مصرف الإنماء
alinma bank
إنماء لنا

Annual Report 2014

For Our Industry

For Our Future

For Our Economy

For Our Potential

For Our Prosperity

بسم الله الرحمن الرحيم

The Custodian of the Two Holy Mosques
King Salman bin Abdulaziz Al Saud

Crown Prince Mohammed bin Naif bin Abdulaziz Al Saud
Deputy Premier and Minister of Interior

Deputy Crown Prince Mohammed bin Salman bin Abdulaziz Al Saud
Second Deputy Premier and Minister of Defense

Contents

Greetings

Greetings

We, at Alinma Bank, begin the 2015 operational year with pride in our record of achievement over the past several years; and we look forward to even greater achievements in the years to come. The bright future we see for Alinma will be achieved through the sincere efforts of Alinma staff and their commitment to the application of our Shariah-compliant principles and values in all dealings with Alinma partners.

We are committed to the pursuit of excellence and success. It is this sense of commitment that will ultimately lead to the fulfillment of Alinma's vision to be your preferred financial partner and the leading bank in providing exemplary services that are delivered via an optimal work environment that leverages the latest in banking technology.

Thank you, Alinma partners, for your trust. We welcome you to a future of progress, growth and prosperity with your bank, Alinma Bank.

Alinma Bank ... For Our Growth

Vision Mission Values

The Bank's Vision

To be your preferred financial partner.

The Bank's Mission

To provide our partners with total Shariah-compliant financial solutions through the best workplace that achieves sustainable development and participates in serving our community.

The Bank's Values

The bank has established a work environment based on clear values to which all Alinma employees should commit:

Honesty

Striving to Lead

Serving Partners

Strengthening Relationships

Respect for All

Innovation

Taking Initiative

Serving the Community

Establishment

Establishment

Alinma Bank was established under Royal Decree No. M/15, dated 28 Safar 1427, corresponding to March 28, 2006, and under Commercial Registration No. 1010250808 dated 21 Jumada Al-Ula 1429, corresponding to May 26, 2008. The bank has been authorized to engage in all aspects of Shariah-compliant banking and investment services.

Capital

The bank was established with SAR 15,000,000,000 in capital, divided into 1,500,000,000 ordinary shares, each with a nominal value of SAR 10.

Founders

The founding shareholders of the bank are as follows: the Public Investment Fund, the Public Pension Agency and the General Organization for Social Insurance. Upon the establishment of the bank, 10% of its shares were allocated to each of the founding shareholders. The remaining 70% of the shares were offered for public subscription during Rabie II 1429 (April 2008).

Members of the Board of Directors

Eng. Abdulaziz Abdullah Al-Zamil
Chairman of the Board

Mr. Abdulmohsen Abdulaziz Al-Fares
Managing Director & CEO

Dr. Suliman Mohammad Al-Turki
Member

Mr. Saad Ali Al-Kathiry
Member

Mr. Abdulmuhsin Abdulaziz Al-Hussein
Member

Dr. Saad Attia Al-Ghamdi
Member

Mr. Mohammed Sulaiman Abanumi
Member

Mr. Homoud Abdullah AlTuwaijery
Member

Dr. Ibrahim Fahad Al-Ghufaili
Member

Message from the Chairman of the Board of Directors

It is my pleasure to present to you, on behalf of myself, my colleagues on the Alinma Bank Board of Directors and the bank's staff, our sixth annual report for the fiscal year that ended on December 31, 2014. Alinma Bank has continued its growth and expansion and has, consequently, achieved outstanding operational results year after year. This reflects the distinct efforts, hard work and dedication displayed by our highly qualified, professional staff. Thanks to them, Alinma has consistently delivered first class service to its partners, which, in turn, has enhanced its position as a leading bank in Saudi Arabia. The financial results for 2014 are a reflection of our effort and commitment.

During 2014, the bank's assets rose by 28% to SAR 80,862 million, compared to SAR 63,001 million in 2013. Total operating income during 2014 amounted to SAR 2,620 million, compared to SAR 2,279 million in 2013, an increase of 15%. Profit from major activities in 2014 amounted to SAR 2,075 million, compared to SAR 1,835 million in 2013, an increase of 13%. The financing portfolio grew to SAR 53,637 million on December 31, 2014, compared to SAR 44,924 on December 31, 2013, an increase of 19%. Partner deposits rose to SAR 59,428 million at the end of 2014, compared to SAR 42,763 million in 2013, an increase of 39%. Net profits for 2014 increased 26% to SAR 1,264, compared to SAR 1,005 million in 2013. Furthermore, the number of branches, scope of operations, partners and e-channel services also increased significantly.

I would like to take this opportunity to extend my thanks and appreciation to my colleagues on the board of directors and the managing director/CEO for their great efforts and contributions to the achievements made in 2014. My thanks and appreciation are extended to the bank's employees who are the life-blood of and energetic force behind the bank's business.

Last, but not least, I would like to extend my thanks and appreciation to the Custodian of the Two Holy Mosques, King Salman Ibn Abdulaziz Al Saud; HRH the Crown Prince, Mohammed Ibn Nayef Ibn Abdulaziz Al Saud; and HRH the Deputy Crown Prince and Minister of Defense, Mohammed Ibn Salman Ibn Abdulaziz Al Saud for their outstanding efforts, wise policies and leadership, which have enabled the Kingdom to play an effective economic role in the international community and have ensured the security and stability of the Kingdom. I would also like to thank the Minister of Finance, the Governor of the Saudi Arabian Monetary Agency, the head of the Capital Market Authority and other related authorities for their sincere efforts and the unlimited support extended to the Saudi banking sector.

Abdulaziz Bin Abdullah Al-Zamil
Chairman of the Board of Directors

Message from the Managing Director/CEO

Alinma Bank achieved great success during the 2014 fiscal year, thanks to the sincere efforts exerted by Alinma staff across the entire bank. This year's achievements are the most recent in a long line of successes that stretch back to the bank's launch.
During 2014, Alinma utilized a slogan created to reflect the values and principles espoused by the bank. That slogan – You Don't Need a Bank ... You Need a Partner – helped to reinforce the relationship Alinma has with its partners and reaffirmed the bank's commitment to the all-important concept of partnership. With its accompanying marketing campaigns, this slogan introduced partners to a new world of banking services designed to more thoroughly fulfill the Alinma mission and vision.

In 2014, Alinma was proud to launch its 1000th ATM, a milestone that speaks volumes about the bank's ability to reach its partners in all regions of the Kingdom. Through its ATMs, partners have access to a comprehensive range of transactions and services including emergency cash withdrawals, which permit partners to securely withdraw cash without a card, and U.S. dollar withdrawals at select branch ATM locations. The bank's reach is further enhanced by its electronic channel offering, which provide around-the-clock access to Alinma's services. Of special note in this regard is Alinma's smartphone application, which has been praised for its comprehensiveness, design, speed, security and overall quality. In addition to being compatible with iOS, Android, Windows Phone and Blackberry operating systems, the application is also designed to be accessible to visually impaired partners.

Alinma's electronic channel offerings extend to its corporate banking partners as well; and in 2014 Alinma launched its dedicated Alinma Corporate Internet service with a new look and feel as well as full Arabic language support. Through the service, corporate partners can easily, effectively and securely manage their accounts and perform necessary transactions – anytime, anywhere. Also with its corporate partners in mind, Alinma organized a number of training seminars designed to familiarize partners with the bank's products, services and procedures as they apply to the management and functioning of corporate accounts. This type of care and attention is the foundation of

Alinma's effort to become the preferred financial partner for all.

Alinma's retail banking efforts and accomplishments in 2014 were equally impressive. The bank launched its exclusive Alinma Signature Debit Card, which is considered the elite card in the Saudi banking sector. Done in collaboration with Visa, the launch completed Alinma's roll-out of the full line of Visa debit cards in Saudi Arabia (Classic, Gold, Platinum, Signature and Infinite), the first Saudi bank to do so. The Alinma Signature Debit Card offers cardholders unique privileges and special services as well as exclusive offers including access to VIP lounges at 25 airports around the world, regardless of the ticket issuer or the class of travel booked.

2014 also saw Alinma Bank conclude a number of important agreements designed to deliver added value to bank partners. In particular, Alinma signed a financing agreement with the Real Estate Development Fund that will enable Saudis to become homeowners. Additionally, the bank concluded an agreement with Western Union and the Saudi Postal Corporation that resulted in Western Union providing its services through the Ersal remittance service. Ersal, a joint venture between Alinma Bank and the Saudi Postal Corporation, now boasts 25 branches across the Kingdom.

Alinma is dedicated to the service of its partners and is committed to the achievement of the bank's goals. Towards this end, we seek to leverage the creativity of our staff and to remain in constant dialog with our partners, whose feedback is crucial in helping us understand how we need to grow to meet the needs and aspirations of those we serve. We are glad to receive comments and suggestions, which can be communicated by phone (8001208000) or via the Alinma Internet (www.alinma.com) "Complaints" section, which can be found at the bottom of the homepage. We look forward to continuing our service and driving forward toward our vision of being your preferred financial partner.

Abdulmohsen Bin Abdulaziz Al-Fares
Managing Director/CEO

Key Accomplishments of 2014

Alinma Partners: Growth and Confidence

Alinma Bank grew rapidly with respect to its number of partners during 2014, as indicated by the following:

- The number of partners increased by 39%.
- Total deposits increased by 39%.
- Retail financed partners increased by 37%.
- Total financing increased by 19%.
- The number of ATM cards issued rose by 41%.
- The number of transactions executed through ATMs rose by 46%.
- The number of partners registered with Alinma Phone increased by 35%.
- The number of registered Alinma Internet users increased by 49%.
- The number of transactions executed via Alinma Internet increased by 11%.
- The number of registered Alinma Mobile users increased by 10%.
- The number of registered Alinma smart phone application users increased significantly.

Branch Network and ATMs... Serving Alinma Partners

The bank launched several new branches and ATMs in 2014. Alinma added 10 total locations – four for men, four for women and 2 airport locations at the King Khalid International Airport in Riyadh. The new locations represented an 11% increase. Additionally, Alinma closed 2014 with 1,022 ATMs, an increase of 23% over the 829 ATMs recorded at the end of 2013.

Human Capital: Recruitment & Development

In 2014, Alinma continued it focus on the recruitment, development and nurturing of talented employees. Towards that end, the Human Capital group finalized its strategies, policies and procedures and launched important initiatives related to enhancing employee engagement, improving the work environment, and strengthening business partnerships within the bank. Valuable programs were also launched including awards for outstanding staff service, and an e-learning system to support training and skills development through a technology-based self-learning concept.

During 2014, the bank recruited 354 male and female employees, bringing the total number of employees at the close of 2014 to 1,778. Alinma boasts an 86% Saudization rate. A total of 1,747 employees participated in 7,072 training days organized by the bank, including cognitive, behavioral and skill training courses in banking, finance, legal, administration and information systems provided by specialized consulting firms. Other courses were also provided on products and services offered by the bank.

Innovative Solutions and Enhanced Systems Performance and Stability

The bank continued to develop advanced, secure banking systems as part of its vision to be the preferred financial partner for all. It also improved the performance and availability of current banking systems to accommodate the increased number of branch and ATM operations that resulted from the growth of Alinma's partner base. This approach was evident in the numerous projects undertaken in 2014, including:

Infrastructure and Technical Support:

- Service Level Agreements between IT and other groups (performance standards exceeded targets set for the year)
- Design of scalable models and systems related to bank operations
- Improving current banking systems performance to handle the increase in the number of operations. For example, fund transfer transaction times were decreased by 71% even after a 100% increase in the number of operations during the previous period
- Upgrading the Websphere Message Broker, which is responsible for tuning communications between the bank's technological systems
- Upgrading the Websphere Application Server, which allows for better connection between applications
- Upgrading and testing Alinma Investment's central system in order to improve performance and remain up-to-date with the latest technology
- Upgrading the call center systems for both Alinma Bank and Alinma Investment to improve performance
- Re-designing the Configuration Management Data Base (CMDB) so as to improve the accuracy and coherence of system and hardware settings that are used to measure performance, facilitate research and address issues that may arise
- Upgrading the Business Process Management (BPM) system with relation to the management of operations and procedures
- Updating the Alinma ATM systems to Windows 7, to improve performance and effectiveness
- Updating IVR and phone banking servers and systems to increase efficiency

New Systems and Services:

- Designing a new IVR phone banking system for Alinma Tadawul
- Launching the 8th and 9th versions of Alinma Corporate Internet with enhanced features
- Finalizing the development of a number of systems, products and services that fulfill the needs of business sectors
- Automating paperwork procedures for bank groups
- Supporting the dividends distribution feature of joint stock companies for investors
- Finalizing the automation and improvement of the stock financing service to comply with SAMA requirements and allow for automatic purchase, sale and transfer
- Applying the new system of subscription to capital increase (subscription for traded rights) on all electronic channels and subscription systems (as a receiving bank)
- Adding the SADAD recharge service for prepaid Mobily and ZAIN accounts
- Finalizing the addition of several updates to the "IRSAL" system and connecting new banks

Striving for Leadership in the Service of Corporate Partners

Alinma Bank extends an array of products and services to its corporate partners, including current and investment accounts, checking services, trade services, guarantees, documentary credits and collections, deposit/withdrawal/transfer services, domestic and international remittances through branches and e-channels, cash and liquidity management, Murabaha, Musharaka, Bai Ajel, Ijara, foreign exchange and other financial services related to corporate banking.

Training and Marketing Courses

During 2014, the Corporate Banking group conducted a series of marketing and training courses for the bank's partners, which covered the following areas:

- Trade Operations: Documentary Credits and Guarantees
- Electronic Banking Services and Cash Management
- Corporate Products
- Alinma Tokio Marine for Cooperative Insurance

Individuals from various retail and corporate business sectors participated in the courses, which covered the Kingdom's central, eastern and western regions.

Alinma Corporate Internet Banking Website

Alinma Bank launched its Alinma Corporate Internet service with a new look and feel as well as full Arabic language support, which was added to the preexisting English language page. Additionally, the bank introduced important new features and functionality to the website, including SMS login security confirmation, security token compatibility, and bank statement requests that can be generated automatically in Microsoft Excel format. Furthermore, the website now provides a dedicated page for invoices. These and other services, such as domestic and international transfers, have been added and improved in response to the growth of the business sector and the expanding needs of bank partners.

The Alinma Corporate Internet service also recently added support for the Ministry of Labor's wage protection program, which gives companies an integrated mechanism for ensuring that they meet payroll standards set forth by the ministry.

Retail Banking: Modern Products and Services

During 2014, the Retail Banking group introduced several new products and services, some of which were offered for the first time in the Kingdom of Saudi Arabia. These included:

- Turkish language ATM service in Mecca and Medina
- Pre-payment salary cards
- Alinma Visa Signature Card (debit and credit)
- E-channel account opening for groups
- Retail asset products in line with SAMA's new system of personal financing and mortgage services
- New procedures related to personal financing and automatic linking with SIMAH
- Tax Compliance Act (FATCA) compatibility
- NAMA investment product for retail partners
- Electronic POS purchase service

You Don't Need a Bank ... You Need a Partner

Alinma Bank has always striven to exceed partner expectations by offering exemplary, innovative banking solutions. Thanks to this approach, Alinma has been successful in establishing itself as an important institution in the banking sector, despite being established more recently than other banks. To enhance its position in the market, Alinma has embarked upon a number of marketing campaigns since its inception; and 2014 saw Alinma once again focus on communicating its values to its partners.

Following on from the successful "Aspire" and "Banking Redefined" campaigns from earlier periods, Alinma launched its "You Don't Need a Bank ... You Need a Partner," campaign to emphasize the principle of partnership adopted by the Bank in dealing with its clients. The campaign introduced partners to a new world of banking services that functioned as tangible manifestations of Alinma's vision and mission. As always, these services were delivered by the bank's highly qualified representatives.

Through this new campaign, the bank aimed to deliver a number of core messages to its existing and potential partners:

- "You need a banking partner who exists for your convenience." This message highlights the extent of Alinma's reach via its branches and ATMs across the Kingdom.
- "You need a banking partner who listens to you." Through friendly, highly-trained, professional staff, Alinma offers its services with a high degree of honesty, utilizing the latest in banking industry technology.
- "You need a banking partner who understands your aspirations." This message emphasizes the unique and exciting initiatives that Alinma Bank offers its partners in order to help them achieve their ambitions.
- "You need a banking partner who facilitates your transactions." This refers to the convenience enjoyed by bank partners while executing financial transactions through the branch network or e-channels.

Alinma Investment: Fruitful Partnership

In 2014, Alinma Investment (Alinma Bank's investment subsidiary) continued to offer its investment services to partners through:

- Brokerage and trading services in local and gulf shares: brokerage services increased 74.3% over the previous year. Likewise, revenues rose from SAR 14.8 million to SAR 25.8 million and growth in trading values jumped to 72% compared to the previous year.
- Alinma Investment continued to provide private portfolio management and advisory services to private and public companies. It also offered investment funds to partners, including:

(i) **Alinma Saudi Equity Fund**: aimed for capital growth through long-term investment in Saudi Shariah-compliant shares, which generated a positive return of 9.6% during the fiscal year 2014, compared to the benchmark index which generated a negative return of 3.3% for the same period.
(ii) **Alinma Saudi Riyal Liquidity Fund**: aimed to develop capital over the short-term while providing utmost protection for capital compared with other investments which generated a positive return of 0.96% during the fiscal year 2014, compared to the benchmark index which generated a negative return of 0.65% for the same period.
(iii) **Alinma Multi Assets Defensive Fund:** the fund generated a positive return of 5.6% during the fiscal year 2014, compared to the benchmark index which generated a negative return of 0.4% for the same period.
(iv) **Alinma Multi Assets Aggressive Fund:** the fund generated a positive return of 10.1% during the fiscal year 2014, compared to the benchmark index which generated a negative return of 1.5% for the same period.

Investment in the foregoing funds aimed to develop capital over the long run by investing in long and short-term Murabaha transactions, financial market tools available in local and international equity markets, shares, Sukuk, structured products, and in various categories of Shariah-compliant investment funds with specific percentages for each fund.

- **Real Estate Funds**, such as the Alinma Real Estate Fund and the Alinma Danat Al Hada Real Estate Fund, which were established pursuant to the investment funds list and real estate investment funds issued by the Capital Market Authority.
- Alinma Investment continued to provide its clients with advisory services related to restructuring and acquisition.
- Alinma Investment expressed its readiness to provide underwriting services related to some subscriptions and priority rights.
- Alinma Investment continued to provide advisory services to some major industrial projects under formation.

Social Responsibility

Programs, Events and Social Sponsorship by Alinma Bank

Alinma Bank takes seriously its role as positive force in Saudi society. The bank recognizes that it must be a corporate entity that is socially responsible. As such, Alinma strives to give back to society through a broad range of programs and initiatives:

- **Education Financing Service**

Alinma Bank is committed to its "Education Financing Service," which allows partners to pay educational fees in installments without incurring administrative fees or paying profit margins.

- **Participation in Employment and Career Day Exhibitions**

Alinma Bank is keen to participate in employment and career day exhibitions, as it considers human capital as the most valuable among its assets.

- **National Entrepreneurship Institute (www.riyadah.com.sa)**

Since its establishment, Alinma Bank has provided ongoing support to the National Entrepreneurship Institute, which is concerned with training and support of young Saudis. The program helps them manage their small to medium sized enterprises (SMEs) and provides valuable training that will help them through the early development of their business plans.

