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

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

**FOR THE NINE MONTHS PERIOD ENDED**  
**SEPTEMBER 30, 2015**

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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 September 30, 2015, and the related interim consolidated statements of income and comprehensive income for the three month and nine month periods ended September 30, 2015 and the interim consolidated statements of changes in shareholders’ equity and cash flows for the nine 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.



KPMG Al Fozan & Al Sadhan

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

Mohammed A. Al Obaidi  
Registration No. 367

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

Khalil Al Sedais  
Registration No. 371



Riyadh: Muharram 9, 1437H  
(October 22, 2015)



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

	September 30, 2015	December 31, 2014	September 30, 2014
Note	(Unaudited)	(Audited)	(Unaudited)
	SAR'000	SAR'000	SAR'000
<b>ASSETS</b>			
Cash and balances with Saudi Arabian Monetary Agency	6,147,651	6,065,881	5,253,249
Due from banks and other financial institutions	13,940,765	10,317,854	8,692,684
Investments	4 6,059,006	8,036,151	8,389,955
Financing, net	5 52,970,099	53,636,981	50,219,303
Property and equipment, net	1,568,799	1,543,578	1,461,309
Other assets	1,702,515	1,261,414	1,441,030
<b>TOTAL ASSETS</b>	<b>82,388,835</b>	<b>80,861,859</b>	<b>75,457,530</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
Due to banks and other financial institutions	954,387	32,657	73,927
Customers' deposits	6 60,238,628	59,427,825	53,387,630
Other liabilities	2,965,495	3,462,145	4,185,747
<b>TOTAL LIABILITIES</b>	<b>64,158,510</b>	<b>62,922,627</b>	<b>57,647,304</b>
<b>SHAREHOLDERS' EQUITY</b>			
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	(16,438)	(21,094)	116,879
Other reserves	35,485	23,006	20,694
Retained earnings	2,352,343	1,268,285	2,129,826
Proposed dividend	-	810,100	-
Treasury shares	(154,621)	(154,621)	(154,621)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>18,230,325</b>	<b>17,939,232</b>	<b>17,810,226</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>82,388,835</b>	<b>80,861,859</b>	<b>75,457,530</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 NINE MONTHS PERIOD ENDED SEPTEMBER 30**

	Note	<u>For the three months</u> <u>period ended</u>		<u>For the nine months period</u> <u>ended</u>	
		<u>September</u> <u>30, 2015</u>	<u>September</u> <u>30, 2014</u>	<u>September</u> <u>30, 2015</u>	<u>September</u> <u>30, 2014</u>
		<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>
Income from investments and financing		<b>606,838</b>	579,618	<b>1,888,064</b>	1,691,824
Return on time investments		<b>(59,323)</b>	(50,132)	<b>(180,094)</b>	(147,921)
<b>Income from investments and financing activities, net</b>		<b>547,515</b>	529,486	<b>1,707,970</b>	1,543,903
Fees from banking services, net		<b>148,685</b>	127,677	<b>438,454</b>	255,646
Exchange income, net		<b>22,029</b>	14,224	<b>71,707</b>	33,536
Income from FVSI financial instruments, net		<b>(20,317)</b>	11,516	<b>(10,872)</b>	24,074
Gain on sale of available for sale investments, net		<b>5,767</b>	-	<b>55,826</b>	25,804
Dividend income		<b>4,254</b>	4,309	<b>19,549</b>	15,433
Other operating income		<b>6</b>	116	<b>406</b>	136
<b>Total operating income</b>		<b>707,939</b>	687,328	<b>2,283,040</b>	1,898,532
Salaries and employee related expenses		<b>168,645</b>	165,898	<b>500,895</b>	477,742
Rent and premises related expenses		<b>28,850</b>	28,279	<b>87,188</b>	77,664
Depreciation and amortization		<b>40,355</b>	37,941	<b>119,805</b>	114,007
Other general and administrative expenses		<b>53,482</b>	71,125	<b>214,822</b>	200,345
Charge for impairment of financing		<b>10,327</b>	50,648	<b>158,580</b>	91,272
Charge for impairment of other financial assets		<b>28,293</b>	-	<b>111,592</b>	-
<b>Total operating expenses</b>		<b>329,952</b>	353,891	<b>1,192,882</b>	961,030
<b>Net operating income</b>		<b>377,987</b>	333,437	<b>1,090,158</b>	937,502
Share of loss from an associate		<b>(2,800)</b>	(2,100)	<b>(6,100)</b>	(5,668)
<b>Net income for the period</b>		<b>375,187</b>	331,337	<b>1,084,058</b>	931,834
<b>Basic and diluted earnings per share (SAR)</b>	10	<b>0.25</b>	0.22	<b>0.73</b>	0.63

