,840	32,013,183	26,801,892
Customers' time investments	6.1	25,627,023	26,822,730	17,448,319
Others	6.2	1,010,003	591,912	889,583
Total		<u>61,561,866</u>	<u>59,427,825</u>	<u>45,139,794</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:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)	March 31, 2014 (Unaudited)
	SAR'000	SAR'000	SAR'000
Letters of credit	2,216,910	1,520,862	2,225,653
Letters of guarantee	4,818,584	4,387,032	2,994,914
Acceptances	241,231	319,640	322,322
Irrevocable commitments to extend credit	827,169	1,948,122	1,501,586
Total	8,103,894	8,175,656	7,044,475

8. Cash and cash equivalents

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

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)	March 31, 2014 (Unaudited)
	SAR'000	SAR'000	SAR'000
Cash in hand	1,491,422	1,287,943	1,085,310
Balances with SAMA excluding statutory deposit	607,007	1,881,204	344,421
Due from banks and other financial institutions maturing within ninety days from the date of acquisition.	6,334,430	6,896,956	5,219,833
Total	8,432,859	10,066,103	6,649,564

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 and small to medium sized businesses.

b) Corporate banking

Financing, deposit and other products and services for corporate 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, 2015				
	Retail	Corporate	Treasury	Investment & brokerage	Total
Total assets	14,192,823	43,911,090	24,476,278	1,105,288	83,685,479
Total liabilities	42,238,807	5,532,044	17,623,575	831,385	66,225,811
Income from investments and financing activities, net	207,571	259,194	82,412	821	549,998
Fees from banking services and other operating income	40,107	67,290	41,326	30,875	179,598
Total operating income	247,678	326,484	123,738	31,696	729,596
Charge for impairment of financial assets	10,622	59,500	-	-	70,122
Depreciation and amortization	19,693	12,311	6,886	309	39,199
Other operating expenses	153,291	68,137	35,616	16,320	273,364
Total operating expenses	183,606	139,948	42,502	16,629	382,685
Net operating income	64,072	186,536	81,236	15,067	346,911
Share of loss from an associate	-	-	(2,800)	-	(2,800)
Net income for the period	64,072	186,536	78,436	15,067	344,111

SAR '000	March 31, 2014				
	Retail	Corporate	Treasury	Investment & brokerage	Total
Total assets	12,301,550	36,805,279	15,211,741	1,125,539	65,444,109
Total liabilities	28,723,930	7,683,817	10,967,750	924,646	48,300,143
Income from investments and financing activities, net	167,121	240,700	104,079	719	512,619
Fees from banking services and other operating income	19,199	29,952	29,102	8,971	87,224
Total operating income	186,320	270,652	133,181	9,690	599,843
Charge for impairment of financial assets	19,255	5,720	-	-	24,975
Depreciation and amortization	19,518	12,907	5,236	244	37,905
Other operating expenses	131,379	71,170	29,236	10,059	241,844
Total operating expenses	170,152	89,797	34,472	10,303	304,724
Net operating income / (loss)	16,168	180,855	98,709	(613)	295,119
Share of loss from an associate	-	-	(2,278)	-	(2,278)
Net income/(loss) for the period	16,168	180,855	96,431	(613)	292,841

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:

	SAR '000			
March 31, 2015 (unaudited)	Level 1	Level 2	Level 3	Total
Financial assets held as FVSI	118,180			118,180
Financial assets held as available for sale	848,750	1,087,086	100,000	2,035,836
Total	966,930	1,087,086	100,000	2,154,016

	SAR '000			
March 31, 2014 (unaudited)	Level 1	Level 2	Level 3	Total
Financial assets held as FVSI	90,603	-	-	90,603
Financial assets held as available for sale	1,820,679	-	-	1,820,679
Total	1,911,282	-	-	1,911,282

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 schemes outstanding at the end of the period are as follows:

Nature of scheme	ESPS	ESGS
No. of outstanding Schemes	one	one
Grant date	June 01, 2013	April 01, 2013
Maturity date	May 31, 2016	March 31, 2018
Number of shares granted	2,390,813	2,863,000
Vesting period	3 years	3-5 years
Value of shares granted (SAR)	33,471,382	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	1.17 years	3 years

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

	Weighted average exercise price (SAR)		Number of shares in scheme	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
Beginning of the period	11.5	11.5	2,414,288	2,580,654
Granted during the period	-	-	-	-
Forfeited	-	-	(23,475)	(45,248)
Exercised/expired	-	-	-	-
End of the period	11.5	11.5	2,390,813	2,535,406
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 schemes was SAR 3.3 million. (March 31, 2014: SAR 3.5 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.

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)	March 31, 2014 (Unaudited)
	SAR'000	SAR'000	SAR'000
Credit risk weighted assets	62,344,592	60,266,168	51,130,572
Operational risk weighted assets	4,413,425	4,203,105	3,644,706
Market risk weighted assets	4,916,394	5,670,815	6,908,774
Total Pillar-I Risk Weighted Assets	71,674,411	70,140,088	61,684,052
Tier I capital	17,459,668	17,939,232	17,143,966
Tier II capital	447,524	380,149	332,487
Total Tier I & II Capital	17,907,192	18,319,381	17,476,453
Capital Adequacy Ratio %			
Tier I ratio	24%	26%	28%
Tier I + Tier II ratio	25%	26%	28%

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 18, Jumada II, 1436H (corresponding to April 7, 2015).