- **Training**

Alinma Bank began delivering UP TRAINING-CO programs in 2007 (before the official launch of the bank's operations in 2009) as part of its belief in the importance of the integrative role between the bank and Saudi universities.

- **Disabled Children's Association**

Alinma Bank is committed to the special needs communities in Saudi Arabia and has enjoyed an ongoing relationship with the Disabled Children's Association which provides education and care for special needs children. Alinma continues to sponsor and support the excellent activities provided by the association each year.

- **"Do Not Disclose" Campaign**

As an extension of the efforts of the Committee on Banking Media and Awareness, Alinma Bank participated in a number of awareness campaigns.

- **Charitable Society for Orphan Care (Insan)**

Alinma Bank again cooperated with the Isan Society in 2014 to support its work on behalf of orphans.

- **Community Awareness**

Alinma Bank continued its awareness efforts through its participation in the "Zed Raseedak" reality television program. The program featured a fully functional Alinma Bank branch where bank staff executed transactions and educated viewers on issues related to personal finance and banking services.

- **Services for the Sight-Impaired**

Alinma continued to support its sight-impaired partners through the broad range of special services available to them through both the bank's branches and electronic channels.

- **"Our Goal is Your Safety" Traffic Exhibition**

Alinma Bank participated in ARAMCO's traffic program as part of the 30th GCC Traffic Week. The bank aimed to increase traffic awareness among youth, in particular, and drivers, in general, in order to minimize traffic violations, and help prevent accidents.

Directors' Report

The Board of Directors of Alinma Bank ("the Bank") is pleased to present the Sixth Annual Report encompassing the activities for the fiscal year ended December 31, 2014.
This report provides information about the Bank's operations, financial results and future plans together with information about the Board of Directors and its various committees and other supplementary information designed to meet the needs of the users of this report.

Principal Activities of the Bank

Alinma provides a comprehensive range of Shariah-compliant banking and investment services. It takes care of the needs of its partners and strives to provide the best possible services through (104) locations (59 for men and 45 for women) as of end of 2014, supported by the state of the art technology, professionally trained staff, and the best electronic channels including Alinma internet www.alinma.com, Alinma phone 8001208000, Alinma mobile and the wide network of ATMs spread over all regions of the Kingdom of Saudi Arabia with 1,022 ATMs by end of the year 2014.

Subsidiaries and Associates

Alinma Investment Company:

Based in Riyadh, the company is authorized to deal in securities as principal as well as agent, and to provide underwriting, custodianship, asset management, advisory and arranging services. The Company has an authorized capital of SAR 1,000 million and paid-up capital of SAR 250 million wholly subscribed by the Bank.

Tanweer Real Estate Company:

Based in Riyadh, formed to facilitate mortgage financing and to hold on behalf of the Bank, the title to real-estate pledged as collateral against commercial financing extended by the Bank. The company has an authorized capital of SAR 100,000 wholly subscribed by the Bank.

Alinma Insurance Agency for Cooperative Insurance:

Based in Riyadh and obtained the Commercial Registration on 29 Rabia Al-Ula 1435H, corresponding 30 January 2014. The company acts as an insurance agency for Alinma Tokio Marine (associate company) having Paid-up capital of SAR 3 million wholly subscribed by the Bank.

Alinma Tokio Marine:

An associate company, based in Riyadh obtained the Commercial Registration on 28 Rajab 1433H, corresponding 18 June 2012 engaged in cooperative insurance under the relevant regulations and the Shariah provisions. The Bank has 28.75% stake in company's capital of SAR 200 million.

Credit Rating of the Bank

Fitch Rating has reaffirmed the credit rating for Alinma Bank as (A -) with a stable outlook. This rating distinguishes Alinma, despite its relatively short operational history.

Financial Highlights

Financial highlights for the last five years are given below:

(SAR Million)

Financial Position	2014	2013	2012	2011	2010
Financing, net	**53,637**	44,924	37,187	25,260	15,593
Investments (including due from banks and FIs)	**18,354**	10,372	10,968	7,431	8,427
Total Assets	**80,862**	63,001	54,014	36,783	26,549
Customers' Deposits	**59,428**	42,763	32,214	17,776	8,316
Total Liabilities	**62,923**	46,169	37,350	20,889	11,048
Shareholders' Equity	**17,939**	16,832	16,664	15,894	15,501

(SAR Million)

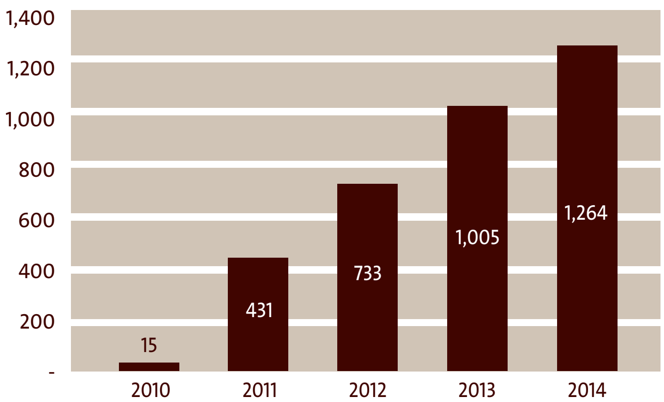
Operating Results	**2014**	2013	2012	2011	2010
Income from investment and financing activities, net	**2,075**	1,835	1,517	1,112	525
Fee from banking and other services	**545**	444	309	276	137
Total operating income	**2,620**	2,279	1,826	1,388	662
Total operating expenses	**(1,185)**	(990)	(925)	(832)	(644)
Net income before provisions	**1,435**	1,289	901	556	18
Provision for financing and other assets	**(162)**	(274)	(154)	(125)	(3)
Share of loss from associate	**(9)**	(10)	(14)	-	-
Net Income	**1,264**	1,005	733	431	15

Operating Results

The Bank registered a net income of SAR 1,264 million for the financial year ended December 31, 2014 compared to SAR 1,005 million for the financial year 2013.

Net Income

(SR. Millions)

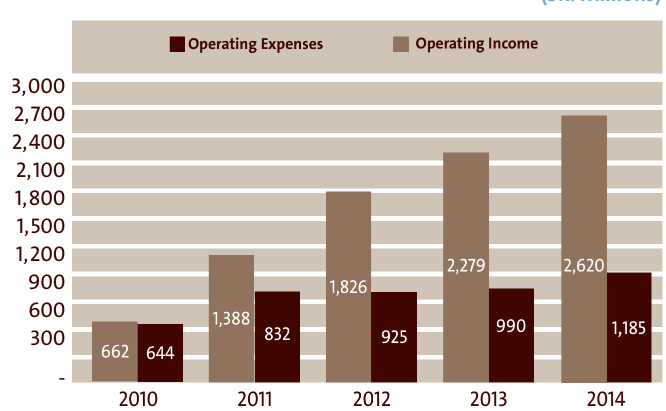


Total operating income for the year ended December 31, 2014 amounted to SAR 2,620 million compared to SAR 2,279 million for financial year 2013 reflecting a growth of 15%. Income from investment and financing activities during the year 2014 increased to SAR 2,075 million reflecting a growth of 13% over SAR 1,835 million earned last year. The above growth is directly attributable to significant increase in the core banking business during the year under review.

On the other hand, the Operating expenses increased by 20% in the year 2014 to reach SAR 1,185 million compared to SAR 990 million for previous year 2013. The Bank also made additional provision against Financing of SAR 162 million compared to SAR 274 million for the year 2013. Besides, the Bank continued with its strategic expansion plan by adding 4 branches for men and 4 locations for women and 193 ATMs during the year 2014.

Total Revenue & Expenses

(SR. Millions)



Earnings per Share

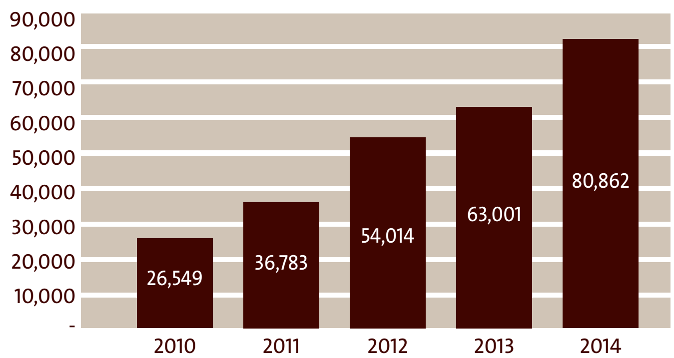
Earnings per share for the year 2014 amounted to SAR 0.85 compared to SAR. 0.68 for the year 2013.

Financial Position

The bank's assets grew by 28% to SAR 80,862 million as of the year ended Dec 31, 2014 compared to SAR 63,001 million last year. Such growth was attributable to the 39% growth in deposits from SAR 42,763 million at the end of year 2013 to SAR 59,428 million as of December 31, 2014.

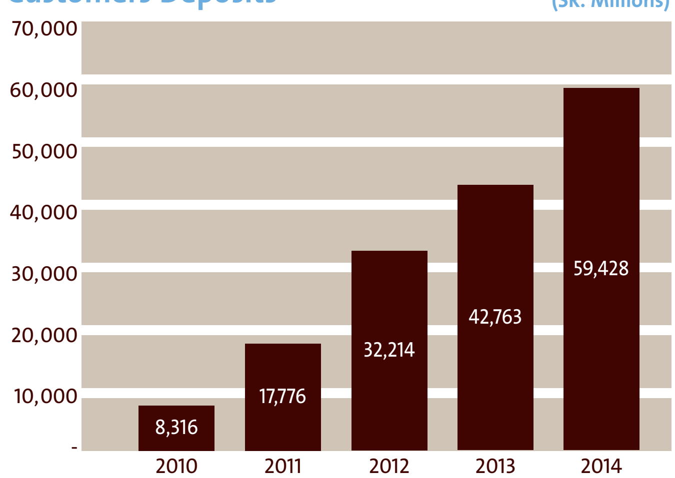
Total Assets

(SR. Millions)



Customers Deposits

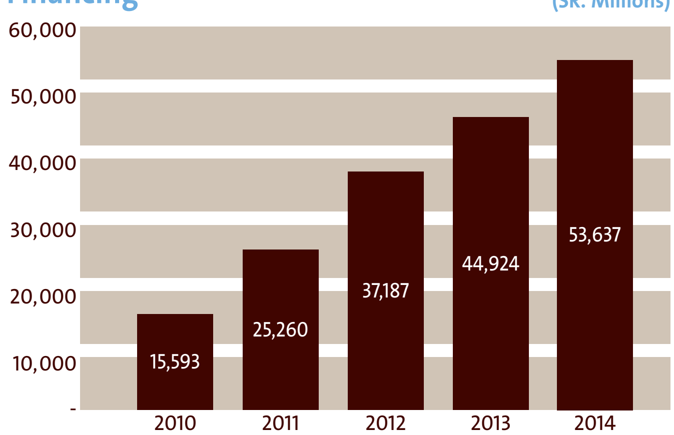
(SR. Millions)



On the other hand, the financing portfolio also grew by 19% from SAR 44,924 by end of year 2013 to SAR 53,637 million by December 31, 2014.

Financing

(SR. Millions)



Shareholder's equity and Capital Adequacy

The shareholders' equity stood at SAR 17,939 million at end of year 2014 compared to SAR 16,832 million as at December 31, 2013. With the growth in financing portfolio, the Capital Adequacy ratio stood at 26% at the end of 2014 compared to 28% at the end of 2013. The Capital Adequacy ratio of Alinma continues to be significantly higher than the industry as well as the minimum SAMA Basel requirement of 8%.

Financial Position by Segments

Following is the financial analysis of the Bank across its major business segments.

2014 - (SAR Million)

Particulars	Retail	Corporate	Treasury	Investment & Brokerage	Total
Total Assets	13,551	42,999	23,428	884	80,862
Total Liabilities	37,452	6,875	17,965	631	62,923
Total Operating Income	840	1,195	496	89	2,620

2013 - (SAR Million)

Particulars	Retail	Corporate	Treasury	Investment & Brokerage	Total
Total Assets	11,182	36,953	14,361	505	63,001
Total Liabilities	25,239	6,465	14,155	310	46,169
Total Operating Income	631	1,125	482	41	2,279

Geographic Analysis of Revenue

Almost the entire revenue has been derived from the banking activities in the Kingdom of Saudi Arabia. The bank's business locations are divided into five regions, and the following table shows the bank's revenue allocation according to regions:

(SAR Million)

Total revenue	Western Region	Eastern Region	Northern Region	Southern Region	Central Region	Total
Financial year ended December 31, 2014	719	240	32	23	1,606	2,620
Financial year ended December 31, 2013	632	116	33	13	1,485	2,279

Branches and ATM networks

The Bank during the year 2014 opened 4 locations for men and 4 locations for women, bringing the total number of locations to 59 for men and 45 for women. In addition, the Bank also added 193 new ATMs bringing the total to 1,022 ATMs by end of the year 2014.

Borrowing by the Bank

Total outstanding funding from banks as of December 31, 2014 amounted to SAR 33 million and are maturing maximum by March 24th 2015. The aggregate maximum exposure during the year was SAR 3,718 million.

Dividend Distribution Policy

As stipulated in article (41) of Alinma bank's By-Laws, the bank distributes its net income after deducting all general expenses, other costs, providing necessary reserves for bad debts, investment losses and any other items that BOD may consider appropriate in accordance with the Banking Control Law and SAMA directives, as follows:

1. The shareholders' Zakat liability is computed and paid by the bank to the concerned authorities.
2. Not less than 10% is transferred to the Statutory Reserve until such reserve becomes equal to the paid up capital.
3. After 1 and 2 above, at least 5% of the paid up capital may be distributed to shareholders when proposed by the Board of Directors and approved by the General Assembly. If the remaining profits are not sufficient to pay 5%, shareholders shall have no right to claim the payment during next or subsequent year/(s).The General Assembly shall have no right to increase the dividends beyond the one recommended by the Board of Directors.
4. Remaining balance (after allocating the amounts referred to in paragraphs 1, 2 and 3 above) shall be appropriated as proposed by the Board of Directors and agreed by General Assembly.

The Board has recommended the following appropriations:

Particulars	2014	2013
	SAR Millions	
Net income for the year	**1,264**	1,005
Transfer to statutory reserve (25% of net income)	**(316)**	(251)
Transfer to general reserve	**-**	-
Zakat	**(68)**	(895)
Dividends	**(810)**	-
Retained earnings-brought forward	**1,198**	1,339
Retained earnings-carried forward	**1,268**	1,198

Board of Directors

The Bank is being managed by a Board of directors consisting of nine (9) members who are appointed by the shareholders in Ordinary General Assembly for a period of three years. The Board has held five (5) meetings during the financial year 2014 as shown in the table below:

Name	Membership Status	Other Directorship	Meeting Date					
			27/01/2014	17/03/2014	19/05/2014	15/09/2014	22/12/2014	Total
Eng. AbdulAziz Abdullah Al-Zamil (Chairman)	Independent	Al-Sahara Company, Sipchem Company , & Al-Zamil Group	√	√	√	√	√	5
Mr. AbdulMohsen Abdul Aziz Al-Fares (Managing Director/CEO)	Executive	NTCC, Deyaar Al Khozama, Alinma Investment Company, Alinma Tokio Marine Company	√	√	√	√	√	5
Dr. Suliman Mohammed Al-Turki	Non- executive	National Water Company	√	√	√	√	√	5
Mr. Saad Ali Al-Kathiry	Non- executive	Saudi Industrial Investment Group	√	√	√	√	√	5
Mr. AbdulMuhsin Abdul Aziz Al-Hussein	Non- executive	-	√	√	√	√	√	5
Dr. Saad Attia Al-Ghamdi	Independent	-	-	√	√	√	√	4
Dr. Ibrahim Fahad Al- Ghufaili	Independent	-	√	√	√	√	√	5
Mr. Hamoud Abdullah Al Twijri	Independent	Tabuk Cement Co Tawuniya Insurance Company	√	√	√	√	√	5
Mr. Mohammed Sulaiman Abanumay	Independent	Malath Cooperative Insurance & Reinsurance Co.	√	√	√	√	√	5

Change in Major Shareholding

There has been no change in the composition of the shareholders holding more than 5% of the shares. Said shareholders are listed below:

Shareholder	Number of shares	Ownership percentage
Public Pension Agency	160,700,000	10.71%
Public Investments Fund	150,000,000	10.00%
General Organization for Social Insurance	150,000,000	10.00%

Committees of the Board of Directors

The Board has formed various committees to assist in discharging its duties and responsibilities, as follows:

Executive Committee

The Executive Committee has been formed by the Board of Directors, as stipulated by Article (19) of the Bank's Articles of Association. The Executive Committee exercises all powers conferred upon it by the Board of Directors. The committee is composed of five (5) members and headed by the Chairman of the Board of Directors. Its meetings are deemed valid if attended by at least three (3) members.

The committee has held ten (10) meetings during the financial year 2014 as shown in the table below:

Name	Meeting Date										
	17/02/2014	03/03/2014	11/03/2014	17/03/2014	26/05/2014	28/05/2014	14/07/2014	15/09/2014	10/11/2014	22/12/2014	Total
Eng. AbdulAziz Abdullah Al-Zamil (Chairman)	√	√	√	√	√	√	√	√	√	√	10
Mr. AbdulMohsen Abdul Aziz Al-Fares	√	√	√	√	√	√	√	√	√	√	10
Dr. Suliman Mohammed Al-Turki	√	√	√	√	√	√	√	√	-	√	9
Mr. Saad Ali Al-Kathiry	√	√	√	√	√	√	√	√	√	√	10
Mr. Mohammed Sulaiman Abanumay	√	√	√	√	√	√	-	√	√	√	9

Benefits & Compensations Committee

The Benefits and Compensations Committee has been formed by the Board of Directors and is composed of four (4) members. The Committee is responsible for nominating Board members and ensuring their independence. They are also responsible to formulate policies for benefits and compensation of Board members and senior executives.

Three meetings were held during the financial year 2014, and were attended by members as shown in the table below:

Name	Meeting Date			Total
	03/03/2014	12/05/2014	22/10/2014	
Mr. Hamoud Abdullah AlTwijri (Chairman)	√	√	√	3
Mr. AbdulMohsen AbdulAziz Al-Hussain	√	√	√	3
Dr. Ibrahim Fahad Al-Ghufaili	√	√	√	3
Mr. Mohammed Sulaiman Abanumay	√	√	-	2

Audit Committee

The Audit Committee is composed of three (3) non-executive members. It is responsible for review of the financial statements and accounting policies, supervision of the internal audit function, and to recommend the appointment of external auditors. The committee held four (4) meetings during the financial year 2014 as shown in the following table:

Name	Meeting Date				Total
	08/01/2014	07/04/2014	07/07/2014	16/10/2014	
Dr. Saad Attia Al-Ghamdi (Chairman)	√	√	√	√	4
Dr. Saud Muhammad Al Nemer *	√	√	-	√	3
Mr. Khalid Muhammad Al Obudi *	-	√	√	√	3

* Not a member of the Board of Directors.

Risk Management Committee

Risk Management Committee was formed in July 2014 to assist the Board in overseeing the overall risk management process and to discharge such other related responsibilities. The Risk Management Committee is composed of four (4) members. It has held one meeting during the financial year 2014 as shown in the following table:

Name	Meeting Date
	07/07/2014
Dr. Suliman Mohammed Al-Turki (Chairman)	√
Mr. AbdulMohsen Abdul Aziz Al-Fares	√
Dr. Saad Attia Al-Ghamdi	√
Dr. Ibrahim Fahad Al-Ghufaili	√

Executive Management

The executive management is composed of a number of executives headed by the CEO which manages the day-to-day business of the Bank.

