
ALINMA BANK
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

FOR THE SIX MONTHS PERIOD ENDED
JUNE 30, 2016



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

**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, 2016, and the related interim consolidated statements of income and comprehensive income for the three months and six month periods ended June 30, 2016 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 (16) which form an integral part of the interim condensed consolidated financial statements. We have not reviewed note 14, nor the information related to "Disclosures under Basel III framework" 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 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.



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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.

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

	Note	June 30, 2016 (Unaudited) SAR'000	December 31, 2015 (Audited) SAR'000	June 30, 2015 (Unaudited) SAR'000
ASSETS				
Cash and balances with Saudi Arabian Monetary Agency		7,210,669	5,132,787	5,322,226
Due from banks and other financial institutions		15,600,787	17,092,085	11,708,025
Investments	4	5,707,955	6,473,366	8,567,508
Financing, net	5	66,488,216	57,005,577	53,385,617
Property and equipment, net		1,644,527	1,629,004	1,565,043
Other assets		1,533,893	1,391,711	1,290,984
TOTAL ASSETS		98,186,047	88,724,530	81,839,403
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES				
Due to banks and other financial institutions		3,430,421	2,264,088	276,690
Customers' deposits	6	74,166,064	65,694,524	60,588,593
Other liabilities		2,201,555	2,413,757	3,067,699
TOTAL LIABILITIES		79,798,040	70,372,369	63,932,982
SHAREHOLDERS' EQUITY				
Share capital		15,000,000	15,000,000	15,000,000
Statutory reserve		1,381,050	1,381,050	1,013,556
Fair value reserve for available for sale investments		(19,449)	(10,477)	38,114
Other reserves		24,673	36,450	32,216
Retained earnings		2,113,141	1,312,702	1,977,156
Proposed dividend		-	787,057	-
Treasury shares		(111,408)	(154,621)	(154,621)
TOTAL SHAREHOLDERS' EQUITY		18,388,007	18,352,161	17,906,421
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		98,186,047	88,724,530	81,839,403

The accompanying notes from 1 to 16 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>For the six months period</u>	
	<u>period ended</u>	<u>period ended</u>	<u>ended</u>	<u>ended</u>
	June 30,	June 30,	June 30,	June 30,
	2016	2015	2016	2015
Note	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>
Income from investments and financing	790,076	670,142	1,499,733	1,281,226
Return on time investments	(198,439)	(59,685)	(318,813)	(120,771)
Income from investments and financing activities, net	591,637	610,457	1,180,920	1,160,455
Fees from banking services, net	170,674	160,664	304,277	289,769
Exchange income, net	29,203	21,273	55,126	49,678
Gain/(loss) from FVSI financial instruments, net	5,080	5,652	(4,164)	9,445
Gain/ (loss) on sale of available for sale investments, net	3,167	35,316	(5,356)	50,059
Dividend income	7,438	11,759	10,701	15,295
Other operating income	707	384	725	400
Total operating income	807,906	845,505	1,542,229	1,575,101
Salaries and employee related expenses	191,655	160,948	359,419	332,250
Rent and premises related expenses	33,189	32,312	65,601	58,338
Depreciation and amortization	40,718	40,251	80,741	79,450
Other general and administrative expenses	101,269	85,303	188,757	161,340
Charge for impairment of financing	24,700	78,131	37,733	148,253
Charge for impairment of other financial assets	3,415	83,299	3,415	83,299
Total operating expenses	394,946	480,244	735,666	862,930
Net operating income	412,960	365,261	806,563	712,171
Share of loss from an associate and joint venture	(3,839)	(500)	(6,124)	(3,300)
Net income for the period	409,121	364,761	800,439	708,871
Basic and diluted earnings per share (SAR)	10 0.27	0.24	0.54	0.48

The accompanying notes from 1 to 16 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>2016</u>	<u>June 30,</u> <u>2015</u>	<u>June 30,</u> <u>2016</u>	<u>June 30,</u> <u>2015</u>
	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>
Net income for the period	409,121	364,761	800,439	708,871
Other comprehensive income to be reclassified to consolidated statement of income in subsequent periods:				
Net change in fair value of available for sale investments	3,573	47,820	(17,743)	43,042
Net amount realized on available for sale investments	248	30,910	8,771	16,166
Total comprehensive income for the period	412,942	443,491	791,467	768,079

The accompanying notes from 1 to 16 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)**