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 NINE MONTHS PERIOD ENDED SEPTEMBER 30**

	<u>For the three months</u>		<u>For the nine months period</u>	
	<u>period ended</u>		<u>ended</u>	
	<u>September</u>	<u>September</u>	<u>September</u>	<u>September</u>
	<u>30, 2015</u>	<u>30, 2014</u>	<u>30, 2015</u>	<u>30, 2014</u>
	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>
<b>Net income for the period</b>	<b>375,187</b>	331,337	<b>1,084,058</b>	931,834
<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	(77,078)	17,745	(34,036)	61,821
Net amount realized on available for sale investments	<u>22,525</u>	<u>-</u>	<u>38,692</u>	<u>(25,804)</u>
<b>Total comprehensive income for the period</b>	<b><u>320,634</u></b>	<b><u>349,082</u></b>	<b><u>1,088,714</u></b>	<b><u>967,851</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  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 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
<b>Balance at the beginning of the period</b>	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	-	-	-	-	1,084,058	-	-	1,084,058
Net change in fair value of available for sale investments	-	-	(34,036)	-	-	-	-	(34,036)
Net amount realized on available for sale investments	-	-	38,692	-	-	-	-	38,692
Total comprehensive income	-	-	4,656	-	1,084,058	-	-	1,088,714
Final dividend paid for 2014	-	-	-	-	-	(810,100)	-	(810,100)
Employee share based plan reserve	-	-	-	12,479	-	-	-	12,479
<b>Balance at the end of the period</b>	15,000,000	1,013,556	(16,438)	35,485	2,352,343	-	(154,621)	18,230,325

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
<b>Balance at the beginning of the period</b>	15,000,000	697,448	80,862	10,250	1,197,992	-	(154,621)	16,831,931
Net income for the period	-	-	-	-	931,834	-	-	931,834
Net change in fair value of available for sale investments	-	-	61,821	-	-	-	-	61,821
Net amount realized on available for sale investments	-	-	(25,804)	-	-	-	-	(25,804)
Total comprehensive income	-	-	36,017	-	931,834	-	-	967,851
Employee share based plan reserve	-	-	-	10,444	-	-	-	10,444
<b>Balance at the end of the period</b>	15,000,000	697,448	116,879	20,694	2,129,826	-	(154,621)	17,810,226

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 NINE MONTHS PERIOD ENDED SEPTEMBER 30**