Remuneration of Members of the Board of Directors and Senior Executives

Description	Executive Director	Non-Executive Directors	Top Five Senior Executives who received the highest compensation and remuneration from the company, including the CEO and CFO
Salaries & compensations	-	-	9,326,760
Allowances	68,000	366,800	5,214,804
Annual & Periodic remuneration schemes	300,000	2,383,333	13,123,039
Incentive Plans	-	-	-
Other compensation or benefits in kind paid monthly or annually	-	-	-

Sharia'h Board

Alinma Bank is committed to conduct its business in compliance with Sharia'h. Article (48) of the Articles of Association stipulates that "all the company's business shall be subject to the provisions and controls of Sharia'h". The bank appointed a Sharia'h Board to provide guidance, supervision and monitoring of all business conducted by the Bank. The Sharia'h Board has the following three members, all of whom are specialized in the jurisprudence of Islamic finance and economics:

- Dr. Abdul Rahman Ben Saleh Al Atram - Chairman
- Dr. Abdullah Ben Wakeel Al Sheikh - Deputy
- Dr. Suleiman Ben Turkey Al Turkey - Member

To achieve its objectives, Shariah Board is supported by Shariah group, which is one of the important groups within the organizational structure of the Bank.

Legal Penalties and Sanctions

The bank has not been imposed any material penalties during the year. Following are the penalties imposed on Alinma bank during 2014:

- By Saudi Arabian Monetary Agency (SAMA) SAR. 446,638
- By Capital Market Authority SAR. 10,000

The penalties were mainly related to operational issues that have been rectified subsequently.

Legally Accrued Payments

The estimated Zakat for the financial year ended December 31, 2014 amounted to SAR 65 million while the withholding tax payable at the end of financial year 2014 amounted to SAR 199,563.

Staff Benefits

Benefits and compensation of employees are paid in accordance with the provisions of the Saudi Labor Law. As at December 31, 2014, the accumulated balance for the end of service benefits amounted to SAR 71.2 million. Additionally, the Bank and its employees make monthly contributions towards the General Organization for Social Insurance (GOSI) for staff welfare as per the Saudi Labor Law. Furthermore, the Bank offered its eligible employees two types of Share-Based payments programs as detailed in note 31 to the consolidated financial statements of the bank.

Ownership of the Bank's shares by the Chairman and members of the Board of Directors and Senior Executives and their spouses and minor children

Description of all ownership by members of the Board of Directors, their spouses and minor children in the shares, Sukuks and other instruments issued by the Bank or any of its subsidiaries							
S	Member's Name	Beginning of the year		End of the year		Net change	% change
		No. of Share	Sukuks	No. of Share	Sukuks		
1	Eng. AbdulAziz Abdullah Al-Zamil	990,572	-	990,572	-	-	-
2	Mr. AbdulMohsen AbdulAziz Al-Fares	400,000	-	400,000	-	-	-
3	Dr. Suliman Mohammed Al-Turki	51,145	-	51,145	-	-	-
4	Mr. Saad Ali Al-Kathiry	1,290	-	1,290	-	-	-
5	Dr. Saad Attia Al-Ghamdi	10,286	-	10,286	-	-	-
6	Dr. Ibrahim Fahad Al- Ghufaili	131,747	-	193,570	-	61,823	47%
7	Mr. Hamoud Abdullah AlTwijri	284,000	-	266,000	-	(18,000)	(6.34%)
8	Mr. Mohammed Sulaiman Abanumay	39,002	-	39,002	-	-	-

Description of all ownership by senior executives, their spouses and minor children in the shares, Sukuks and other instruments issued by the Bank or any of its subsidiaries							
s	Senior executive's Name	Beginning of the year		End of the year		Net change	% change
		No. of Share	Sukuks	No. of Share	Sukuks		
1	Mr. Emad AbdulRahman AlButairi	859	-	859	-	-	-
2	Dr. Muhammad Abdullah AlAwadh	9,000	-	-	-	(9,000)	(100%)
3	Mr. Saad AbdulMohsin AlYaqoub	276,407	-	276,407	-	-	-
4	Mr. Haidar Ali Rashed	50,000	-	20,000	-	(30,000)	(60%)
5	Dr. Mohammed Sultan Alsehali	715	-	1,200	-	485	68%

Internal Control System

The management is responsible for establishing and maintaining an adequate and effective system of internal controls for implementing strategies and policies as approved by Board of Directors. The system of internal controls is based on what management considers to be appropriate for the Bank's activities, to the materiality of the financial and other risks inherent in those activities and to the relative costs and benefits of implementing specific controls. It is designed to manage rather than eliminate the risk of failure to achieve business objectives and, as such, provides reasonable, but not absolute, assurance against material misstatement and loss. In addition, the Board of Directors has formed an Audit Committee, which periodically reviews the reports submitted by the internal/external auditors. Such reports also include the evaluation of the effectiveness or otherwise of the internal controls.

In view of the above, we believe that the bank has reasonably sound and effective system of internal controls in force, both in design and implementation. During the year, there have been no material observations in respect of effectiveness of internal control system and procedures of the Bank.

Corporate Governance

In general, the bank operated in accordance with the provisions and guidance of the Corporate Governance Regulations issued by the Capital Market Authority and Saudi Arabian Monetary Agency (SAMA). However, the Bank did not implement following voluntary CMA corporate governance guidelines:

Article 6(b): requires the use of the cumulative voting method at the General Assembly for nomination of Board members. The Bank has adopted the simple voting method as prescribed in its Articles of Association.

Article 6 (d): requires the investors being judicial persons who act on behalf of others, such as investment funds, to disclose their voting policies, and ways of dealing with any material conflict of interest that may affect the fundamental rights in relation to their investments. The bank does not have the legal authority to enforce the implementation of this article.

Waiver of rights/interest by Board Members, Senior Executives or Shareholders

The Bank does not have any information about any arrangement or agreement by virtue of which any Board member(s), senior executive(s) or Shareholder(s) has waived its right to receive dividend or any other interest in the Bank.

Financial Reporting

The Board of Directors confirms the following:

1. The financial statements prepared by the management of the Bank present fairly its state of affairs, the results of its operations, cash flow and changes in equity.
2. Accounting Standards for Financial Institutions promulgated by the Saudi Arabian Monetary Agency (SAMA), International Financial Reporting Standards (IFRS), provisions of the Banking Control Law and regulations for companies in the Kingdom of Saudi Arabia have been followed in preparation of financial statements.
3. Proper books of accounts have been maintained as required by law.
4. Appropriate accounting policies have been consistently applied in preparation of financial statements. Some accounting estimates are used in the preparation of financial statements in accordance with accounting standards.
5. The system of internal control is sound in design and has been effectively implemented.
6. There are no doubts about the Bank's ability to continue as a going concern.
7. Apart from the information provided in note (32) to the consolidated financial statements, there are no contracts entered into by the Bank in which any of the members of the Board of Directors, the Chief Executive Officer, the Chief Financial Officer or any other related party has any material interest.

Future Plans, Risk identification and Management:

The Bank will continue to enhance its operations through introduction of various Shariah compliant products and services, expansion of branches/ATMs networks and growth in number of Retail and Corporate relationships.
Alinma is also planning to launch additional funds through its investment arm (Alinma Investment Company). The Bank is also considering the expansion in the SME Business, in addition to the formal launching of the Remittance company with the name of ERSAL, a joint venture with the Saudi Post.

During normal course of business, the Bank is exposed to various risks. Systems and procedures are in place in Alinma to identify, control and report the major risks including credit, market , liquidity, reputation, compliance and other operational risks. Exposure to these risks is monitored by various committees of directors and other management committees. The Board of Directors has also constituted a Risk Management Committee to assist the Board in overseeing the overall risk management process and to discharge other related responsibilities. A detailed discussion on significant risks and mitigation strategies is included in notes 24 to 29 of the audited consolidated financial statements for 2014.

Gratitude:

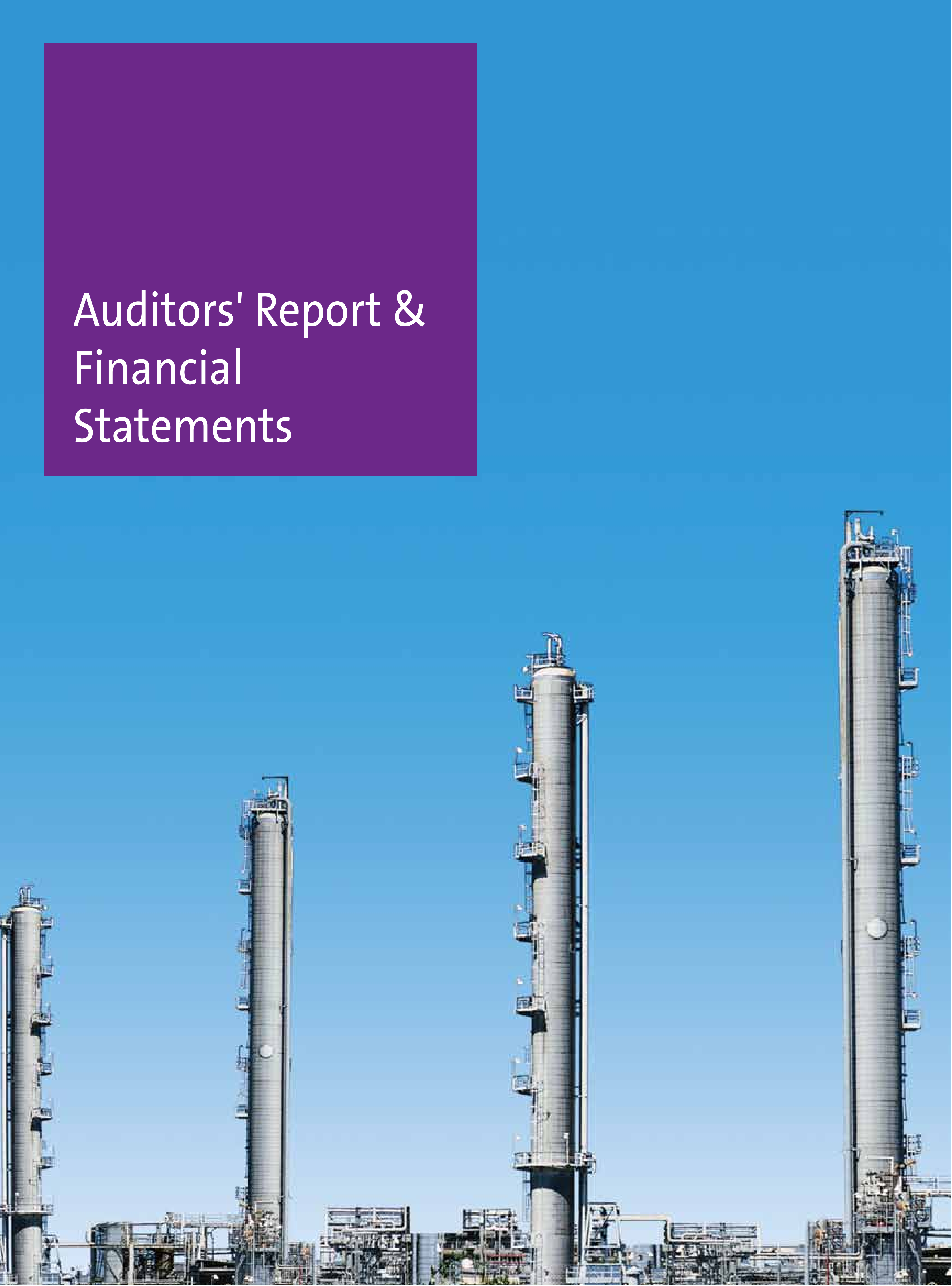
The Board of Directors is pleased to express its pride on the bank's performance during the year 2014 in terms of expansion in branches, ATMs, electronic channels and the banking products and services made available to its customers that in turn have reflected in the improved operational results and the customer base.

The board also expresses its sincere gratitude and appreciation to the honorable shareholders, customers, and the governmental and supervisory authorities in the Kingdom of Saudi Arabia for their support, trust and cooperation, which led to the aforesaid achievements and that will surely play a vital role in further advancement and prosperity of the Bank. The Board would also like to place on record the sincere appreciation for the loyalty and dedication of the Alinma group employees in accomplishment of their tasks.

Members of the Alinma Bank Board of Directors would like to express their gratitude to the Custodian of the Two Holy Mosques, King Salman bin Abdulaziz Al Saud as well as to HRH the Crown Prince, Mohammed bin Naif bin Abdulaziz Al Saud and to HRH the Deputy Crown Prince, Mohammed bin Salman bin Abdulaziz Al Saud for the extensive efforts made by them on behalf of the country and its citizens. May Allah bless them and guide them to lead the Kingdom and to maintain its safety, security and prosperity.

The Board of Directors

Auditors' Report & Financial Statements



KPMG Al Fozan & Al Sadhan

Independent Auditors' report to the to the shareholders of
Alinma Bank
(A Saudi Joint Stock Company)

We have audited the accompanying consolidated financial statements of Alinma Bank and its subsidiaries (the "Bank"), which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes from 1 to 38. We have not audited note 34, nor the information related to "Basel III Pillar 3 and Capital Structure disclosures" cross referenced therein, which is not required to be within the scope of our audit.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Accounting Standards for Financial Institutions issued by the Saudi Arabian Monetary Agency ("SAMA"), International Financial Reporting Standards, the provisions of the Regulations for Companies, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's Articles of Association. In addition, management is responsible for such internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Bank's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

pwc

KPMG Al Fozan & Al Sadhan

Independent Auditors' report to the to the shareholders of Alinma Bank (A Saudi Joint Stock Company) (continued)

Opinion

In our opinion, the consolidated financial statements taken as a whole:

- present fairly, in all material respects, the financial position of the Bank as at December 31, 2014, and its financial performance and cash flows for the year then ended in accordance with Accounting Standards for Financial Institutions issued by SAMA and with International Financial Reporting Standards; and

- comply with the requirements of the Regulations for Companies, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's Articles of Association in so far as they affect the preparation and presentation of the consolidated financial statements.

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Mohammed A. Al Obaidi
Certified Public Accountant
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C.R. 46
KPMG
Certified Public Accountants
KPMG Al Fozan & Al Sadhan

21 Rabi Al Thani 1436H
(February 10, 2015)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at December 31, 2014 and 2013	Notes	2014 SAR'000	2013 SAR'000
Assets			
Cash and balances with Saudi Arabian Monetary Agency	4	6,065,881	4,972,467
Due from banks and other financial institutions	5	10,317,854	4,972,181
Investments	6	8,036,151	5,399,466
Financing, net	7	53,636,981	44,923,623
Property and equipment, net	8	1,543,578	1,474,912
Other assets	9	1,261,414	1,258,583
TOTAL ASSETS		80,861,859	63,001,232
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Due to banks and other financial institutions	10	32,657	200,736
Customers' deposits	11	59,427,825	42,762,623
Other liabilities	12	3,462,145	3,205,942
TOTAL LIABILITIES		62,922,627	46,169,301
SHAREHOLDERS' EQUITY			
Share capital	13	15,000,000	15,000,000
Statutory reserve	14	1,013,556	697,448
Net change in fair value of available for sale investments		(21,094)	80,862
Other reserves		23,006	10,250
Retained earnings		1,268,285	1,197,992
Proposed dividend	21	810,100	-
Treasury shares	15	(154,621)	(154,621)
TOTAL SHAREHOLDERS' EQUITY		17,939,232	16,831,931
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		80,861,859	63,001,232

The accompanying notes from 1 to 38 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME For the years ended December 31, 2014 and 2013	Notes	2014 SAR'000	2013 SAR'000
Income from investments and financing	17	2,285,724	2,020,699
Return on time investments	17	(210,776)	(185,864)
Income from investments and financing activities, net	17	2,074,948	1,834,835
Fees from banking services, net	18	396,213	272,598
Exchange income, net		57,487	30,829
Income/(loss) from FVIS financial instruments, net		(3,084)	16,734
Gain on sale of available for sale investments, net		75,152	94,951
Dividend income		17,531	21,707
Other operating income		1,592	7,421
Total operating income		2,619,839	2,279,075
Salaries and employee related expenses	19	637,027	492,591
Rent and premises related expenses		108,492	92,083
Depreciation and amortization	8	153,552	154,141
Other general and administrative expenses		285,866	250,843
Charge for impairment of financial assets		161,673	274,224
Total operating expenses		1,346,610	1,263,882
Net operating income		1,273,229	1,015,193
Share of loss from associate	6.3	(8,798)	(10,436)
Net income for the year		1,264,431	1,004,757
Basic and diluted earnings per share (SAR)	20	0.85	0.68

The accompanying notes from 1 to 38 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME For the years ended December 31, 2014 and 2013	Notes	2014 SAR'000	2013 SAR'000
Net income for the year		**1,264,431**	1,004,757
Other comprehensive income to be reclassified to consolidated statements of income in subsequent periods:			
Net change in fair value of available for sale investments		**(26,804)**	142,029
Net gain realized on 'available for sale' investments		**(75,152)**	(94,951)
Total comprehensive income for the year		**1,162,475**	1,051,835

The accompanying notes from 1 to 38 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31, 2014 and 2013

SAR'000

2014	Notes	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 year		**15,000,000**	**697,448**	**80,862**	**10,250**	**1,197,992**	**-**	**(154,621)**	**16,831,931**
Net income for the year		**-**	**-**	**-**	**-**	**1,264,431**	**-**	**-**	**1,264,431**
Net change in fair value of available for sale investments		**-**	**-**	**(26,804)**	**-**	**-**	**-**	**-**	**(26,804)**
Net amount realized on available for sale investments		**-**	**-**	**(75,152)**	**-**	**-**	**-**	**-**	**(75,152)**
Total comprehensive income		**-**	**-**	**(101,956)**	**-**	**1,264,431**	**-**	**-**	**1,162,475**
Transfer to statutory reserve	**14**	**-**	**316,108**	**-**	**-**	**(316,108)**	**-**	**-**	**-**
Zakat	**21**	**-**	**-**	**-**	**-**	**(67,930)**	**-**	**-**	**(67,930)**
Proposed dividend	**21**	**-**	**-**	**-**	**-**	**(810,100)**	**810,100**	**-**	**-**
Employee share based plan reserve		**-**	**-**	**-**	**12,756**	**-**		**-**	**12,756**
Balance at the end of the year		**15,000,000**	**1,013,556**	**(21,094)**	**23,006**	**1,268,285**	**810,100**	**(154,621)**	**17,939,232**

SAR'000

2013	Notes	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 year		15,000,000	446,259	33,784	-	1,338,775	-	(154,621)	16,664,197
Net income for the year		-	-	-	-	1,004,757	-	-	1,004,757
Net change in fair value of available for sale investments		-	-	142,029	-	-	-	-	142,029
Net amount realized on available for sale investments		-	-	(94,951)	-	-	-	-	(94,951)
Total comprehensive income		-	-	47,078	-	1,004,757	-	-	1,051,835
Transfer to statutory reserve	**14**	-	251,189	-	-	(251,189)	-	-	-
Zakat	**21**	-	-	-	-	(894,351)	-		(894,351)
Employee share based plan reserve		-	-	-	10,250	-	-	-	10,250
Balance at the end of the year		**15,000,000**	**697,448**	**80,862**	**10,250**	**1,197,992**	**-**	**(154,621)**	**16,831,931**

The accompanying notes from 1 to 38 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS For the years ended December 31, 2014 and 2013	Notes	2014 SAR' 000	2013 SAR' 000
OPERATING ACTIVITIES			
Net income for the year		**1,264,431**	1,004,757
Adjustments to reconcile net income to net cash from/ (used in) operating activities:			
Depreciation and amortization	8	**153,552**	154,141
(Gain)/loss on disposal of property and equipment, net		**(455)**	3,932
Unrealised loss /(gain) from FVSI financial instruments, net		**1,908**	(14,826)
Dividend income		**(17,531)**	(21,707)
Charge for impairment of financial assets		**161,673**	274,224
Employees share based plan reserve		**12,756**	10,250
Share of loss from associate	6.3	**8,798**	10,436
		1,585,132	1,421,207
Net (increase)/decrease in operating assets:			
Statutory deposit with SAMA	4	**(721,122)**	(503,389)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		**(1,692,594)**	1,506,340
Investments		**(2,749,346)**	(3,387,755)
Financing		**(8,857,957)**	(7,970,143)
Other assets		**(762)**	(450,389)
Net increase/(decrease) in operating liabilities:			
Due to banks and other financial institutions		**(168,079)**	(2,213,796)
Customers' deposits		**16,648,128**	10,554,420
Other liabilities		**256,203**	481,789
Net cash from /(used) in operating activities		**4,299,603**	(561,716)
INVESTING ACTIVITIES			
Acquisition of property and equipment		**(225,437)**	(219,120)
Proceeds from disposal of property and equipment		**3,674**	33,959
Dividends received		**17,531**	21,707
Net cash used in investing activities		**(204,232)**	(163,454)
FINANCING ACTIVITY			
Zakat Paid		**(70,000)**	(100,000)
Net cash used in financing activity		**(70,000)**	(100,000)
Net increase/(decrease) in cash and cash equivalents		**4,025,371**	(825,170)
Cash and cash equivalents at the beginning of the year		**6,040,732**	6,865,902
Cash and cash equivalents at end of the year	22	**10,066,103**	6,040,732
Income received from investments and financing		**2,357,735**	1,917,476
Return paid on time investments		**180,357**	147,456
Supplemental non-cash information: Net changes in fair value of available for sale investments		**(26,804)**	142,029

The accompanying notes from 1 to 38 form an integral part of these consolidated financial statements.