2016 (SAR '000)	Share capital	Statutory reserve	Fair value reserve for available for sale investments	Other reserves	Retained earnings	Proposed dividend	Treasury shares	Total
Balance at the beginning of the period	15,000,000	1,381,050	(10,477)	36,450	1,312,702	787,057	(154,621)	18,352,161
Net income for the period	-	-	-	-	800,439	-	-	800,439
Net change in fair value of available for sale investments	-	-	(17,742)	-	-	-	-	(17,742)
Net amount realized on available for sale investments	-	-	8,770	-	-	-	-	8,770
Total comprehensive income	-	-	(8,972)	-	800,439	-	-	791,467
Final dividend paid for 2015	-	-	-	-	-	(787,057)	-	(787,057)
Employee share based plan reserve	-	-	-	(11,777)	-	-	-	(11,777)
Net change in Treasury shares	-	-	-	-	-	-	43,213	43,213
Balance at the end of the period	15,000,000	1,381,050	(19,449)	24,673	2,113,141	-	(111,408)	18,388,007

2015 (SAR '000)	Share capital	Statutory reserve	Fair value reserve for available for sale investments	Other reserves	Retained earnings	Proposed dividend	Treasury shares	Total
Balance at the beginning of the 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

The accompanying notes from 1 to 16 form an integral part of these interim condensed consolidated financial statements.

ALINMA BANK
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30 (Unaudited)

	Note	2016 SAR'000	2015 SAR'000
OPERATING ACTIVITIES			
Net income for the period		800,439	708,871
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization		80,741	79,450
Loss/(gain) on disposal of property and equipment, net		951	(54)
Unrealised loss/(gain) from FVSI financial instruments, net		12,905	(2,648)
Dividend income		(10,701)	(15,295)
Charge for impairment of financing		37,733	148,253
Charge for impairment of other financial assets		3,415	83,299
Employee share based plan reserve		2,679	9,210
Share of loss from an associate		6,124	3,300
		934,286	1,014,386
Net (increase) / decrease in operating assets:			
Statutory deposit with Saudi Arabian Monetary Agency		(593,812)	(509,511)
Due from banks and other financial institutions, maturing after ninety days from the date of acquisition.		2,489,488	(1,248,533)
Investments		733,997	(520,763)
Financing		(9,520,372)	478,369
Other assets		(142,182)	(445,555)
Net increase / (decrease) in operating liabilities:			
Due to banks and other financial institutions		1,166,333	244,030
Customers' deposits		8,471,540	1,045,054
Other liabilities		(212,202)	(295,803)
Net cash generated /(used in) from operating activities		3,327,076	(238,326)
INVESTING ACTIVITIES			
Acquisition of property and equipment		(97,215)	(100,890)
Proceeds from disposal of property and equipment		-	29
Dividends received		10,701	13,600
Net cash used in investing activities		(86,514)	(87,261)
FINANCING ACTIVITY			
Proceeds from employees share scheme		28,755	-
Dividend paid		(787,057)	(810,100)
Net cash used in financing activity		(758,302)	(810,100)
Net increase/(decrease) in cash and cash equivalents		2,482,260	(1,135,687)
Cash and cash equivalents at the beginning of the period		11,107,547	10,066,103
Cash and cash equivalents at the end of the period	8	13,589,807	8,930,416
Income received from investments and financing		1,288,134	1,258,777
Return paid on time investments		200,353	89,181
Supplemental non-cash information			
Net change in fair value of available for sale investments		(17,742)	43,042

The accompanying notes from 1 to 16 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, 2016

1. General

a) Incorporation

Alinma Bank, a Saudi Joint Stock Company, was formed and licensed pursuant to Royal Decree No. M/15 dated 28 Safar 1427H (corresponding to March 28, 2006), in accordance with the Council of Ministers' Resolution No. 42 dated 27 Safar 1427H (corresponding to March 27, 2006). It operates under Ministerial Resolution No.173 and Commercial Registration No. 1010250808 both dated 21 Jumada-I 1429H (corresponding to May 26, 2008) and provides banking services through 70 branches (June 30, 2015: 60) in the Kingdom of Saudi Arabia. Its head office address is as follows:

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

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

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

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

b) Shariah Board

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

2. **Basis of preparation**

These interim condensed consolidated financial statements have been prepared using uniform accounting policies, estimates, judgment and valuation methods for similar transactions and other events in similar circumstances as disclosed in the annual consolidated financial statements of the Bank as of and for the financial year ended December 31, 2015. 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, 2015.