	Note	2015 SAR'000	2014 SAR'000
<b>OPERATING ACTIVITIES</b>			
Net income for the period		<b>1,084,058</b>	931,834
<b>Adjustments to reconcile net income to net cash from operating activities:</b>			
Depreciation and amortization		<b>119,805</b>	114,007
(Gain)/ loss on disposal of property and equipment, net		<b>(54)</b>	59
Unrealised loss / (gain) from FVSI financial instruments, net		<b>10,822</b>	(29,145)
Dividend income		<b>(19,549)</b>	(15,433)
Charge for impairment of financing		<b>158,580</b>	91,272
Charge for impairment of other financial assets		<b>111,592</b>	-
Employee share based plan reserve		<b>12,479</b>	10,444
Share of loss from an associate		<b>6,100</b>	5,668
		<b>1,483,833</b>	1,108,706
<b>Net (increase) / decrease in operating assets:</b>			
Statutory deposit with Saudi Arabian Monetary Agency		<b>(432,985)</b>	(653,150)
Due from banks and other financial institutions, maturing after ninety days from the date of acquisition.		<b>(5,557,875)</b>	(2,154,508)
Investments		<b>1,870,361</b>	(2,930,995)
Financing		<b>508,302</b>	(5,386,952)
Other assets		<b>(441,101)</b>	(181,848)
<b>Net increase / (decrease) in operating liabilities:</b>			
Due to banks and other financial institutions		<b>921,730</b>	(126,809)
Customers' deposits		<b>793,729</b>	10,625,007
Other liabilities		<b>(496,650)</b>	979,805
<b>Net cash (used in) / generated from operating activities</b>		<b>(1,350,656)</b>	1,279,256
<b>INVESTING ACTIVITIES</b>			
Acquisition of property and equipment		<b>(145,001)</b>	(100,463)
Proceeds from disposal of property and equipment		<b>29</b>	-
Dividends received		<b>19,549</b>	14,834
<b>Net cash used in investing activities</b>		<b>(125,423)</b>	(85,629)
<b>FINANCING ACTIVITY</b>			
Dividend paid		<b>(810,100)</b>	-
<b>Net cash used in financing activity</b>		<b>(810,100)</b>	-
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(2,286,179)</b>	1,193,627
Cash and cash equivalents at the beginning of the period		<b>10,066,103</b>	6,040,732
<b>Cash and cash equivalents at the end of the period</b>	8	<b>7,779,924</b>	7,234,359
Income received from investments and financing		<b>1,703,659</b>	1,696,001
Return paid on time investments		<b>140,841</b>	121,609
<b>Supplemental non-cash information</b>			
Net change in fair value of available for sale investments		<b>(34,036)</b>	61,821

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 NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2015**

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### **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 63 branches (September 30, 2014: 55) 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"):

<b>Subsidiaries</b>	<b>Bank's ownership</b>	<b>Establishment date</b>	<b>Main activities</b>
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"> <li>a) measurement of profit free short term receivables and payables at their invoiced amount without discounting, if the effect of discounting is immaterial.</li> <li>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.</li> </ul>
- 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

		<b>September 30, 2015</b>	December 31, 2014	September 30, 2014
	<b>Note</b>	<b>(Unaudited)</b>	<b>(Audited)</b>	<b>(Unaudited)</b>
		<b>SAR'000</b>	<b>SAR'000</b>	<b>SAR'000</b>
Murabahas with SAMA, (at amortized cost)		<b>4,000,000</b>	6,000,000	6,300,000
Available for sale investments		<b>1,781,778</b>	1,897,758	1,934,575
Held as FVSI investments		<b>64,131</b>	113,640	127,497
Held to maturity investments		<b>97,568</b>	-	-
Investment in an associate	<b>4.1</b>	<b>90,529</b>	24,753	27,883
Investment in a joint venture	<b>4.2</b>	<b>25,000</b>	-	-
<b>Total</b>		<b>6,059,006</b>	<b>8,036,151</b>	<b>8,389,955</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** 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 1436H (corresponding to March 12, 2015) with a paid-up capital of SAR 50 million.