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 58 branches (2013: 55) in the Kingdom of Saudi Arabia. The address of the Bank's head office is as follows:

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

The consolidated financial statements comprise the financial statements of Alinma Bank and its following subsidiaries (the Bank):

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

a) Statement of compliance

These 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 Financial Reporting Standards ("IFRS"); and

ii) in compliance with the provisions of the Banking Control Law, the Regulations for Companies in the Kingdom of Saudi Arabia and the Articles of Association of the Bank.

b) Basis of measurement and presentation

The consolidated financial statements are 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 programs.

c) Functional and presentation currency

These 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) Critical accounting judgments, estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting judgments, estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. Such judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advices and expectations of future events that are believed to be reasonable under the circumstances. Significant areas where management has used estimates, assumptions or exercised judgments are valuation of investments (note 3f), impairment of financial assets (3h), depreciation/amortization of property and equipment (3i), actuarial valuation (3s) and assessment of control over investees (3v).

e) Going concern

The Bank's management has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern.

3. Summary of significant accounting policies

The accounting policies adopted are consistent with those described in the annual consolidated financial statements for the year ended December 31, 2013, except for the adoption of the following relevant new standards and amendments to the existing standards that are applicable to the Bank during 2014:

Standards and amendments	Effective date	Brief description of changes
Amendments to IFRS 10 "Consolidated Financial Statements" and IFRS 12 "Disclosure of interest in other entities"	January 01, 2014	These amendments provide consolidation relief for investment funds if they fulfill certain specified conditions.
Amendments to IAS 32 "Financial Instruments: Presentation"	January 01, 2014	It clarifies: a) an entity currently has a legally enforceable right to off-set if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and b) gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk and process receivables and payables in a single settlement process or cycle.
Amendment to IAS 36 " Impairment of assets"	January 01, 2014	It requires certain disclosure of information about the recoverable amount of impaired assets.

These adoptions have no material impact on the consolidated financial statements other than certain additional disclosures.

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 by the banks for the accounting years beginning on or after January 1, 2015 (note 36).

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below.

a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Bank, using consistent accounting policies.

Subsidiaries are the entities that are controlled by the Bank. The Bank controls an entity when, it has power over the investee entity, it is exposed, 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 equity 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 consolidated statement of income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The consolidated financial statements have been prepared using uniform accounting policies and valuation methods for like transactions and other events in similar circumstances. The accounting policies adopted by the subsidiaries are consistent with that of 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.

Inter-group balances and any income and expenses arising from inter-group transactions, are eliminated in preparing these consolidated financial statements.

b) Trade date accounting

All regular way purchases and sales of financial assets are initially recognized and derecognized on the trade date (i.e. the date on which the Bank becomes a party to the contractual provision of the instrument). Regular way purchases or sales of financial assets require delivery of those assets within the time frame generally established by regulation or convention in the market place.

All other financial assets and liabilities are also initially recognized on the trade date at which the Bank becomes a party to the contractual provision of the instrument.

c) Foreign currencies

Transactions in foreign currencies are translated into Saudi Arabian Riyals at the spot exchange rates prevailing at transaction dates. Monetary assets and liabilities at year-end, denominated in foreign currencies, are translated into Saudi Arabian Riyals at the exchange rates prevailing at the reporting date. Realized and unrealized gains or losses on exchange are recognized in the consolidated statement of income.

d) Offsetting

Financial assets and liabilities are offset and reported net in the consolidated statement of financial position when there is a currently legally enforceable right to set off the recognized amounts and when the Bank intends to settle on a net basis, or to realize the asset and to settle the liability simultaneously.

Income and expenses are not offset in the consolidated statement of income unless required by any accounting standard.

e) Revenue/expenses recognition

Income from investments and financing

Revenue and expenses related to profit bearing financial instruments are recognized in the consolidated statement of income on the effective yield basis. The effective yield is the rate that exactly discounts the estimated future cash flows through the expected life of the financial asset or liability (or where appropriate, a short period) to its carrying amount. When calculating the effective yield the Bank estimates future cash flows considering all contractual terms including all fees, transaction costs, discounts that are an integral part of the effective yield but does not include the future financing losses. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of financial asset or liability.

The carrying amount of the financial asset or liability is adjusted if the Bank revises its estimates of payments or receipts. The change in carrying amount is recorded as income/expense.

Exchange income/loss

Exchange income/loss is recognized when earned/incurred.

Fees from banking services, net

Fees from banking services that are not an integral part of the effective yield calculation on the financial assets are recognized when the related service is provided. Management, Administration, Advisory and Arrangement fees are recognized based on the applicable service contracts as and when services are rendered.
Fees and commission expense relate mainly to transaction and service fees, and are expensed as the transaction is completed or the services are received.

Dividend income

Dividend income is recognized when the right to receive income is established. Dividends from FVSI investments are reflected as a component of income from FVSI financial instruments, net.

Income / (Loss) from FVSI financial instruments, net

Net income/(loss) from FVSI financial instruments relates to financial assets designated as FVSI and include all realized and unrealized fair value changes, profit, dividends and foreign exchange differences.

f) Investments

All investment securities are initially recognized at fair value and are subsequently accounted for depending on their classification as either held as FVSI, available for sale or other investments held at amortised cost. Except for investments held as FVSI, incremental direct transaction cost is also added to the fair value of investment upon initial recognition. Premiums are amortised and discounts accreted using the effective yield basis and charged to consolidated statement of income.

For securities traded in organized financial markets, fair value is determined by reference to exchange quoted
market bid prices at the close of business on the reporting date. Fair value of managed assets and investments in mutual funds are determined by reference to declared net asset values.

For securities where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same, or is based on the expected cash flows of the security. Where the fair values cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

Following initial recognition, subsequent transfers between the various classes of investments are permissible only if certain conditions are met. The subsequent period-end reporting values for each class of investment are determined on the basis as set out in the following paragraphs.

Held as FVSI

Investments in this category are classified as either investment held for trading or those designated as FVSI on initial recognition. Investments classified as trading are acquired principally for the purpose of selling in short term.

Investments at FVSI are recorded in the consolidated statement of financial position at fair value. Changes in the fair value are recognized in the consolidated income statement for the year in which it arises. Transaction costs, if any, are not added to the fair value measurement at initial recognition of FVSI investments and are expensed through consolidated statement of income. Dividend income on financial assets held as FVSI is reflected as “Income from FVSI financial instruments, net” in the consolidated income statement.

Available for sale

These are investments neither classified as Held to maturity nor designated as FVSI and are intended to be held for an unspecified period of time, which may be sold in response to needs for liquidity, changes in profit rates or changes in equity prices. Available for sale investments are subsequently measured at fair value. Unrealized gain or loss arising from a change in its fair value is recognized in other comprehensive income (OCI). On de-recognition, any cumulative gain or loss previously recognized in OCI is charged to income in the consolidated statement of income.

Investments held at amortized cost

These are commodity Murabahas held at amortized cost. These are initially recognized at cost, including associated acquisition charges representing the fair value of amounts paid. Subsequently these are measured at amortized cost net of impairment, if any.

Investments in associates

An associate is an entity where the Bank has significant influence (but not control) over its financial and operating policies and which is neither a subsidiary nor a joint venture. Investments in associates are accounted for under the equity method whereby investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the Bank's share of net assets in the associate, less impairment in the value of investments if any.

The Bank's share of its associate's post-acquisition profits or losses is recognized in the consolidated statement of income, and its share of movements in other comprehensive income is recognized in reserves.

When the Bank's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables (if applicable), the Bank does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

g) Financing

Financing assets are originated or acquired by the Bank with fixed or determinable payments. These are recognized upon actual disbursements. Financing assets are derecognized upon repayment, or when sold or written off, or upon transfer of substantially all risk and rewards of ownership.

All financing are initially measured at fair value including the associated acquisition charges. Subsequently these are measured at amortized cost less impairment (if any).

Financing primarily includes Murabaha, Ijarah, Musharaka and Bei Ajel products. A brief description of these products is as follows:

Murabaha: is an agreement whereby the Bank sells to a customer certain commodity or an asset, which the Bank has initially purchased on behalf of the customer. The selling price comprises of cost plus an agreed profit margin.

Ijarah: is an agreement whereby the Bank, acting as a lessor, purchases or constructs an asset according to the customer (lessee) request, based on his promise to lease the asset for an agreed rent over a specific period. Ijarah could conclude either by transferring the ownership of the leased asset to the lessee at an agreed amount or by termination of lease and re-possessment of underlying asset.

Musharaka: is an agreement between the Bank and the customer to contribute to a certain investment enterprise or property and concludes by transferring the full ownership of the underlying investment to the customer. The profit or loss is shared as per the terms of the agreement.

Bei Ajel: is an agreement whereby the Bank sells to a customer certain commodity or an asset on a negotiated price.

h) Impairment of financial assets

A financial asset or group of financial assets is classified as impaired when there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the financial asset or group of financial assets and that event (s) (loss event) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. An assessment for impairment is made on regular basis.

Impairment of financial assets held at amortised cost

A specific provision for losses due to impairment of a financing or any other financial asset held at amortized cost is recognized if there is objective evidence that the Bank will not be able to collect all amounts as they fall due. The amount of the specific provision is the difference between the carrying amount and the estimated recoverable amount. The estimated recoverable amount is the present value of expected future cash flows, including amounts estimated to be recoverable from guarantees and collateral, discounted based on the original effective yield rate.

In addition to a specific provision for losses, an additional portfolio provision for collective impairment is made on a portfolio basis for losses where there is objective evidence that unidentified losses exist at the reporting date. The provision is estimated based on various factors including obligor's credit rating, probability of default, structural weaknesses and /or deterioration in cash flows.

When a financial asset is uncollectible, it is written off against the related allowance for impairment or directly by a charge to income in the consolidated statement of income. Financial assets are written off only in circumstances where effectively all possible means of recovery have been exhausted, and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the obligor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the consolidated statement of income, under charge for impairment on financial assets.

Impairment of available for sale financial assets

For equity investments held as available-for-sale, a significant or prolonged decline in fair value below its cost represents objective evidence of impairment. If such evidence exists, an impairment loss is recorded in consolidated statement of income. The impairment loss cannot be reversed through consolidated income statement as long as the asset continues to be recognized i.e. any increase in fair value after impairment has been recorded can only be recognized in equity. On de-recognition, any gain or loss previously recognised in equity is transferred to consolidated statement of income for the year.

For sukuks and like instruments having fixed or determinable maturities, the Bank assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated income statement.

If, in a subsequent period, the fair value of these instruments increases and the increase can be objectively related to credit event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the consolidated income statement.

i) Property and equipment

Property and equipment are measured at cost and presented net of accumulated depreciation/ amortization and impairment loss if any. Land is not depreciated. The cost of other property and equipment is depreciated and amortized on the straight-line method over the estimated useful lives of the assets as follows:

Buildings	33 years
Furniture, equipment	5-10 years
Leasehold improvements	the shorter of lease period or 10 years

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Depreciation is charged from the month of addition and up till the month preceding disposal.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of income.

All assets are reviewed for impairment at each reporting date whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

j) Other real estate

The Bank, in the ordinary course of business, acquires certain real estate properties in settlement of due financing. Such properties are considered as assets held for sale and are initially stated at the lower of net realisable value of due financing and the current fair value of the related properties, less any costs to sell. No depreciation is charged on such properties.

Subsequent to initial recognition, any write down to fair value, less costs to sell, are charged to the consolidated statement of income. Any subsequent revaluation gain in the fair value less costs to sell of these assets to the extent this does not exceed the cumulative write down is recognised in the consolidated statement of income. Gains or losses on disposal are recognised in the consolidated statement of income.

k) Financial Liabilities

All customer deposits and amount due to banks and other financial institutions are initially recognized at fair value.

Subsequently, all profit-bearing financial liabilities are measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium. Premiums are amortized and discounts accreted on an effective yield basis to maturity and charged to consolidated statement of income.

l) Financial guarantees

In ordinary course of business, the Bank gives financial guarantees, consisting of letter of credit, guarantees, standby letter of credits and acceptances. Financial guarantees are initially recognized in the consolidated financial statements at fair value being the value of the premium received. Subsequent to the initial recognition, the Bank's liability under each guarantee is measured at the higher of the amortized premium and the best estimate of expenditure required to settle any financial obligations arising as a result of guarantees. Any increase in the liability relating to the financial guarantee is recognized as “charge for impairment of financial assets”, in the consolidated statement of income.

The commission received is recognised in the consolidated statement of income under "Fees from banking services, net" on a straight line basis over the life of the guarantee.

m) Provisions

Provisions are recognized when a reliable estimate can be made by the Bank for a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources embodying economic benefit will be required to settle the obligation.

n) Accounting for Ijarah (leases)

Where the Bank is the lessor

When assets are leased under (Ijarah), the present value of the lease payments is recognised as a receivable and disclosed under “Financing”. Lease income is recognized over the term of the lease on net investment basis, using the effective yield method, which reflects a constant periodic rate of return.

Where the Bank is the lessee

Payments made under operating leases are charged to the consolidated statement of income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any additional payment required to be made is recognized as an expense in the period in which termination takes place.

o) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, “cash and cash equivalents” are defined as amounts included in cash, balances with SAMA excluding statutory deposits, and due from banks and other financial institutions with an original maturity of ninety days or less from the date of acquisition.

p) De-recognition of financial instruments

A financial asset (or a part of a financial asset, or a part of a group of similar financial assets) is derecognized, when contractual rights to receive the cash flows from the financial asset expire or the asset is transferred and the transfer qualifies for de-recognition.

In instances where the Bank is assessed to have transferred a financial asset, the asset is derecognized if the Bank has transferred substantially all the risks and rewards of ownership. Where the Bank has neither transferred nor retained substantially all the risks and rewards of ownership, the financial asset is derecognized only if the Bank has not retained control of the financial asset. The Bank recognizes separately as assets or liabilities any rights and obligations created or retained in the process.

A financial liability (or part of a financial liability) can only be derecognized when it is extinguished, that is when the obligation specified in the contract is either discharged, cancelled or expired.

q) Short term employee benefits

Short term employee benefits are measured on an undiscounted basis and are expensed as the related services are provided. A liability is recognized for the amount expected to be paid under short term cash bonus or share based plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided to the Bank and the obligation can be estimated reliably.

r) Share based payments

The Bank offers its eligible employees two types of plans (the “Plans”). Brief description of the Plans as approved by SAMA is as follows:

Employee Share Participation Scheme (ESPS)

Under the terms of ESPS, the eligible employees are offered shares at a pre-determined strike price on the grant date. Deductions are made on a monthly basis from the employee salary over the vesting period of three years. On the completion of the vesting period, should the employees decide not to exercise their options, they will be entitled to receive their contribution along with any profit earned thereon.

Employee Share Grant Scheme (ESGS)

Under the terms of ESGS, eligible employees are granted shares with a vesting period of 3-5 years. At the maturity of the vesting period, the Bank delivers the underlying allotted shares to the employee.

The cost of shares in the schemes is measured by reference to the fair value at the grant date. The management is of the view that the fair value at grant date approximates its market value.

The cost of the schemes is recognized over the period during which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the shares ('the vesting date'). The cumulative expense recognized for the schemes at each reporting date until the vesting date, reflects the extent to which the vesting period has expired and the Bank's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated statement of income for a reporting period represents the movement in cumulative expense recognized as at the beginning and end of that period.

s) End of service benefits

Benefits payable to the employees of the Bank at the end of their services are accrued based on actuarial valuation in accordance with Saudi Arabian Labor laws. These are included in other liabilities in the consolidated statement of financial position.

t) Zakat

Zakat is calculated in accordance with the Zakat rules and regulations applicable in the Kingdom of Saudi Arabia and is considered as a liability of the shareholders to be deducted from retained earnings/future dividends and hence not charged to the consolidated statement of income. Zakat is recorded as and when paid.

u) Treasury Shares

These are recorded at cost and presented as a deduction from the equity as adjusted for any transaction cost, dividends and gains or losses on sale of such shares. Subsequent to their acquisition, these are carried at the amount equal to consideration paid.

v) Investment management services

The Bank provides investment management services to its customers, through its subsidiary which includes management of certain mutual funds. Determining whether the Bank controls such an investment fund usually depends on the assessment of the aggregate economic interests of the Bank in the fund (comprising of its investments, any carried profit and expected management fees) and the investors rights to remove the Fund Manager.

As a result of the above assessment, the Bank has concluded that it acts as an agent for the investors in all cases, and therefore has not consolidated these funds. Fee earned are disclosed in consolidated statement of income. The Bank's share of investments is included under 'available for sale' investments in the consolidated statement of financial position.

4. Cash and balances with Saudi Arabian Monetary Agency (SAMA)

	2014 SAR'000	2013 SAR'000
Cash in hand	**1,287,943**	987,697
Statutory deposit	**2,896,734**	2,175,612
Cash management account with SAMA	**1,734,000**	1,700,000
Current accounts	**221**	1,944
Others	**146,983**	107,214
Total	**6,065,881**	4,972,467

In accordance with the Banking Control Law and regulations issued by SAMA, the Bank is required to maintain a statutory deposits with SAMA at stipulated percentages of its customers' deposits as calculated at the end of each month. The statutory deposit is not available to finance the Bank's day to day operations and therefore does not form part of cash and cash equivalents.