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, 2015, 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 IFRS 11 "Accounting for acquisitions of interests in joint operations"	January 01, 2016	These amendments provide guidance to account for the acquisition of an interest in a joint operation that constitutes a business.
Amendments to IAS 16 and IAS 38	January 01, 2016	These amendments provide clarification of acceptable methods of depreciation and amortization.
Amendments to IFRS 10 and IAS 28	January 01, 2016	These amendments discuss the sale or contribution of assets between an Investor and its Associate or Joint venture.
Annual improvements to IFRSs 2012-2014 cycle	January 01, 2016	Improvement in various IFRS including certain disclosure initiatives.

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, 2016	December 31, 2015	June 30, 2015
	Note	(Unaudited)	(Audited)	(Unaudited)
		SAR'000	SAR'000	SAR'000
Murabahas with SAMA, (at amortized cost)		2,754,127	4,252,945	6,502,862
Available for sale investments		2,769,017	1,921,688	1,805,201
Held as FVSI investments		80,206	89,167	115,423
Held to maturity investments		-	98,837	97,568
Investment in an associate	4.1	85,629	87,629	21,454
Investment in joint venture	4.2	18,976	23,100	25,000
Total		5,707,955	6,473,366	8,567,508

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

4.2. Investment in Joint venture represents the Banks's share of ownership (50%) in ERSAL Financial Remittance Company (a joint venture between Alinma Bank and Saudi Post). The company has been established under Commercial Registration No.1010431244 dated 21 Jumada I 1436H (corresponding to March 12, 2015 with a paid-up capital of SAR 50 million).

5. Financing, net

		June 30, 2016	December 31, 2015	June 30, 2015
		(Unaudited)	(Audited)	(Unaudited)
		SAR'000	SAR'000	SAR'000
Retail		14,258,925	13,141,383	12,721,700
Corporate		52,567,161	44,186,006	41,085,059
Performing financing		66,826,086	57,327,389	53,806,759
Non-performing financing		450,465	428,790	385,839
Total financing, gross		67,276,551	57,756,179	54,192,598
Allowance for impairment		(788,335)	(750,602)	(806,981)
Financing, net		66,488,216	57,005,577	53,385,617

6. Customers' deposits

		June 30, 2016	December 31, 2015	June 30, 2015
	Note	(Unaudited)	(Audited)	(Unaudited)
		SAR'000	SAR'000	SAR'000
Demand deposits		39,109,763	35,770,209	36,393,261
Customers' time investments	6.1	34,335,624	29,262,103	23,438,020
Others	6.2	720,677	662,212	757,312
Total		74,166,064	65,694,524	60,588,593

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:

	June 30, 2016 (Unaudited) SAR'000	December 31, 2015 (Audited) SAR'000	June 30, 2015 (Unaudited) SAR'000
Letters of credit	2,245,143	2,180,524	1,834,268
Letters of guarantee	8,088,227	9,419,598	5,572,750
Acceptances	332,918	651,366	432,265
Irrevocable commitments to extend credit	951,539	566,249	618,489
Total	<u>11,617,827</u>	<u>12,817,737</u>	<u>8,457,772</u>

8. Cash and cash equivalents

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

	June 30, 2016 (Unaudited) SAR'000	December 31, 2015 (Audited) SAR'000	June 30, 2015 (Unaudited) SAR'000
Cash in hand	3,062,953	1,612,612	1,749,386
Balances with SAMA excluding statutory deposit	169,681	135,952	166,595
Due from banks and other financial institutions maturing within ninety days from the date of acquisition.	10,357,173	9,358,983	7,014,435
Total	<u>13,589,807</u>	<u>11,107,547</u>	<u>8,930,416</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, 2016 (Unaudited)				
	Retail	Corporate	Treasury	Investment and brokerage	Total
Total assets	18,137,773	53,868,226	25,798,965	381,083	98,186,047
Total liabilities	46,119,031	8,163,560	25,468,056	47,393	79,798,040
Income from investments and financing	530,459	569,210	396,851	3,213	1,499,733
Return on time investments	(90,891)	(17,159)	(210,763)	-	(318,813)
Income from investments and financing activities, net	439,568	552,051	186,088	3,213	1,180,920
Fees from banking services and other operating income	111,308	122,230	46,881	80,890	361,309
Total operating income	550,876	674,281	232,969	84,103	1,542,229
Charge for impairment of financing	24,833	12,900	-	-	37,733
Charge for impairment of others financial assets	-	-	3,415	-	3,415
Depreciation and amortization	40,607	26,849	12,927	358	80,741
Other operating expenses	342,259	162,096	74,521	34,901	613,777
Total operating expenses	407,699	201,845	90,863	35,259	735,666
Net operating income	143,177	472,436	142,106	48,844	806,563
Share of loss from an associate and joint venture	-	-	(6,124)	-	(6,124)
Net income for the period	143,177	472,436	135,982	48,844	800,439