#### 5. Financing, net

		<b>September 30, 2015</b>	December 31, 2014	September 30, 2014
		<b>(Unaudited)</b>	<b>(Audited)</b>	<b>(Unaudited)</b>
		<b>SAR'000</b>	<b>SAR'000</b>	<b>SAR'000</b>
Retail		<b>12,885,084</b>	11,907,369	11,516,569
Corporate		<b>40,497,214</b>	42,038,020	38,975,076
<b>Performing financing</b>		<b>53,382,298</b>	53,945,389	50,491,645
Non-performing financing		<b>405,109</b>	350,320	333,141
<b>Total financing, gross</b>		<b>53,787,407</b>	54,295,709	50,824,786
Allowance for impairment		<b>(817,308)</b>	(658,728)	(605,483)
<b>Financing, net</b>		<b>52,970,099</b>	<b>53,636,981</b>	<b>50,219,303</b>

#### 6. Customers' deposits

		<b>September 30, 2015</b>	December 31, 2014	September 30, 2014
	<b>Note</b>	<b>(Unaudited)</b>	<b>(Audited)</b>	<b>(Unaudited)</b>
		<b>SAR'000</b>	<b>SAR'000</b>	<b>SAR'000</b>
Demand deposits		<b>34,633,521</b>	32,013,183	27,352,566
Customers' time investments	6.1	<b>24,828,580</b>	26,822,730	25,276,838
Others	6.2	<b>776,527</b>	591,912	758,226
<b>Total</b>		<b>60,238,628</b>	<b>59,427,825</b>	<b>53,387,630</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>September 30, 2015 (Unaudited) SAR'000</b>	<b>December 31, 2014 (Audited) SAR'000</b>	<b>September 30, 2014 (Unaudited) SAR'000</b>
Letters of credit	2,981,260	1,520,862	1,931,505
Letters of guarantee	6,383,992	4,387,032	3,222,566
Acceptances	228,618	319,640	408,580
Irrevocable commitments to extend credit	594,516	1,948,122	1,761,832
<b>Total</b>	<b>10,188,386</b>	<b>8,175,656</b>	<b>7,324,483</b>

## 8. Cash and cash equivalents

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

	<b>September 30, 2015 (Unaudited) SAR'000</b>	<b>December 31, 2014 (Audited) SAR'000</b>	<b>September 30, 2014 (Unaudited) SAR'000</b>
Cash in hand	1,981,227	1,287,943	1,615,682
Balances with SAMA excluding statutory deposit	836,705	1,881,204	808,805
Due from banks and other financial institutions maturing within ninety days from the date of acquisition.	4,961,992	6,896,956	4,809,872
<b>Total</b>	<b>7,779,924</b>	<b>10,066,103</b>	<b>7,234,359</b>

## 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	September 30, 2015 (Unaudited)				
	Retail	Corporate	Treasury	Investment & brokerage	Total
<b>Total assets</b>	<b>15,565,582</b>	<b>41,627,681</b>	<b>24,891,440</b>	<b>304,132</b>	<b>82,388,835</b>
<b>Total liabilities</b>	<b>38,600,228</b>	<b>6,760,070</b>	<b>18,777,860</b>	<b>20,352</b>	<b>64,158,510</b>
Income from investments and financing activities, net	645,452	804,519	257,068	931	1,707,970
Fees from banking services and other operating income	133,367	235,749	108,730	97,224	575,070
<b>Total operating income</b>	<b>778,819</b>	<b>1,040,268</b>	<b>365,798</b>	<b>98,155</b>	<b>2,283,040</b>
Charge for impairment of financing	34,080	124,500	-	-	158,580
Charge for impairment of others financial assets	-	17,073	94,519	-	111,592
Depreciation and amortization	61,422	36,212	21,733	438	119,805
Other operating expenses	463,370	189,105	103,248	47,182	802,905
<b>Total operating expenses</b>	<b>558,872</b>	<b>366,890</b>	<b>219,500</b>	<b>47,620</b>	<b>1,192,882</b>
<b>Net operating income</b>	<b>219,947</b>	<b>673,378</b>	<b>146,298</b>	<b>50,535</b>	<b>1,090,158</b>
Share of loss from an associate	-	-	(6,100)	-	(6,100)
<b>Net income for the period</b>	<b>219,947</b>	<b>673,378</b>	<b>140,198</b>	<b>50,535</b>	<b>1,084,058</b>