5. Due from banks and other financial institutions

	2014 SAR'000	2013 SAR'000
Current accounts	**114,661**	151,080
Murabahas with banks and other financial institutions	**10,203,193**	4,821,101
Total	**10,317,854**	4,972,181

6. Investments

	Notes	2014 SAR'000	2013 SAR'000
Murabahas with SAMA (at amortized cost)		**6,000,000**	3,550,000
Available for sale investments	6.1	**1,897,758**	1,708,007
Held as FVIS investments	6.2	**113,640**	107,908
Investment in associate	6.3	**24,753**	33,551
Total	6.4	**8,036,151**	5,399,466

6.1 Available for sale investments

	2014 SAR'000	2013 SAR'000
Sukuks	**1,087,086**	1,087,117
Equities	**534,937**	228,783
Others	**275,735**	392,107
Total	**1,897,758**	**1,708,007**

The above investments are mainly in quoted securities and include investment amounting to SAR 38.2 million (2013: SAR 261.7 million) in funds operating outside the Kingdom of Saudi Arabia.

6.2 Held as FVIS investments

These are held for trading investments in quoted equities of domestic market.

6.3 Investment in associate

Investment in associate represents the Bank's share of investment (28.75%) in Alinma Tokio Marine (a cooperative insurance company). The company has a paid up share capital of SAR 200 million. It has been established under Commercial Registration No.1010342537 dated 28 Rajab 1433H (corresponding to June 18, 2012).

	2014 SAR'000	2013 SAR'000
Opening balance	**33,551**	43,987
Share of undistributed loss	**(8,798)**	(10,436)
	24,753	33,551

6.4 Analysis of investments by type

	2014 SAR'000	2013 SAR'000
Fixed-rate investments	**6,000,000**	3,550,000
Floating-rate investments	**1,087,086**	1,087,117
Equities	**648,576**	315,155
Others	**300,489**	447,194
Total	**8,036,151**	5,399,466

6.5 Analysis of investments by counter-parties

	2014 SAR'000	2013 SAR'000
Government and quasi government	**6,234,884**	3,661,440
Corporate	**1,801,267**	1,738,026
Total	**8,036,151**	5,399,466

6.6 Analysis of investments by credit quality

	2014 SAR'000	2013 SAR'000
Investment Grade	**7,087,086**	4,637,117
Equities and others	**949,065**	762,349
Total	**8,036,151**	5,399,466

The above classification reflects the implicit rating of the securities issued by the counterparties.

7. Financing, net (at amortized cost)

SAR'000					
2014	**Performing**	**Non-performing**	**Total**	**Allowance for impairment**	**Net**
Retail	**11,907,369**	**238,146**	**12,145,515**	**(166,405)**	**11,979,110**
Corporate	**42,038,020**	**112,174**	**42,150,194**	**(112,174)**	**42,038,020**
Total	**53,945,389**	**350,320**	**54,295,709**	**(278,579)**	**54,017,130**
Collective provision					**(380,149)**
Financing, net					**53,636,981**

SAR'000					
2013	Performing	Non-performing	Total	Allowance for impairment	Net
Retail	9,386,549	190,653	9,577,202	(129,818)	9,447,384
Corporate	35,748,812	111,829	35,860,641	(55,915)	35,804,726
Total	45,135,361	302,482	45,437,843	(185,733)	45,252,110
Collective provision					(328,487)
Financing, net					44,923,623

7.1 Movement in allowance for impairment of financing:

2014	SAR'000		
	Retail	**Corporate**	**Total**
Balance at the beginning of the year	**129,818**	**55,915**	**185,733**
Provided during the year	**38,625**	**56,259**	**94,884**
Bad debts written off	**(91)**	**-**	**(91)**
Recoveries of amounts previously provided	**(1,947)**	**-**	**(1,947)**
Balance at the end of the year	**166,405**	**112,174**	**278,579**
Collective provision	**46,863**	**333,286**	**380,149**
Total	**213,268**	**445,460**	**658,728**

2013	SAR'000		
	Retail	Corporate	Total
Balance at the beginning of the year	**77,985**	**-**	**77,985**
Provided during the year	**55,128**	**55,915**	**111,043**
Bad debts written off	**(339)**	**-**	**(339)**
Recoveries of amounts previously provided	**(2,956)**	**-**	**(2,956)**
Balance at the end of the year	**129,818**	**55,915**	**185,733**
Collective provision	**46,863**	**281,624**	**328,487**
Total	**176,681**	**337,539**	**514,220**

7.2 Credit quality of financing portfolio:

The Bank follows robust credit evaluation process anchored on strong credit policies, extensive due diligence and credit review/approval process combined with stringent credit administration and limit monitoring.

For the purpose of the internal risk rating, the Bank has implemented the Moody's Risk Analyst Tool (MRA). The MRA Tool, which is also being used by several leading banks globally and in the Kingdom, enables the Bank to assign internal risk ratings to individual obligors. The internal risk rating indicates the one year probability of credit default (PDs). Credit risks of the Retail portfolio is estimated based on personal credit worthiness scores, and is not subject to the MRA tool rating.

The Credit Risk Policy defines a 10 point rating scale with 1 (best) through 10 (worst). As part of the Bank's financing policy, only obligors with risk rating of 1 to 6 are considered as eligible for financing. Bank has reviewed and validated the MRA rating system; and as an outcome, calibrated the score range with rating grades and associated PDs.

7.2.1 Neither past due nor impaired:

Bank's internal risk rating scale	Credit risk quality rating definition	2014 SAR'000	2013 SAR'000
1 - 4	Investment Grade	**23,830,755**	17,124,721
5 - 6	Below Investment Grade	**17,950,459**	18,552,174
7	Watch list	**-**	-
		41,781,214	35,676,895
	Unrated exposure (Retail)	**11,891,999**	9,377,205
Total		**53,673,213**	45,054,100

Rating Scale (1 – 4) represents:	Substantially credit risk free, Exceptionally strong credit quality, Excellent credit risk quality, Very good credit risk quality.
Rating Scale (5 – 6) represents:	Good to Satisfactory credit quality.
Rating Scale (7) represents:	Watch List category.

7.2.2 Aging of Financing (Past due but not impaired):

2014			**SAR'000**
	Retail	**Corporate**	**Total**
From 1 day to 30 days	**9,112**	**237,355**	**246,467**
From 31 days to 90 days	**6,258**	**19,451**	**25,709**
From 91 days to 180 days	**-**	**-**	**-**
More than 180 days	**-**	**-**	**-**
Total	**15,370**	**256,806**	**272,176**

2013			SAR'000
	Retail	Corporate	Total
From 1 day to 30 days	7,544	71,917	79,461
From 31 days to 90 days	1,800	-	1,800
From 91 days to 180 days	-	-	-
More than 180 days	-	-	-
Total	9,344	71,917	81,261

7.3 Economic sectors risk concentration for financing and allowance for impairment are as follows:

2014				SAR'000
	Performing	Non-Performing	Allowance for impairment	Financing, net
Government and quasi government	9,657,454	-	-	9,657,454
Manufacturing	5,817,486	-	-	5,817,486
Electricity, water, gas & health services	108,510	-	-	108,510
Building, construction and real estate	15,696,933	-	-	15,696,933
Services	807,494	-	-	807,494
Consumer financing	11,907,369	238,146	(166,405)	11,979,110
Commerce	6,242,422	112,174	(112,174)	6,242,422
Others	3,707,721	-	-	3,707,721
	53,945,389	350,320	(278,579)	54,017,130
Collective provision				(380,149)
Financing, net				53,636,981

2013				SAR'000
	Performing	Non-Performing	Allowance for impairment	Financing, net
Government and quasi government	9,608,615	-	-	9,608,615
Manufacturing	4,744,659	-	-	4,744,659
Electricity, water, gas & health services	958,723	-	-	958,723
Building, construction and real estate	11,917,266	-	-	11,917,266
Services	1,878,354	-	-	1,878,354
Consumer financing	9,386,549	190,653	(129,818)	9,447,384
Commerce	4,317,700	111,829	(55,915)	4,373,614
Others	2,323,495	-	-	2,323,495
	45,135,361	302,482	(185,733)	45,252,110
Collective provision				(328,487)
Financing, net				44,923,623

7.4 Collateral

The Bank, in the ordinary course of business holds collateral as security to mitigate credit risk. These collateral mostly includes customers' deposits, financial guarantees, equities, real estate and other fixed assets. The Bank held collateral of SAR 53,616 million (2013: SAR 39,012 million) against its secured financing.

7.5 Financing includes Ijarah as follows:

	2014 SAR'000	2013 SAR'000
Less than 1 year	**1,356,279**	730,797
1 to 5 years	**6,825,126**	6,535,945
Over 5 years	**17,409,870**	13,460,079
Gross receivables from Ijarah	**25,591,275**	20,726,821
Unearned future finance income on Ijarah	**(6,435,237)**	(4,880,848)
Specific provision	**(609)**	(608)
Net receivables from Ijarah	**19,155,429**	15,845,365

8. Property and equipment, net

					SAR'000
	Land and buildings	Leasehold improvements	Furniture and equipment	**Total 2014**	Total 2013
Cost:					
Balance at beginning of the year	713,888	255,228	1,074,199	2,043,315	1,878,350
Additions	111,416	24,979	89,042	225,437	219,120
Disposals	-	-	(4,934)	(4,934)	(54,155)
Balance at end of the year	**825,304**	**280,207**	**1,158,307**	**2,263,818**	**2,043,315**
Accumulated depreciation:					
Balance at beginning of the year	22,644	81,583	464,176	568,403	430,526
Charge for the year	9,987	25,921	117,644	153,552	154,141
Disposals	-	-	(1,715)	(1,715)	(16,264)
Balance at end of the year	**32,631**	**107,504**	**580,105**	**720,240**	**568,403**
Net book value as at December 31, 2014	**792,673**	**172,703**	**578,202**	**1,543,578**	
Net book value as at December 31, 2013	691,244	173,645	610,023		1,474,912

Property and equipment includes work in progress as at December 31, 2014 amounting to SAR 103 million (2013: SAR 93 million). Furniture and equipment includes information technology related assets as follows:

			SAR'000
Information technology related assets:	**Tangible**	**Intangible**	**Total**
Cost	437,148	600,428	1,037,576
Accumulated depreciation/amortization	(207,157)	(279,939)	(487,096)
Net book value as at December 31, 2014	**229,991**	**320,489**	**550,480**
Net book value as at December 31, 2013	231,928	337,370	569,298

9. Other assets

	Note	2014 SAR'000	2013 SAR'000
Accrued income receivable on:			
- Due from banks and financial institutions		**24,159**	36,374
- Investments		**18,365**	15,523
- Financing		**440,031**	502,669
Total		**482,555**	554,566
Prepaid rental		**32,283**	32,406
Advances to suppliers		**7,947**	2,368
Other real estate	9.1	**80,300**	90,000
Other prepayments		**41,026**	40,022
Others		**617,303**	539,221
Total		**1,261,414**	1,258,583

9.1. This represents the properties held for sale which were acquired in settlement of financing due from a customer.

10. Due to banks and other financial institutions

	Note	2014 SAR'000	2013 SAR'000
Time investments from banks and other financial institutions	10.1	**29,959**	200,000
Others		**2,698**	736
Total		**32,657**	200,736

10.1 It represents Murabaha, Mudaraba and Wakala with banks.

11. Customers' deposits

i) Customers' deposits include the following:

	Note	2014 SAR'000	2013 SAR'000
Demand		**32,013,183**	21,999,085
Customers' time investments	11.1	**26,822,730**	20,488,205
Others	11.2	**591,912**	275,333
Total		**59,427,825**	42,762,623

11.1 It represents Murabaha and Mudaraba with customers.

11.2 Others represent cash margins for letters of credit and guarantees.

ii) The above includes foreign currency deposits as follows:

	2014 SAR'000	2013 SAR'000
Demand	**2,339,091**	1,339,464
Customers' time investments	**4,078,346**	4,796,824
Other	**168,574**	47,879
Total	**6,586,011**	6,184,167

12. Other liabilities

	2014 SAR'000	2013 SAR'000
Accrued profit payable on:		
- Customers' time investments	**98,641**	68,186
- Time investments from banks and other financial institutions	**3**	39
Total	**98,644**	68,225
Accrued expenses	**217,137**	133,226
Outward drafts payable	**2,333,072**	2,450,592
Accounts payable	**221,443**	92,589
Advance rentals	**559,965**	448,117
Others	**31,884**	13,193
Total	**3,462,145**	3,205,942

13. Share capital

The authorized, issued and fully paid share capital of the Bank consists of 1,500 million shares (2013: 1,500 million shares) of SAR 10 each.

The ownership of the Bank's share capital is as follows:

	2014	2013
	Percentage	
Public Pension Agency ("PPA")	**10.71**	10.71
Public Investment Fund ("PIF")	**10.00**	10.00
General Organization for Social Insurance ("GOSI")	**10.00**	10.00
General public and others	**69.29**	69.29
Total	**100**	100

14. Statutory reserve

In accordance with the Banking Control Law in the Kingdom of Saudi Arabia, a minimum of 25% of the annual net income is required to be transferred to a statutory reserve until this reserve equals the paid up capital of the Bank. Accordingly, SAR 316.1 million (2013: SAR 251.19 million) has been transferred from the net income for the year to statutory reserve. The statutory reserve is not available for distribution.

15. Treasury Shares

These shares have been acquired, after due approvals, for discharging the obligations of employees share based plans.

16. Commitments and contingencies

a) Legal proceedings
As at December 31, 2014 there were no significant legal proceedings outstanding against the Bank.

b) Capital commitments
As at December 31, 2014, the Bank had capital commitments of SAR 88.6 million (2013: SAR 84.5 million) relating to property and equipment

c) Credit related commitments and contingencies
Credit related commitments and contingencies comprise letters of guarantee, letters of credit, acceptances and unused irrevocable commitments to extend financing facilities. The primary purpose of these instruments is to ensure that funds are available to customers as required. Letters of guarantee and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as investments and financing. Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Bank does not generally expect the third party to invoke such commitments.

Documentary letters of credit are generally collaterised by the underlying assets to which they relate, and therefore have significantly lower risk.

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be presented before being reimbursed by the customers.

Commitments to extend credit represent the unused portion of approved credit, principally in the form of financing, guarantees and letters of credit. With respect to these commitments, the Bank is exposed to an insignificant potential credit risk as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The total outstanding commitments to extend credit do not necessarily represent future cash requirements, as many of these commitments could expire or terminate without being funded.

i) The contractual maturity structure of the Bank's commitments and contingencies is as follows:

2014					**SAR'000**
	Within 3 months	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Letters of credit	**892,421**	**605,805**	**22,636**	**-**	**1,520,862**
Letters of guarantee	**471,747**	**1,026,383**	**2,867,323**	**21,579**	**4,387,032**
Acceptances	**309,664**	**9,976**	**-**	**-**	**319,640**
Irrevocable commitments to extend credit	**1,948,122**	**-**	**-**	**-**	**1,948,122**
Total	**3,621,954**	**1,642,164**	**2,889,959**	**21,579**	**8,175,656**

2013					SAR'000
	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Letters of credit	961,931	851,138	5,953	-	1,819,022
Letters of guarantee	412,543	1,612,662	550,578	16,468	2,592,251
Acceptances	221,980	14,386	-	-	236,366
Irrevocable commitments to extend credit	3,145,333	-	-	-	3,145,333
Total	4,741,787	2,478,186	556,531	16,468	7,792,972

ii) The analysis of commitments and contingencies by counter-party is as follows:

	2014 SAR'000	2013 SAR'000
Government and quasi government	**1,901,210**	713,035
Corporate	**5,196,058**	6,427,098
Banks and other financial institutions	**1,078,388**	652,839
Total	**8,175,656**	7,792,972

iii) The outstanding unused portion of commitments as at December 31, 2014, which can be revoked unilaterally at any time by the Bank, amounts to SAR 16,425 million (2013: SAR 9,426 million).

d) Operating lease commitments

The future minimum lease payments under non-cancellable operating leases where the Bank is the lessee are as follows:

	2014 SAR'000	2013 SAR'000
Less than one year	**101**	556
One year to five years	**153,877**	172,620
Over five years	**212,427**	197,690
Total	**366,405**	370,866

17. Income from investments and financing activities, net

	2014 SAR'000	2013 SAR'000
Income from investments and financing:		
Investments (Murabaha with SAMA)	**29,142**	25,193
Investments in Sukuk	**21,374**	17,552
Murabaha with banks and other financial institutions	**46,916**	59,410
Financing	**2,188,292**	1,918,544
Total	**2,285,724**	2,020,699
Return on time investments:		
Customers' time investments	**(209,074)**	(179,217)
Time investments from banks and other financial institutions	**(1,702)**	(6,647)
Total	**(210,776)**	(185,864)
Income from investments and financing activities, net	**2,074,948**	1,834,835

18. Fees from banking services, net

	2014 SAR'000	2013 SAR'000
Income on:		
Corporate finance and advisory	157,571	149,692
Trade services	49,196	24,333
Card services	154,352	120,592
Fund management and other banking services	113,242	37,864
	474,361	332,481
Expense on:		
Card services	(74,405)	(57,600)
Other fees	(3,743)	(2,283)
Fee from banking services, net	396,213	272,598

19. Salaries and employee related expenses

The following table summarizes the Bank's employee categories defined in accordance with SAMA's rules on compensation practices.

SAR'000

Categories of employees	Number of employees		Fixed compensation		Variable Compensation paid					
					Cash		Shares		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Senior executives requiring SAMA no objections	**15**	15	**30,284**	26,229	**10,470**	9,569	-	-	**10,470**	9,569
Employees engaged in risk taking activities	**450**	348	**135,261**	109,396	**22,880**	17,655	-	-	**22,880**	17,655
Employees engaged in control functions	**114**	112	**40,328**	54,972	**6,389**	7,522	-	-	**6,389**	7,522
Other employees	**1,199**	1,190	**256,545**	226,916	**31,628**	25,740	-	-	**31,628**	25,740
Outsourcing employees (engaged in risk taking activities)	-	-	-	-	-	-	-	-	-	-
	1,778	1,665	**462,418**	417,513	**71,367**	60,486	-	-	**71,367**	60,486
Variable compensation accrued			**119,339**	45,471						
Other employee related benefits			**55,270**	29,607						
Total	**1,778**	1,665	**637,027**	492,591	**71,367**	60,486	-	-	**71,367**	60,486

19.1 Salient features of Compensation Policy

As an integral part of the compensation governance, the Bank follows appropriate compensation practices in line with the SAMA guidelines and Financial Stability Board (FSB) Principles/Standards. The Bank has implemented a "Compensation & Allowances" policy approved by the Board of Directors (the "Board").
The Bank has also established a Nomination and Compensation Committee. It has been mandated by the Board to review and recommend sound compensation policies for adoption by the Bank.
While developing and implementing such policies, the Bank has sought to align the same with the risks related to capital, liquidity and sustainability as well as timing of revenue streams.
The Bank has adopted fixed as well as variable compensation schemes. The variable component is aligned not only with the aforesaid risks but also with the overall performance of the Bank and the individual, and risk involved in the relevant job function. The Bank consistently evaluates its compensation policies against the industry and makes necessary revisions as and when required.

20. Earnings per share

Basic and diluted earnings per share are calculated by dividing the net income by the weighted average number of outstanding shares which were (Basic:1,485 million, diluted 1,490 million) shares at the end of the year, after accounting for treasury shares.