SAR '000	June 30, 2015 (Unaudited)				
	Retail	Corporate	Treasury	Investment and 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	473,909	553,147	251,676	2,494	1,281,226
Return on time investments	(46,860)	(4,708)	(69,203)	-	(120,771)
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 assets	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 and joint venture	-	-	(3,300)	-	(3,300)
Net income for the period	141,309	403,331	131,923	32,308	708,871

SAR '000	June 30, 2016 (Unaudited)				
Other information:	Retail	Corporate	Treasury	Investment and brokerage	Total
Revenue from:					
-External	388,736	1,081,674	(12,284)	84,103	1,542,229
-Inter-segment	162,140	(407,393)	245,253	-	-
Total operating income	550,876	674,281	232,969	84,103	1,542,229

SAR '000	June 30, 2015 (Unaudited)				
Other information:	Retail	Corporate	Treasury	Investment and brokerage	Total
Revenue from:					
-External	370,414	1,042,595	94,018	68,074	1,575,101
-Inter-segment	142,176	(335,398)	193,222	-	-
Total operating income	512,590	707,197	287,240	68,074	1,575,101

10. Earnings per share

Earnings per share is calculated by dividing the net income by the weighted average number of outstanding shares (Basic: 1,490 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 Bank uses following hierarchy for determining and disclosing the fair value of financial instruments

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

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

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

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

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

	SAR '000			
June 30, 2016 (Unaudited)	Level 1	Level 2	Level 3	Total
Financial assets held as FVSI				
- Equities	73,014	-	-	73,014
- Mutual funds	7,193	-	-	7,193
Financial assets held as available for sale				
- Equities	390,042	-	-	390,042
- Mutual funds	356,447	-	213,766	570,213
- Sukuks	-	1,808,762	-	1,808,762
Total	826,696	1,808,762	213,766	2,849,224

	SAR '000			
June 30, 2015 (Unaudited)	Level 1	Level 2	Level 3	Total
Financial assets held as FVSI				
- Equities	112,144	-	-	112,144
- Mutual funds	3,279	-	-	3,279
Financial assets held as available for sale				
- Equities	425,235	-	-	425,235
- Mutual funds	200,155	-	100,000	300,155
- Sukuks	-	1,079,811	-	1,079,811
Total	740,813	1,079,811	100,000	1,920,624

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

11 (b) Fair values of financial assets and liabilities not carried at fair value

Management adopts discounted cash flow method using the current yield curve to arrive at the fair value of financial instruments. Following table shows the fair value of financial instruments carried at amortized cost.

	SAR '000	
June 30, 2016 (Unaudited)	Carrying value	Fair value
ASSETS		
Due from banks and other financial institutions	15,600,787	15,498,032
Investments -at amortized cost	2,754,127	2,760,595
Financing, net	66,488,216	66,042,826
LIABILITIES		
Due to banks and other financial institutions	3,433,429	3,430,674
Customers' deposits	74,166,064	74,033,045

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

12. Employees share-based plans

Significant features of Alinma Bank's Employee share based 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	2,240,494	2,788,000
Vesting period	3 years	3-5 years
Value of shares granted (SAR)	31,366,916	36,662,200
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	-	1.75 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, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Beginning of the period	11.5	11.5	2,277,887	2,414,288
Granted during the period	-	-	-	-
Forfeited	-	-	(37,393)	(61,339)
Exercised/expired	-	-	(2,240,494)	-
End of the period	11.5	11.5	-	2,352,949
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 2.7 million. (June 30, 2015: SAR 9.2 million).

13. Capital adequacy

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

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

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

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)	June 30, 2015 (Unaudited)
	SAR'000	SAR'000	SAR'000
Credit risk weighted assets	86,336,341	76,496,060	68,276,911
Operational risk weighted assets	5,264,402	4,976,034	4,639,275
Market risk weighted assets	475,325	655,431	726,025
Total Pillar-I Risk Weighted Assets	92,076,068	82,127,525	73,642,211
Tier I capital	18,388,007	18,352,161	17,906,421
Tier II capital	469,769	482,176	518,524
Total Tier I & II Capital	18,857,776	18,834,337	18,424,945
Capital Adequacy Ratio %			
Tier I ratio	20%	22%	24%
Tier I + Tier II ratio	20%	23%	25%

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. Comparative figures

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

16. Approval of the financial statements

These interim condensed consolidated financial statements were approved on 14 Shawwal, 1437H (corresponding to July 19, 2016).