SAR '000	September 30, 2014 (Unaudited)				
	Retail	Corporate	Treasury	Investment & brokerage	Total
<b>Total assets</b>	<b>14,136,165</b>	<b>39,987,515</b>	<b>21,071,200</b>	<b>262,650</b>	<b>75,457,530</b>
<b>Total liabilities</b>	<b>38,508,500</b>	<b>5,027,896</b>	<b>14,087,065</b>	<b>23,843</b>	<b>57,647,304</b>
Income from investments and financing activities, net	547,349	725,161	269,038	2,355	1,543,903
Fees from banking services and other operating income	68,858	137,736	88,815	59,220	354,629
<b>Total operating income</b>	<b>616,207</b>	<b>862,897</b>	<b>357,853</b>	<b>61,575</b>	<b>1,898,532</b>
Charge for impairment of financial assets	26,725	64,547	-	-	91,272
Depreciation and amortization	58,811	35,958	18,404	834	114,007
Other operating expenses	419,466	200,275	99,058	36,952	755,751
<b>Total operating expenses</b>	<b>505,002</b>	<b>300,780</b>	<b>117,462</b>	<b>37,786</b>	<b>961,030</b>
Net operating income	111,205	562,117	240,391	23,789	937,502
Share of loss from an associate	-	-	(5,668)	-	(5,668)
<b>Net income for the period</b>	<b>111,205</b>	<b>562,117</b>	<b>234,723</b>	<b>23,789</b>	<b>931,834</b>

## 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			
September 30, 2015 (unaudited)	Level 1	Level 2	Level 3	Total
Financial assets held as FVSI	64,131	-	-	64,131
Financial assets held as available for sale	1,681,778	-	100,000	1,781,778
<b>Total</b>	<b>1,745,909</b>	<b>-</b>	<b>100,000</b>	<b>1,845,909</b>

	SAR '000			
September 30, 2014 (unaudited)	Level 1	Level 2	Level 3	Total
Financial assets held as FVSI	127,497	-	-	127,497
Financial assets held as available for sale	1,834,575	-	100,000	1,934,575
<b>Total</b>	<b>1,962,072</b>	<b>-</b>	<b>100,000</b>	<b>2,062,072</b>

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	2,330,645	2,863,000
Vesting period	3 years	3-5 years
Value of shares granted (SAR)	32,629,030	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	0.67 years	2.5 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	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Beginning of the period	11.5	11.5	2,414,288	2,580,654
Granted during the period	-	-	-	-
Forfeited	-	-	(83,643)	(148,791)
Exercised/expired	-	-	-	-
End of the period	11.5	11.5	2,330,645	2,431,863
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 9.8 million. (September 30, 2014: SAR 10.44 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>September 30, 2015 (Unaudited) SAR'000</b>	<b>December 31, 2014 (Audited) SAR'000</b>	<b>September 30, 2014 (Unaudited) SAR'000</b>
Credit risk weighted assets	<b>70,144,377</b>	60,266,168	56,318,500
Operational risk weighted assets	<b>4,794,798</b>	4,203,105	4,056,699
Market risk weighted assets	<b>770,699</b>	5,670,815	6,427,482
<b>Total Pillar-I Risk Weighted Assets</b>	<b>75,709,874</b>	70,140,088	66,802,681
Tier I capital	<b>18,230,325</b>	17,939,232	17,810,226
Tier II capital	<b>512,524</b>	380,149	335,287
<b>Total Tier I &amp; II Capital</b>	<b>18,742,849</b>	18,319,381	18,145,513
<b>Capital Adequacy Ratio %</b>			
Tier I ratio	<b>24%</b>	26%	27%
Tier I + Tier II ratio	<b>25%</b>	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](http://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 21 Dhul-Hajjah, 1436H (corresponding to October 05, 2015).