21. Proposed dividend and zakat

	2014 SAR'000	2013 SAR'000	2014	2013
			SAR per share	
Proposed net of zakat dividend (5%)	**745,148**	-	**0.50**	-
Estimated zakat for the year	**64,952**	-	**0.04**	-
Proposed gross dividend (5.4%)	**810,100**	-	**0.54**	-

The Bank has filed its Zakat returns for the years up to and including the financial year 2013 with the Department of Zakat and Income Tax (DZIT). Zakat amounting to SAR 962.3 million related to the years up to and including financial year 2013 have been set-off with retained earnings while the estimated zakat for the year ended December 31, 2014 amounting to SAR 64.95 million has been deducted from the proposed gross dividend for the year.

22. Cash and cash equivalents

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

	2014 SAR'000	2013 SAR'000
Cash in hand	**1,287,943**	987,697
Balances with SAMA excluding statutory deposit	**1,881,204**	1,809,158
Due from banks and other financial institutions maturing within ninety days of acquisition	**6,896,956**	3,243,877
Total	**10,066,103**	6,040,732

23. 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. 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 businesses.

b) Corporate banking
Financing, deposit and other products and services for corporate and institutional customers.

c) Treasury
Murabahas 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:

2014					SAR '000
	Retail	Corporate	Treasury	Investment & brokerage	Total
Total assets	**13,550,763**	**42,998,935**	**23,428,187**	**883,974**	**80,861,859**
Total liabilities	**37,451,678**	**6,874,566**	**17,964,879**	**631,504**	**62,922,627**
Income from investments and financing, net	**740,407**	**969,924**	**361,851**	**2,766**	**2,074,948**
Fees from banking services and other income	**99,915**	**225,057**	**133,482**	**86,437**	**544,891**
Total operating income	**840,322**	**1,194,981**	**495,333**	**89,203**	**2,619,839**
Charge for impairment of financial assets	**36,678**	**124,995**	**-**	**-**	**161,673**
Depreciation and amortization	**77,104**	**48,767**	**26,681**	**1,000**	**153,552**
Other operating expenses	**567,560**	**271,042**	**140,240**	**52,543**	**1,031,385**
Total operating expenses	**681,342**	**444,804**	**166,921**	**53,543**	**1,346,610**
Net operating income	**158,980**	**750,177**	**328,412**	**35,660**	**1,273,229**
Share of loss from associate	**-**	**-**	**(8,798)**	**-**	**(8,798)**
Net income	**158,980**	**750,177**	**319,614**	**35,660**	**1,264,431**

2013					SAR '000
	Retail	Corporate	Treasury	Investment & brokerage	Total
Total assets	11,182,470	36,953,160	14,360,520	505,082	63,001,232
Total liabilities	25,238,662	6,464,671	14,155,670	310,298	46,169,301
Income from investments and financing, net	555,322	946,927	329,874	2,712	1,834,835
Fees from banking services and other income	76,094	178,309	151,511	38,326	444,240
Total operating income	631,416	1,125,236	481,385	41,038	2,279,075
Charge for impairment of financial assets	52,173	222,051	-	-	274,224
Depreciation and amortization	76,178	55,687	21,355	921	154,141
Other operating expenses	466,098	239,669	93,604	36,146	835,517
Total operating expenses	594,449	517,407	114,959	37,067	1,263,882
Net operating income	36,967	607,829	366,426	3,971	1,015,193
Share of loss from associate	-	-	(10,436)	-	(10,436)
Net income	36,967	607,829	355,990	3,971	1,004,757

The Bank's credit exposure by operating segments is as follows:

2014					SAR '000
	Retail	Corporate	Treasury	Investment & brokerage	Total
On balance sheet assets	11,932,247	41,704,734	17,387,211	166,052	71,190,244
Commitments and contingencies	-	8,175,656	-	-	8,175,656
Total	11,932,247	49,880,390	17,387,211	166,052	79,365,900

2013					SAR '000
	Retail	Corporate	Treasury	Investment & brokerage	Total
On balance sheet assets	9,400,520	35,523,102	9,591,650	182,324	54,697,596
Commitments and contingencies	-	7,792,972	-	-	7,792,972
Total	9,400,520	43,316,074	9,591,650	182,324	62,490,568

Credit exposure comprises the carrying value of balance sheet assets, excluding cash, property and equipment, and other assets. The credit equivalent value of commitments and contingencies are included in credit exposure.

24. Credit risk

Credit risk is the most significant risk for the Bank's business. It is defined as the risk that a counterparty may fail to meet its obligations to the Bank and, therefore, could result in a financial loss for the Bank. While credit exposures arise principally from financing and investment, there is also credit risk in off-balance sheet financial instruments, such as letters of credit/acceptances, letters of guarantee, and other forms of financial commitments.

The Bank actively manages its credit risk exposure through the establishment of Credit Risk Policies and procedures which provide guidance, among others, on target market, risk acceptance criteria, minimum disclosure from customers, standard due diligence process, review and approval process, documentation, concentration limits, and day to day account management and problem recognition/remedial action. Bank has a robust Credit Risk Stress Testing process, used to evaluate the potential impact of negative factors on asset quality, risk ratings, profitability and capital allocations.

To ensure proper check and balance of generating business and taking on credit risks, the Bank has an independent Risk Management Group (RMG) led by a Chief Risk Officer (CRO), tasked with the responsibility of implementing, reviewing and safeguarding the Credit and other Risk Policies.

Analysis of investments is provided in note (6). For details of the composition of financing refer note (7). For commitments and contingencies refer note (16).

24.1 Geographical concentration of financial assets with credit risk exposure, financial liabilities, commitments and contingencies.

2014	SAR'000				
	Kingdom of Saudi Arabia	Other GCC and Middle East countries	Europe	Other countries	Total
Financial assets					
Cash and balances with SAMA	6,065,881	-	-	-	6,065,881
Due from banks and other financial institutions	4,397,903	4,443,967	1,452,876	23,108	10,317,854
Investments	7,997,901	-	13,200	25,050	8,036,151
Financing, net	53,636,981	-	-	-	53,636,981
Other assets	1,180,158	-	-	-	1,180,158
Total financial assets	73,278,824	4,443,967	1,466,076	48,158	79,237,025
Financial liabilities					
Due to banks and other financial institutions	2,698	29,959	-	-	32,657
Customers' deposits	59,427,825	-	-	-	59,427,825
Other liabilities	2,902,180	-	-	-	2,902,180
Total financial liabilities	62,332,703	29,959			62,362,662
Commitments and contingencies	8,175,656	-	-	-	8,175,656
Maximum credit exposure (stated at credit equivalent amounts) of commitments and contingencies	3,206,953	-	-	-	3,206,953

2013	SAR'000				
	Kingdom of Saudi Arabia	Other GCC and Middle East countries	Europe	Other countries	Total
Financial assets					
Cash and balances with SAMA	4,972,467	-	-	-	4,972,467
Due from banks and other financial institutions	3,081,639	1,187,489	580,594	122,459	4,972,181
Investments	5,137,775	-	261,691	-	5,399,466
Financing, net	44,923,623	-	-		44,923,623
Other assets	1,183,787	-	-	-	1,183,787
Total financial assets	59,299,291	1,187,489	842,285	122,459	61,451,524
Financial liabilities					
Due to banks and other financial institutions	200,000	-	-	736	200,736
Customers' deposits	42,762,623	-	-	-	42,762,623
Other liabilities	2,757,825		-	-	2,757,825
Total financial liabilities	45,720,448	-	-	736	45,721,184
Commitments and contingencies	7,792,972	-	-	-	7,792,972
Maximum credit exposure (stated at credit equivalent amounts) of commitments and contingencies	3,468,963	-	-	-	3,468,963

24.2 The distributions by geographical concentration of impaired financing and allowances for impairment on financing are as follows:

2014	SAR'000				
	Kingdom of Saudi Arabia	Other GCC and Middle East countries	Europe	Other countries	Total
Non performing financing, net	**350,320**	-	-	-	**350,320**
Allowances charge for impairment on financing	**658,728**	-	-	-	**658,728**

2013	SAR'000				
	Kingdom of Saudi Arabia	Other GCC and Middle East countries	Europe	Other countries	Total
Non performing financing, net	302,482	-	-	-	302,482
Allowances charge for impairment on financing	514,220	-	-	-	514,220

25. Market risk

Market risk is the risk that the fair value or the future cash flows of the financial instrument will fluctuate due to changes in market variables such as equity prices, profit rates, foreign exchange rates, and commodity prices. The Bank classifies exposures to market risks into either trading or non-trading (or banking book).

i. Market Risk – Trading Book

The Bank holds an insignificant market risk on its trading book position of equities in local currency which is regularly marked to market and losses or gains on equity prices are taken directly into consolidated income statement

ii. Market Risk – Non Trading Book

Market risks on its non-trading book mainly arise from profit rate risk and to a very minor extent from currency risks. It also faces price risks on those securities held as "available for sale."

a) Profit Rate Risk

It arises from changes in profit rates which will affect either the fair values or the future cash flows of the financial instruments. Treasury imputes the funding costs based on the yield curve and the margins are also adjusted to account for liquidity premium based on the duration of the financing.

Given the asset and liabilities configuration of the Bank, where the profit rate sensitive assets are much greater than profit rate sensitive liabilities, potential increases in profit rates during the next 12 months will have no material adverse impact on the consolidated statement of income of the Bank

Yield sensitivity of assets, liabilities and off balance sheet items

The Bank manages exposure to the effects of various risks associated with fluctuations in the prevailing levels of market profit rates on its financial position and cash flows. The Bank uses the SAIBOR for SAR and the LIBOR for USD lending as a benchmark rate for different maturities. At times when these benchmark rates are not representative of the actual transactions in the market, marginal cost-of-fund is provided by Treasury. The Bank charges profit rates based on the maturity of loans (longer term loans usually require a higher profit rate) based on marginal costs of funds.

The table below summarizes the Bank's exposure to profit rate risks. Included in the table are the Bank's financial instruments at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates.

						SAR'000
2014	**Within 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Non-profit bearing**	**Total**
Assets						
Cash and balances with SAMA	-	-	-	-	6,065,881	6,065,881
Due from banks and other financial institutions	8,064,586	187,587	1,951,020	-	114,661	10,317,854
Investments	6,000,000	-	1,087,086	-	949,065	8,036,151
Financing, net	16,185,304	18,823,411	16,768,896	1,859,370	-	53,636,981
Property and equipment, net	-	-	-	-	1,543,578	1,543,578
Other assets	-	-	-	-	1,261,414	1,261,414
Total assets	30,249,890	19,010,998	19,807,002	1,859,370	9,934,599	80,861,859
Liabilities & shareholders' equity						
Due to banks and other financial institutions	29,959	-	-	-	2,698	32,657
Customer deposits	12,846,356	7,064,567	6,911,807	-	32,605,095	59,427,825
Other liabilities	-	-	-	-	3,462,145	3,462,145
Shareholders' equity	-	-	-	-	17,939,232	17,939,232
Total liabilities & shareholders' equity	12,876,315	7,064,567	6,911,807	-	54,009,170	80,861,859
Yield sensitivity – On statement of financial position	17,373,575	11,946,431	12,895,195	1,859,370	(44,074,571)	
Yield sensitivity – Off statement of financial position	3,621,954	1,642,164	2,889,959	21,579	-	8,175,656
Total Yield sensitivity gap	20,995,529	13,588,595	15,785,154	1,880,949		
Cumulative yield sensitivity gap	20,995,529	34,584,124	50,369,278	52,250,227		

2013	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-profit bearing	Total
						SAR'000
Assets						
Cash and balances with SAMA	-	-	-	-	4,972,467	4,972,467
Due from banks and other financial institutions	3,689,641	943,937	187,523	-	151,080	4,972,181
Investments	1,350,000	2,200,000	-	1,087,117	762,349	5,399,466
Financing, net	10,148,775	11,727,659	17,682,148	5,365,041	-	44,923,623
Property and equipment, net	-	-	-	-	1,474,912	1,474,912
Other assets	-	-	-	-	1,258,583	1,258,583
Total assets	15,188,416	14,871,596	17,869,671	6,452,158	8,619,391	63,001,232
Liabilities & shareholders' equity						
Due to banks and other financial institutions	200,000	-	-	-	736	200,736
Customer deposits	11,872,248	8,610,194	5,763	-	22,274,418	42,762,623
Other liabilities	-	-	-	-	3,205,942	3,205,942
Shareholders' equity	-	-	-	-	16,831,931	16,831,931
Total liabilities & shareholders' equity	12,072,248	8,610,194	5,763	-	42,313,027	63,001,232
Yield sensitivity – On statement of financial position	3,116,168	6,261,402	17,863,908	6,452,158	(33,693,636)	-
Yield sensitivity – Off statement of financial position	4,741,787	2,478,186	556,531	16,468	-	7,792,972
Total Yield sensitivity gap	7,857,955	8,739,588	18,420,439	6,468,626		
Cumulative yield sensitivity gap	7,857,955	16,597,543	35,017,982	41,486,608		

b) Currency Risk

Represents the risks of change of value of financial instruments due to changes in foreign exchange rates. The Risk Appetite Framework and policies contain limits for positions by currencies. However, the Bank has negligible exposure in foreign exchange because its assets and liabilities are mainly denominated in Saudi Riyals and to a smaller extent in United States Dollars (USD) or in USD pegged currencies..

The Bank has the following summarized exposure to foreign currency exchange rate risk as at December 31:

	2014 SAR'000	2013 SAR'000
Assets		
Cash & balances with SAMA	**84,678**	96,941
Due from banks and other financial institutions	**5,397,833**	3,514,530
Investments	**38,250**	261,694
Financing, net	**183,652**	187,523
Other assets	**19,518**	35,926
Total currency risk on assets	**5,723,931**	4,096,614
Liabilities		
Due to banks and other financial institutions	**30,048**	43
Customers' deposits	**6,586,013**	6,184,167
Other liabilities	**227,399**	213,829
Total currency risk on liabilities	**6,843,460**	6,398,039

The table below shows the currencies to which the Bank has a significant exposure as at December 31:

	2014 SAR'000	2013 SAR'000
USD	**(1,495,403)**	(3,155,814)
Euro	**1,539**	(65)
UAE Dirham	**8,416**	(482)
BHD	**352,502**	852,367
QAR	**1,664**	(363)
Others	**11,753**	2,932
Total	**(1,119,529)**	(2,301,425)

c) Equity Price Risk

Equity price risk refers to the risk of decrease in fair values of equities. The Bank's portfolio of investments 'available for sale' is regularly marked to market and changes, if any, are taken into the shareholder's equity.

26. Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately. To mitigate this risk, management has diversified funding sources and assets are managed with liquidity into consideration, maintaining an adequate balance of cash and cash equivalents. The Bank has a Market Risk Management team under the Risk Management Group that regularly monitors the liquidity risk of the bank.

In accordance with Banking Control Law and the regulations issued by SAMA, the Bank maintains a statutory deposit with SAMA equal to 7% of total demand deposits and 4% of customers' time investments.

In addition to the statutory deposit, the Bank also maintains liquid reserves of no less than 20% of its deposit liabilities, in the form of cash and assets, which can be converted into cash within a period not exceeding 30 days.

a) Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Bank's financial liabilities at December 31, 2014 and 2013 based on contractual undiscounted repayment obligations whereas the Bank manages the inherent liquidity risk based on expected undiscounted cash inflows.

As profit payments up to contractual maturity are included in the table, totals do not match with the figures as appearing in the consolidated statement of financial position.

2014						SAR'000
	Within 3 months	3 months to 12 months	1 to 5 years	Over 5 years	No fixed maturity	Total
Liabilities						
Due to banks and other financial institutions	32,677	-	-	-	-	32,677
Customers' deposits	45,499,359	7,136,877	7,276,809	-	-	59,913,045
Other liabilities	-	-	-	-	3,462,145	3,462,145
Total liabilities	45,532,036	7,136,877	7,276,809	-	3,462,145	63,407,867

2013						SAR'000
	Within 3 months	3 months to 12 months	1 to 5 years	Over 5 years	No fixed maturity	Total
Liabilities						
Due to banks and other financial institutions	200,098	-	-	-	736	200,834
Customers' deposits	34,194,829	8,711,316	6,043	-	-	42,912,188
Other liabilities	-	-	-	-	3,205,942	3,205,942
Total liabilities	34,394,927	8,711,316	6,043	-	3,206,678	46,318,964

b) The tables below shows the contractual maturity profile of the assets and liabilities:

The maturities of assets and liabilities have been determined based on the remaining period at the balance sheet date to the contractual maturity date.

2014						SAR'000
	Within 3 months	**3 months to 12 months**	**1 to 5 years**	**Over 5 years**	**No fixed maturity**	**Total**
Assets						
Cash and balances with SAMA	**6,065,881**	**-**	**-**	**-**	**-**	**6,065,881**
Due from banks and other financial institutions	**8,179,247**	**187,587**	**1,951,020**	**-**	**-**	**10,317,854**
Investments	**6,113,639**	**659,987**	**150,671**	**1,087,086**	**24,768**	**8,036,151**
Financing, net	**7,279,078**	**12,556,044**	**22,174,369**	**11,627,490**	**-**	**53,636,981**
Property and equipment, net	**-**	**-**	**-**	**-**	**1,543,578**	**1,543,578**
Other assets	**-**	**-**	**-**	**-**	**1,261,414**	**1,261,414**
Total	**27,637,845**	**13,403,618**	**24,276,060**	**12,714,576**	**2,829,760**	**80,861,859**
Liabilities and shareholders' equity						
Due to banks and other financial institutions	**32,657**	**-**	**-**	**-**	**-**	**32,657**
Customers' deposits	**45,451,451**	**7,064,567**	**6,911,807**	**-**	**-**	**59,427,825**
Other liabilities	**-**	**-**	**-**	**-**	**3,462,145**	**3,462,145**
Shareholders' equity	**-**	**-**	**-**	**-**	**17,939,232**	**17,939,232**
Total	**45,484,108**	**7,064,567**	**6,911,807**	**-**	**21,401,377**	**80,861,859**
Commitments & contingencies	**3,621,954**	**1,642,164**	**2,889,959**	**21,579**	**-**	**8,175,656**

2013						SAR'000
	Within 3 months	3 months to 12 months	1 to 5 years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances with SAMA	4,972,467	-	-	-	-	4,972,467
Due from banks and other financial institutions	3,840,721	943,937	187,523	-	-	4,972,181
Investments	1,457,908	2,428,784	392,106	1,087,117	33,551	5,399,466
Financing, net	5,635,147	6,467,494	22,991,198	9,829,784	-	44,923,623
Property and equipment, net	-	-	-	-	1,474,912	1,474,912
Other assets	-	-	-	-	1,258,583	1,258,583
Total	15,906,243	9,840,215	23,570,827	10,916,901	2,767,046	63,001,232
Liabilities and shareholders' equity						
Due to banks and other financial institutions	200,736	-	-	-	-	200,736
Customers' deposits	34,146,666	8,610,194	5,763	-	-	42,762,623
Other liabilities	-	-	-	-	3,205,942	3,205,942
Shareholders' equity	-	-	-	-	16,831,931	16,831,931
Total	34,347,402	8,610,194	5,763	-	20,037,873	63,001,232
Commitments & contingencies	4,741,787	2,478,186	556,531	16,468	-	7,792,972

27. Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk arises throughout the Bank and from almost any activity.

The Bank has an Operational Risk Team as a part of Risk Management Group which is tasked with monitoring and controlling the Operational Risks of the Bank. Functions of this unit are guided by the Operational Risk Policy and Framework. To systematize the assessment and mitigation of operational risks, the Business Environment and Internal Control Framework is established through Risk Control and Self-Assessment (RCSA) along with establishing Key Risk Indicators (KRIs) for all Business and support units. These risk metrics are proactively monitored by Operational Risk department on a regular basis. In addition, the Bank has a successfully tested and documented business continuity plan and operational disaster recovery site.

28. Sharia'h Non-compliance Risk

Being an Islamic bank, the Bank is exposed to the risk of Sharia'h non-compliance. To mitigate such risk, extensive Sharia'h Policies and procedures are in place. Further the Bank has established a Shaira'h Board and a Sharia'h Compliance Audit Unit to monitor such risk.

29. Reputational Risk

Reputational risk covers the potential adverse effects resulting from negative publicity about the Bank's products, services, competence, integrity and reliability.

As an Islamic bank, one of the major sources of Reputational risk is Sharia'h non-compliance. The other sources of negative publicity could be major frauds, customer complaints, regulatory actions and negative perceptions about the Bank's financial condition. The Bank has put in place controls around reputation risk in order to mitigate and avoid such risks. Currently, the Bank measures the Reputational risk through a Scorecard based approach, where Risk Management group compiles the results of assessments made by business heads to derive the Bank overall reputational risk indicators.

30. Fair values of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties, in an arm's length transaction. Consequently, differences can arise between carrying values and fair value estimates. The estimated fair values of the on-balance sheet financial instruments are not significantly different from their respective carrying values. Fair value is the price that would be received on sale of 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 values of on-balance sheet financial instruments are not significantly different from their carrying values included in the 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:

2014	SAR '000			
	Level 1	Level 2	Level 3	Total
Financial assets held as FVSI	**113,640**	**-**	**-**	**113,640**
Financial assets held as 'available for sale'	**710,672**	**1,087,086**	**100,000**	**1,897,758**
Total	**824,312**	**1,087,086**	**100,000**	**2,011,398**

2013	SAR '000			
	Level 1	Level 2	Level 3	Total
Financial assets held as FVSI	107,908	-	-	107,908
Financial assets held as 'available for sale'	1,708,007	-	-	1,708,007
Total	1,815,915	-	-	1,815,915

In the absence of active market, during the year certain available for sale investments amounting to SAR 1,087 million has been reclassified from Level 1 to Level 2.

31. Employees share based plans

Significant features of the employee share based schemes outstanding at the end of the year 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	2,414,288	2,863,000
Vesting period	3 years	3-5 years
Value of shares granted (SAR)	33,800,032	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	1.42 years	3.25 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	
	2014	2013	**2014**	2013
Beginning of the year	**11.5**	-	**2,580,654**	-
Granted during the year	**-**	11.5	**-**	2,580,654
Forfeited	**-**	-	**(166,366)**	-
Exercised/expired	**-**	-	**-**	-
End of the year	**11.5**	11.5	**2,414,288**	2,580,654
Exercisable at year end	**-**	-	**-**	-

These rights are granted only under a service/performance condition with no market condition associated with it. Total amount of expense recognized during the year in these consolidated financial statements in respect of these schemes was SAR 12.8 million. (2013: 10.3 million).

32. Related party balances and transactions

In the ordinary course of its activities, the Bank transacts business with related parties. Related party transactions are governed by limits set by the Banking Control Law and regulations issued by SAMA.

(i) The balances as at December 31, resulting from such transactions included in the consolidated financial statements are as follows:

	2014 SAR'000	2013 SAR'000
Directors, key management personnel, Bank's mutual funds, major shareholders and affiliates		
Financing	**15,026**	5,956
Customers' deposits	**7,881,848**	5,107,447
End of service benefit	**11,310**	8,962
Investments in associates	**24,753**	33,551
Financing and investments in Mutual funds	**1,271,457**	88,895
Deposits from Mutual funds	**487,240**	11,668

(ii) Income and expenses pertaining to transactions with related parties included in the consolidated statement of comprehensive income are as follows:

	2014 SAR'000	2013 SAR'000
Income on financing	**13,736**	355
Return on time investments	**78,737**	70,823
Fee from banking services, net	**65,513**	1,864
Directors' remuneration	**2,798**	2,651

The advances and expenses related to executives are in line with the normal employment terms.

(iii) The total amount of compensation paid to key management personnel during the year is as follow:

	2014 SAR'000	2013 SAR'000
Short-term employees benefits	**44,064**	42,652
End of service benefit	**2,347**	2,111

33. 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 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.

SAMA has issued the framework and guidance for implementation of capital reforms under Basel III, which are effective from January 01, 2013. Accordingly, the risk weighted assets, total capital and related ratios are calculated using Basel III framework.

Particulars	2014 SAR'000	2013 SAR'000
Credit Risk Weighted Assets	**60,266,168**	50,231,214
Operational Risk Weighted Assets	**4,203,105**	3,433,374
Market Risk Weighted Assets	**5,670,815**	6,830,683
Total Pillar-I Risk Weighted Assets	**70,140,088**	60,495,271
Tier I Capital	**17,939,232**	16,831,931
Tier II Capital	**380,149**	328,487
Total Tier I & II Capital	**18,319,381**	17,160,418
Capital Adequacy Ratio %		
Tier I ratio	**26%**	28%
Tier I + Tier II ratio	**26%**	28%

34. BASEL III Pillar 3 and Capital Structure disclosures

Certain additional quantitative and qualitative disclosures are required under Basel III. These disclosures will be made available to the public on the Bank's website (www.alinma.com) within prescribed time as required by SAMA. Such disclosures are not subject to audit by the external auditors of the Bank.

35. Investment management and brokerage services

The Bank offers investment management services to its customers through its subsidiary which include management of funds with total assets under management of SAR 4,216 million (2013: SAR 247.7 million).

36. Prospective changes in the International Financial Reporting Standards

The Bank has chosen not to early adopt the amendments and revisions to the following standards which have been published and are mandatory for compliance by the Banks effective from accounting period beginning on or after January 01, 2015.

Standard, and amendments	Effective date	Brief description of changes
IFRS 9 "Financial Instruments"	**January 01, 2018**	IFRS 9 retains but simplifies the measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. It also changes the impairment of financial assets from incurred loss to expected loss model.
IFRS 15 " Revenue from contracts with customers	**January 01, 2017**	IFRS 15 is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting and comparability of revenue in the financial statements.
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.

Other than IFRS 9, the amendments are not likely to have any material impact on the Bank's consolidated financial statements except for certain additional disclosures. The Bank will be assessing the implications of IFRS 9 in due course.

37. Comparative figures

Figures have been rearranged or reclassified wherever necessary for the purpose of better presentation, however, no significant rearrangements or reclassifications have been made in these consolidated financial statements.

38. Approval of the consolidated financial statements

These consolidated financial statements were approved by the Board of Directors of the Bank on 06 Rabi thani, 1436H (corresponding to 26 January, 2015).

Basel III Pillar 3 - Qualitative Disclosure

Basel II - Pillar 3 – Qualitative Disclosure

1. Overview

The Pillar 3 Disclosure for financial year ended 31st December 2014 for Alinma Bank (the Bank) complies with the Saudi Arabian Monetary Agency (SAMA) Disclosure Requirements (Pillar 3)," which is based on the guidelines issued by the Basel Committee on Banking Supervision (BCBS).

2. Scope of Application

The report is prepared after full-consolidation of the Bank and the following fully-owned subsidiaries (the Bank):

Subsidiary	Bank Ownership	Establishment date
Alinma Investment Company	100%	07 Jumada II 1430H (corresponding to May 31, 2009)
Al Tanweer Real Estate Company	100%	24 Sha'aban 1430H (corresponding to August 15, 2009)
Alinma Cooperative Insurance Agency	100%	29 Rabi Awaal 1435H (corresponding to January 30,2014)

3. Medium and Location of Disclosure

The Bank's Pillar 3 disclosure will be made available under the Financial Reports (Basel III section) of the Bank's website at www.alinma.com and as a separate report in the annual financial reports, after the notes to the financial statements.

4. Basis and Frequency of Disclosure

This Pillar 3 disclosure document has been designed to be in compliance with the SAMA's Pillar 3 Guidelines, and is to be read in conjunction with the Bank's Financial Statements for financial year ended 31st December 2014. The Qualitative Disclosure Requirements are reported annually.

5. Capital Structure

The Paid-up capital of the bank is SAR 15 billion consisting of 1.5 billion shares with a nominal value of SAR 10 per share. As of December 31, 2014, the shareholders' equity totals SAR 17.939 billion.

5.1. Subsidiaries and Associates

Alinma Investment Company: Based in Riyadh, the company is authorized to deal in securities as principal as well as agent, and to provide underwriting, custodianship, asset management, margin lending, advisory and arranging services. The Company has an authorized capital of SAR 1,000 million and paid-up capital of SAR 250 million wholly subscribed by the Bank.

Al-Tanweer Real Estate Company: Based in Riyadh, formed as an SPV to facilitate mortgage financing and to only hold on behalf of the Bank, the title for real-estate pledged as collateral against commercial financing extended by the Bank. The company has an Paid-up capital of SAR 100,000 wholly subscribed by the bank.

Alinma Cooperative Insurance Agency: Acts as insurance agent for Alinma Tokio Marine (an associated company) with a capital base of SAR 3 million.

Tokio Marine Saudi Arabia: Based in Jeddah, the company is authorized to conduct insurance business in accordance with SAMA guidelines. The Bank has acquired 28.75% stake in company's capital of SAR 200 million. It commenced commercial operations on 18th June 2012.

5.2. Capital Transferability

There are no restrictions, or other major impediments, on transfer of funds or regulatory capital within the group.

6. Capital Adequacy

The table below illustrates the various approaches that are adopted at Alinma bank for capital requirements calculation under Basel III in relation to the various risk types under Pillar 1:

Credit Risk	Market Risk	Operational Risk
Standardized Approach (SA)	Standardized Approach (SA)	Basic Indicator Approach (BIA)

For Operational Risk, the Bank is ready to migrate from BIA to TSA in calculating the capital charge. The overall result of the pilot testing shows that:

- The regulatory operational risk capital using TSA is insignificantly lower than BIA;
- In TSA, the capital charge is allocated per business lines (the biggest part is in CBG).

In 2015, the bank will continue using the BIA pending SAMA approval for adopting the TSA. The Bank will also continue to collect loss data history and compare those against the allocated capital per business lines in preparation for the Advance Measurement Approach (AMA) that the Bank is planning to implement in the long term.

The Capital Adequacy Ratio (CAR) of the Bank as at 31st December 2014 stood at 26 %.

7. Capital Management

A strong capital position is essential to make the Bank at par with its competitors. The forward looking capital strategy focuses on long-term stability, which aims to improve the Bank's profitability and resiliency. The following are the key objectives:

- Support the material risks facing the Bank;
- Optimize risk and return;
- Withstand market shocks and stress conditions.

Strategic and business plans & ICAAP are drawn up annually covering at least three years horizon:

- To accommodate the growth of core financing and investment of the various business units (Corporate Banking includes Commercial and SME Segment, Retail Banking and Treasury);
- To maintain stable sources of funding, liabilities and equity, to support the asset growth to maintain strong liquidity position;
- To keep the capital requirements within the local regulatory thresholds.

8. Internal Capital Adequacy Assessment Process (ICAAP)

ICAAP main objective is to make sure that there is enough capital vis-à-vis the overall risk profile of the Bank under normal and stressed condition. The ICAAP report is submitted to SAMA annually, Stress Testing is due semi- annually, and the capital requirements are refreshed quarterly as part of the various regulatory reports.

8.1. Risk Assessment under ICAAP Framework

Under the ICAAP, the following risk types covered:

- Pillar I - Credit Risk, Market Risk and Operational Risk;
- Pillar II - Residual Risks, Profit Rate Risk in Banking Book (PRRBB), Liquidity Risk, Strategic risk & Reputational risk, Macroeconomic and Business Cycle Risk and Credit Concentration Risk and Sharia Non-Compliance Risk.

8.2. Models and Methodology Employed

The Bank is using risk assessment techniques consistent with best/industry practice in the Kingdom. Where risks are not be easily quantified, expert judgment is adopted. The Bank's ICAAP has an established risk governance which include the following:

- Oversight through the Board's Risk Committee and EXCOM;
- Risk Policies governing the systems, procedures and internal controls; Effective risk monitoring and mitigation through the Credit, Market and Operational Risk Management Team with the RMG;
- Regular management reporting.

8.3. Stress Testing

The Bank is performing stress testing semi-annually to test the overall risk profile's resilience under extreme but plausible conditions arising from macroeconomic, strategic, political and business environmental factors.

Under the Alinma Bank Stress Testing Policy and Framework, the potential unfavorable effects of stress scenarios on the Bank's profitability, asset quality, liquidity, risk weighted assets and capital adequacy are modeled. The stress scenarios are designed to assess the resiliency, solvency, liquidity and profitability . Among others, the following are the key risk (stressed) indicators:

- Assets quality – increase/decrease in nonperforming assets measured in terms of ratio to financing assets;
- Profitability – increase/decrease in the accounting profit/loss;
- Capital adequacy – measured in terms of changes in total amount of capital and the Capital Adequacy Ratio (CAR);
- Liquidity position – measured in terms of changes in key liquidity indicators. The Stress Test Working Group comprising various risk management teams tables the stress testing reports at the Senior Management and Board committees (RMC, and EXCOM) and discusses the results with regulators during annual bilateral meetings.

9. Risk Management

The risk landscape in which the Bank operates is evolving and a robust risk governance framework is required to keep the Bank abreast to these changes. In line with this, the Bank has following risk management's core principles on accountability, independence, structure and scope.

- The risk management approach has three lines of defense namely risk taking business units, risk control units and internal audit;
- The risk taking units are responsible for the day-to-day management of risks whereas the risk control units are responsible for setting-up the tools and methodologies for the risk identification, measurement, monitoring, control and testing. Complementing this is internal audit which provides independent assurance of the effectiveness of the risk management approach;
- The Chief Risk Officer, Chief Credit Officer, and the Credit Risk Managers assume the responsibility by independently reviewing and co-signing the approval through the Credit Committee, of all major credit proposals of the bank which are prepared and recommended by the Business Units. Moreover, Risk Management Group (RMG) oversees all the lines of business vis-à-vis the overall risk profile of the Bank;
- RMG ensures that the risk policies of the Bank are implemented, consistent and current vis-à-vis the overall risk profile and risk appetite thresholds;
- Risk management is functionally and organizationally independent to business;
- The Board is overall responsible for the risk oversight.

10. Risk Appetite Policy

The Risk Appetite Policy covers the Bank's risk taking-capacity, its desired financial position, the strength of its core earnings and the protection of its reputation and brand. The risk appetite is set and approved at the Board's Risk Committee, tracked and monitored at the business units and reported to the management, through the CRO regularly.

10.1. Credit Risk Management

Credit risk arises when the counterparty fails to fulfill his contractual obligation with the Bank. Towards this end, the Bank is performing robust due diligence for all its customers using internal rating system to determine the Obligor Risk Rating (ORR) to assess the obligor's probability of default. Ratings by the major credit rating agencies are also considered, if available.

Through the Credit Risk Officers, the Chief Credit Officer and the Chief Risk Officer, the Credit risk is controlled through continuous monitoring and assessment of the obligor or counterparty's ability to meet obligations customer's visits and regular review of their financial position and business status. The credit process seeks to identify early warning indicators as preventive measures. Credit limits are set to control the obligor's exposure in terms of type of transaction, tenor, repayment terms. Collaterals are also required as additional protection.

The Bank controls concentrations in the portfolio mix in terms of economic activity, geography, collateral or products. Alinma diversifies the portfolio through customer acquisition across economic sectors, diversifying the type of financing in terms of the short term working capital financing and the typically booking longer term fixed capital expenditure and project financing needs of its clients. Obligors and Sector Concentrations are being monitored by the RMG as well as the funding concentrations (Large Fund Providers) in the Treasury. Among others, the following type of concentrations are monitored regularly:

- Business Segments;
- Economic Sectors;
- Single Customer Groups/ Obligor /Counterparty;
- Banks & Non-Bank Financial Institutions;
- Risk Rating;
- Types of Collaterals (specifically those secured by real estate).

The bank regularly revised its credit polices to align with the actual economic, market and legal landscape.

10.2. Market Risk Management

Market risks are influenced by various factors including market volatility, business direction, macroeconomic factors. This is being controlled by setting market risk's limits and implementing risk policies along the regulatory requirements, Sharia guidelines and statutory regulations. The Market Risk Management Team under the RMG is independently monitoring the market risk exposure of the bank and preparing a regular report to ALCO, through the CRO. Among others, the following are monitored:

- Capital Adequacy Ratio (CAR);
- Liquidity coverage Ratio;
- Net Stable Funding Ratio (NSFR);
- Financing-to- Deposits Ratio;
- Currency Risk;
- Value-at-Risk (VAR);
- Economic Value of Equity (EVE);
- Funding Concentrations;
- Liquidity Gap Report;
- Treasury Investments Limits.

10.3. Operational Risk Management

The Bank's operational risk appetite is stratified using the following factors:

- Gauge of Materiality;
- Risk and Control Self-Assessment (RCSA);
- Loss Data History;
- Stress Testing Result.

The risk appetite is set at the entity level and distributed granularly at the unit level and further at the risk level through the KRI exercise.

11. Credit Risk

11.1. Overview

Credit risk is the potential failure of the counterparty to meet its obligations as per the agreed terms.
The following are the risk taking units:

- Corporate Banking Group (CBG);
- Retail Banking Group (RBG);
- Treasury Group (TG).

11.2. Provisions for Loans/Financing

The bank makes provisions according to guidelines set by SAMA. It therefore creates specific provisions for impaired accounts based on an assessment of the likelihood that the specific obligor will not meet his obligations. The bank also makes collective provisions on the remaining assets of the portfolio based on assessment of the probability of default and the loss in case of default. The periodic specific and collective provisioning strategies are reviewed and agreed by the Chief Credit Officer, the Chief Risk Officer, the Heads of the Business Units, the Chief Finance Officer and by the CEO.

12. Market Risk

12.1. Introduction

Market risk is the risk that the probability that the fair value or the future cash flows of a financial instrument will fluctuate due to changes in market variables such as equity prices, profit rates, foreign exchange rates, and commodity prices.

12.2. Management of Market Risk

ALCO is responsible for monitoring the market risk exposure through the approved Risk Appetite and Treasury Risk Policies.

The objective is to manage volatility in earnings, control the liquidity risk at the Bank level with reporting to the Senior Management, ALCO, Board's Risk Committee, ExCom, Board of Directors and regulators.

12.2.1. Currency Risk

Currency risk is the risk that financial assets that are denominated in foreign currency lose value, or financial liabilities that are denominated in foreign currency gain value. The Treasury Risk Policy has set limits on net open positions by currency groups. There are limits for USD, Other G10 Currencies, GCC Currencies, and all the other currencies. The Bank has negligible exposure in foreign exchange because its assets and liabilities are mainly denominated in Saudi Riyals (SAR) and to a smaller extent in United States Dollars (USD) or in USD-pegged currencies.

12.2.2. Equity Price Risk
Equity price risk refers to the risk of decrease in fair values of the Bank's investments in equities. The Bank's portfolio of securities available for sale is regularly marked to market and positive/negative changes are taken into the Bank's equity, and the comprehensive income.

12.3. Capital Treatment for Market Risk
Alinma Bank computes the minimum capital requirements in market risk using the Standardized Approach. Similarly, capital charge is also calculated for Profit rate risk, foreign currency risk and liquidity risks.

13. Operational Risk
Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Almost the entire bank operations carry the Operational Risk with varying severity.

The Bank has an independent Operational Risk Team under Risk Management Group monitoring and controlling the Operational Risks of the Bank. Functions of this unit are guided by the Operational Risk Policy and Framework. In addition, the Bank has implemented Business Continuity and Disaster Recovery program.

13.1. Management and Monitoring of Operational Risk
The ORM Framework is designed to maintain dependency between the risk management and the risk owners represented by the various business groups within the bank. While keeping the responsibility of managing the business within the business groups common grounds were established to involve the operational risk management team in facilitating the risk identification, measurement and assessing of risks and relevant controls, including documenting and tracking the risk mitigation plans, or risk acceptance.

During the year, the operational risk management team has conducted specialized data gathering through meetings with business heads and senior management endeavoring to gain a clear understanding of business directions by cascading the relevant business unit strategic objectives. The approach is designed to associate the management directions, with the allocated operational risk appetite, and the risk profile.

In preparation for and before commencing the risk identification and assessment activity across the bank, a comprehensive risk awareness program was developed and implemented involving management, risk champions and respective risk owners.

Covering all business and support units within the bank specific risk profiles containing key and significant risks presented at their residual values was arrived at after detailed assessment and testing of the respective controls. A detailed risk heat-map is formed in consultation with business group management to draw their attention to significant and key risks that requires management attention and action on a priority basis.

13.2. Measurement of Operational Risk (OR) Capital Charge
Operational Risk capital charge is calculated using the Basic Indicator Approach (BIA) as per SAMA and BASEL III regime. The BIA for operational risk capital charge calculation applies an alpha (15%) to the average of positive gross income that was achieved over the previous three years by the Bank. The Bank aims to move towards the Standardized Approach (SA) for Operational Risk Capital Charge Calculation in 2014. In this context, the Bank will formally seek SAMA approval for adopting the TSA for 2014. The Bank will also continue to collect loss data history and compare those against the allocated capital per business lines in preparation for the Advance Measurement Approach (AMA) that the Bank is planning to implement in the long term.

14. Sharia Non-compliance Risk
Being an Islamic bank, the Bank is exposed to the risk of Sharia non-compliance. In order to monitor such risks the Bank has established an independent Sharia Board and a Sharia Compliance Audit Unit under Sharia'h Group.

14.1. Sharia Governance

The Sharia'h Compliance Framework was formulated to enable Alinma Bank to communicate its strategies towards the effective and efficient Sharia compliance risk management throughout the organization in line with the Sharia principles. The Sharia Compliance Framework is the enterprise-wide Sharia management plan consisting of Sharia'h Governance Structure, systems processes and control to be undertaken by relevant business entities across the group. The Sharia governance is affected through the following functions:

- Sharia Review;
- Sharia Advisory & Research;
- Sharia Audit.

14.2. Sharia Board

The operation of the Islamic Bank is governed by Sharia'h law of Islamic Banking which stipulates that any licensed Islamic bank is required to provide for the establishment of Sharia'h advisory body to advise the bank on the operations of its business in order to ensure that it does not involve any element which is Sharia'h non-compliant.

The Sharia'h Board is responsible to:

- Advise the Board on Sharia matters in its business operations;
- Endorse Sharia Compliance Manual and Framework;
- Endorse and validate relevant documentations;
- Advise the Bank on the computation and distribution of Zakat;
- Assist related parties on Sharia matters;
- Provide written Sharia opinion.

14.3. Rectification Process of Sharia Non-Compliance Income

The control structure for handling and reporting Sharia'h non-compliance and Potential Sharia'h Non-compliance has already been put in place.

Key measures undertaken by the bank for managing Sharia'h Compliance risk include having in place the following processes:

- Awareness and Communication;
- Identification and assessment;
- Mitigation and control; and
- Monitoring and reporting.

15. Liquidity Risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up. To mitigate this risk, management actively pursues the diversification of funding sources; assets are priced taking liquidity into consideration; the Bank maintains an adequate balance of cash and cash equivalents.

The recent global financial crisis has resulted in a significant change in the regulation and supervision of liquidity risk in financial institutions. Arising from the Basel III liquidity risk management requirements, two ratios are used to manage liquidity risks: Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR).

15.1. Liquidity Risk Management Approach

In terms of day-to-day liquidity management, the Treasury Business Support unit ensures sufficient funding to meet its intraday payment and settlement obligations on a timely basis.

The process of managing liquidity risk also includes:

- Maintaining a sufficient amount of unencumbered high quality liquidity buffer as a protection against any unforeseen interruption to cash flow;
- Managing short- and long-term cash flow via maturity mismatch report and various indicators;
- Monitoring depositor concentration at Bank level to avoid undue reliance on large fund providers;
- Diversifying funding sources to ensure proper funding mix;
- Ensuring that regulatory ratios such as SAMA Liquidity Ratio, LCR and NSFR are maintained at the required minimum;
- Conducting biannually liquidity stress testing under various scenarios as part of prudent liquidity control to examine the effectiveness and robustness of the plans.

All liquidity policies and procedures are covered by the Treasury Risk Policy which is subject to review and approval by the Executive Committee of the Board (EXCOM).

In accordance with Banking Control Law and the regulations issued by SAMA, the Bank maintains a statutory deposit with SAMA equal to 7% of total demand deposits and 4% of customers' time investments.
In addition to the statutory deposit, the Bank also maintains liquid reserves of no less than 20% of its deposit liabilities, in the form of cash and assets, which can be converted into cash within a period not exceeding 30 days.

The Bank has the ability to raise overnight funds through special investment arrangement facilities with SAMA (i.e. Murabaha with SAMA).

16. Profit Rate Risk in Banking Book

Profit rate risk arises from changes in profit rates which affect either the fair values or the future cash flows of profit-rate sensitive financial instruments in the Banking Book.

16.1 Yield sensitivity of assets, liabilities and off balance sheet items

The Bank manages exposure to the effects of various risks associated with fluctuations in the prevailing levels of market profit rates on its financial position and cash flows. The Bank uses the SAIBOR for lending as a benchmark rate for different maturities. At times when these benchmark rates are not representative of the actual transactions in the market, marginal cost-of-fund is provided by Treasury. The Bank charges profit rates based on the maturity of loans (longer term financing requires a higher profit rate).

17. Macroeconomic and business cycle risk

The Macroeconomic and business cycle risk is a risk factor that will in turn give rise to other risk types like credit, market or liquidity. The Bank has assessed this risk using hypothetical but plausible scenario based analysis. The major activity of the Bank is financing, so it is assumed that the impact of such risks would be primarily on the credit risk.

18. Strategic Risk

Strategic Risk of the Bank refers to the risk to its earnings and profitability arising from its strategic decisions, changes in the business conditions and improper implementation of decisions. Thus, Strategic Risk arises due to external causes, arising out of adopting wrong strategies and choices that can cause loss to the Bank in the form of reduction in shareholder value, loss of earnings, etc.

The Bank has assessed its Strategic Risk based on a very conservative scorecard approach considering various risk drivers/factors related to strategic planning process and Implementation capabilities.

19. Reputational Risk

Reputational Risk refers to the potential adverse effects, which can arise from the Bank's reputation being sullied due to factors such as unethical practices, regulatory actions, customer dissatisfaction and complaints, negative/adverse publicity and etc.

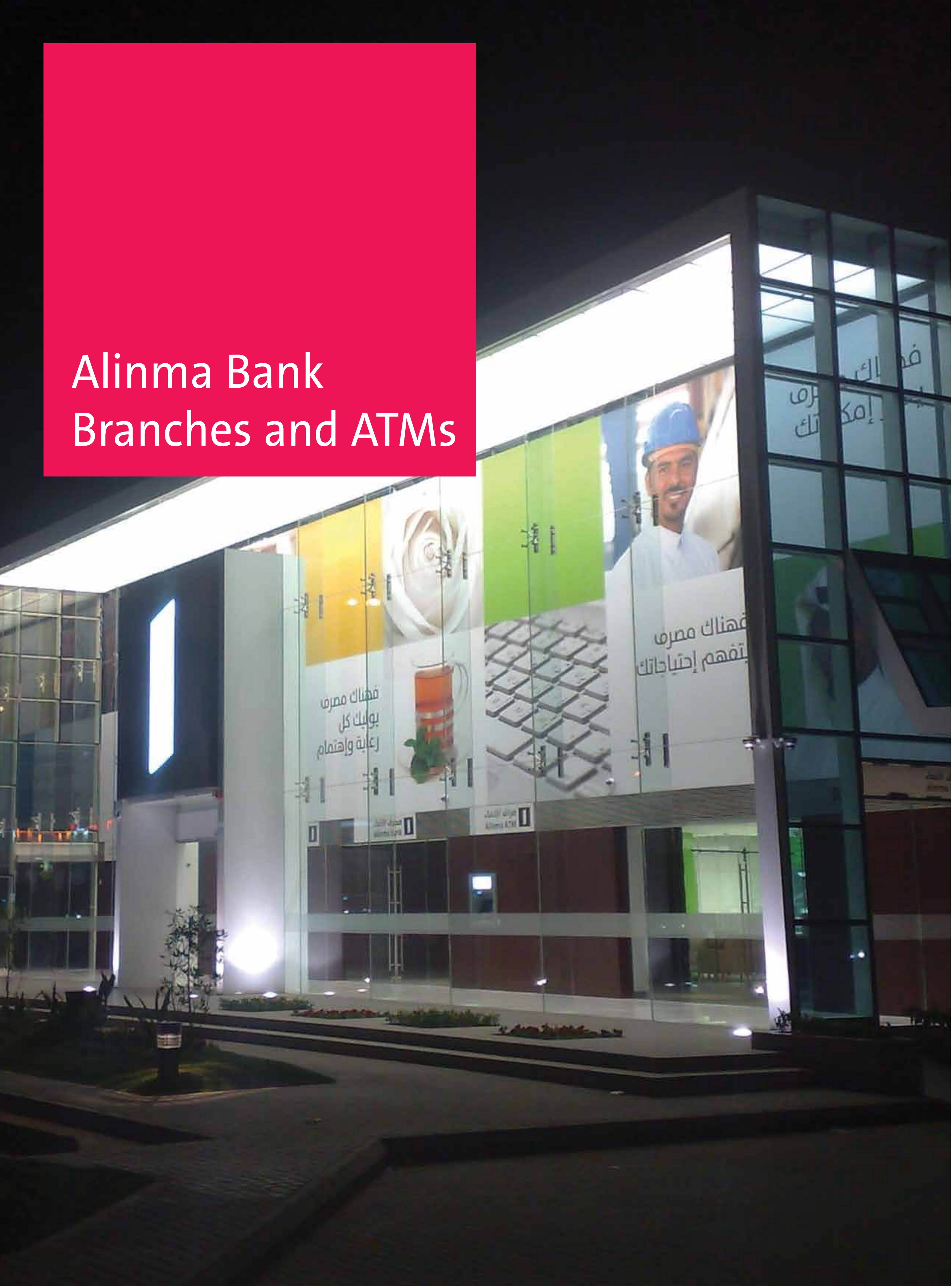
The Bank has assessed the Reputational Risk based on a scorecard approach. The scorecard benchmarks various risk drivers to best practices and generates an overall score.

20. Risk Based Compensation

The Bank has established a Risk-based compensation framework to align the salary and bonuses of employees vis-à-vis their risk taking activities. The core of the implementation is in the performance objective setting and appraisal process at the entity and individual staff's level. The purpose of this effort is to balance the risk vs. reward in pursuing the strategic and business objective and embed risk management into the day-to-day operations of the Bank. The following are the employee categorization arranged by criticality of risk activities:

- Senior Executives requiring SAMA no objection -these employees are Group Heads having authority and responsibility for planning, directing and controlling the activities of the Group;
- Employees engaged in risk taking activities - these employees sit within business areas/divisions/subsidiaries engaged in risk taking activities (Retail Banking, Corporate, Treasury, selected subsidiary departments). They are officers who have direct responsibility and are the key drivers in undertaking business transactions and managing business risks. Such officers may be undertaking these risks on an individual basis or overseeing a group of employees undertaking such risks;
- Employees engaged in control functions - such employees are defined as undertaking a role through which they support the profit generating functions by providing financial and risk control and compliance oversight. Such functions include Finance (financial control), Risk Management, Legal, Compliance, Sharia Compliance, and Internal Audit;
- Other employees - these are all other full time staff not deemed to be 'senior executives requiring SAMA no objection' or 'employees engaged in risk taking activities';
- Outsourced Employees/Service providers engaged in risk taking activities - these employees are outsourced by business areas/divisions/subsidiaries engaged in risk taking activities (Retail Banking, Corporate, Treasury, selected subsidiary departments). Such employees may either be deemed individual risk takers or sitting within a collective group of risk takers.

Alinma Bank Branches and ATMs



Alinma Bank Branches

The following are Alinma locations that are operating as of printing of this report:

Riyadh

Branch	Area	Street
Head Office	Al Olaya	King Fahad
Dharat Al Badiah (Gentlemen & Ladies)	Dharat Al-Badiah	Al-Madinah Al-Munawara
Takhassusi (Gentlemen & Ladies)	Al Olaya	Takhassusi
Al Malaz	Al Malaz	Salah Al Deen Al-Ayoubi (Siteen)
Al Suwaidi (Gentlemen & Ladies)	Al Suwaidi	Al-Suwaidi
Al Rabwah (Gentlemen & Ladies)	Al Rabwah	Omar Bin Abdulaziz
Al Nahda (Gentlemen & Ladies)	Al Nahda	Prince Bandar Ibn Abdulaziz
Al Aziziyyah (Gentlemen & Ladies)	Al Aziziyyah	Al Nasr
Al Ghadeer (Gentlemen & Ladies)	Al Ghadeer	King Abdulaziz
Al Nassem	Al Nassem	Hassan Bin Thabit
Al Rayaan (Gentlemen & Ladies)	Al Rayaan	Imam Shafi
King Faisal (Gentlemen & Ladies)	King Faisal	King Abdullah Road
Al Muraba'a	Al Muraba'a	Faisal Bin Turkey Ibn Abdulaziz
Al Amal (Batha)	Al Amal	Assad Ibn Alforat
Al Rawabi (Gentlemen & Ladies)	Al Rawabi	Imam Saad Bin Abdulrahman
Al Nozha (Gentlemen and Ladies)	Al Nozha	Imam Saud Bin Abdulaziz Bin Mohammed
Al Shifa'a Derab Road	Al Shaifa'a	Derab
Al Shifa'a (Gentlemen and Ladies)	Al Shifa'a	Ibn Taymiya
Al Yasmine (Gentlemen and Ladies)	Al Yasmine	Anas Ibn Malek
Al Rowda (Gentlemen and Ladies)	Al Rowda	Intersection of Al Hassan Ibn Ali and Obada Ibn Al Samit
Qurtoba (Gentlemen and Ladies)	Qurtoba	Dammam High Way, Khalid Ibn Al Walid Exit
Western Swaide	Western Swaide Dist.	Western Ring Road Exit 27
King khaled Airport	King khaled Airport	King khaled Airport - domestic arrival terminal
Al Deerah	Al Deerah district	Al Imam Mohammed bin Saud bin Moqren St.
Al Morouj (Gentlemen and Ladies)	Al Morouj	Imam Saud Bin AbdulAziz Bin Mohammad
Al Yarmouk	Al Yarmouk	Imam Abdullah Bin Saud Bin Abdulaziz
Prince Mohammad bin AbdulAziz Hospital (Gentlemen and Ladies)	Al Rawabi	Inside Prince Mohammad Hospital
Sales Center	Al Mohamdiyyah	Takhassusi
Exchange Center - Inside King Khalid Airport	King khaled Airport	Departure Terminal - International Flights

Dariyyah

Branch	Area	Street
Dariyyah	Al Khaldiya	King Abdulaziz

Kharj

Branch	Area	Street
Kharj (Gentlemen & Ladies)	Al Nahda	King Fahad

Dammam

Branch	Area	Street
Dammam Branch (Gentlemen & Ladies)	Al Tubaishi	Prince Mohammad Bin Fahad (First Street)
Rayaan Branch (Gentlemen & Ladies)	Rayaan	Ali Bin Abi Talib
Uhod (Gentlemen & Ladies)	Uhod	King Fahad

Alinma Bank Branches

Jeddah

Branch	Area	Street
Al Rabwah (Gentlemen & Ladies)	Al Rabwah	King Fahad (Siteen)
Al Rawdah (Gentlemen & Ladies)	Al Rawdah	Sari
Al Balad	Al Balad	King Abdulaziz
Al Safa (Gentlemen & Ladies)	Al Safa	Prince Miteb
Al Marwa (Gentlemen & Ladies)	Al Marwa	Hira'a
Al shati Branch	Al shati district	King Abdulaziz Road

Makkah

Branch	Area	Street
Makkah (Gentlemen & Ladies)	Al Aziziyyah	Al Aziziyyah - Al-Aql Tower

Taif

Branch	Area	Street
Taif (Gentlemen & Ladies)	Moeashi	Al Jaish

Madinah

Branch	Area	Street
Al Madinah (Gentlemen & Ladies)	Al Khaledya	Ring Road near Al Naghi Agency

Khobar

Branch	Area	Street
Al Raka	Al Raka	Dammam – Khobar Coastal Road
Al Yarmouk (Gentlemen & Ladies)	Al Yarmouk	Prince Turki

Jubail

Branch	Area	Street
Jubail (Gentlemen & Ladies)	Al Fanateer	Al Khamis

Hafr Al-Batin

Branch	Area	Street
Hafr Al Batin (Gentlemen & Ladies)	Al Baladiya	King Faisal

Mubarraz

Branch	Area	Street
Mubarraz (Gentlemen & Ladies)	Al Khars	King Fahad

Hofouf

Branch	Area	Street
Hofouf	Al Souq	King Abdulaziz

Abha

Branch	Area	Street
Abha (Gentlemen & Ladies)	Al Sad	Al Hozam Ring Road

Khamis Mushait

Branch	Area	Street
Khamis Mushait (Gentlemen & Ladies)	Al Rowda	King Khalid near King Fahad Mosque

Buraidah

Branch	Area	Street
Buraidah (Gentlemen & Ladies)	Al Safra	King Abdullah

Onaiza

Branch	Area	Street
Onaiza (Gentlemen & Ladies)	Al Ahrafia	Al Zolfi

Al Rass

Branch	Area	Street
Al Rass (Gentlemen and Ladies)	King Abdulaziz	King Abdulaziz

Hail

Branch	Area	Street
Hail (Gentlemen & Ladies)	Al Matar	King Abdulaziz

Arara

Branch	Area	Street
Arar (Gentlemen & Ladies)	Al Rowda	Intersection of King Saud with Prince Abdulaziz Bin Masa'ad

Tabouk

Branch	Area	Street
Tabouk (Gentlemen and Ladies)	Al Morouj	King Abdullah

Sikaka

Branch	Area	Street
Sikaka (Gentlemen and Ladies)	Al Shalhoub	King Fahad

Najran

Branch	Area	Street
Najran (Gentlemen & Ladies)	Prince Mishal	King Abdulaziz

Zulfi

Branch	Area	Street
Zulfi (Gentlemen & Ladies)	Khaldia	King Fahad Roed

Alinma ATMs

The bank has a kingdom-wide network of more than 1022 state-of-the-art ATMs. For more information about the bank's branches and ATMs, please visit our website www.alinma.com or call the Alinma Phone service at 800 120 8000.

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