

ALINMA BANK
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

FOR THE SIX MONTHS PERIOD ENDED
JUNE 30, 2013



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



P.O. Box 2732
Riyadh 11461
Kingdom of Saudi Arabia

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

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

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Alinma Bank and its subsidiaries (the “Bank”) as of June 30, 2013, and the related interim consolidated statements of income and comprehensive income for the three month and six month periods ended June 30, 2013 and the interim consolidated statements of changes in shareholders’ equity and cash flows for six month period then ended and the notes from (1) to (15). We have not reviewed note 16, nor the information related to “Basel III pillar 3 disclosures” cross-referenced therein, which is not required to be within the scope of our review. The Bank’s management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with applicable Accounting Standards for Financial Institutions and certain capital adequacy disclosure requirements issued by the Saudi Arabian Monetary Agency (“SAMA”) and with International Accounting Standard No. 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with generally accepted standards in the Kingdom of Saudi Arabia applicable to review engagements and with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



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Conclusion

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

Other Regulatory Matters

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

PricewaterhouseCoopers

Mohammed A. Al Obaidi
Registration No. 367

Ernst & Young

Rashid S. Al Rashoud
Registration No. 366



Riyadh
26th Ramadhan, 1434H
(August 4, 2013)



ALINMA BANK
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	June 30, 2013 (Unaudited) SAR'000	December 31, 2012 (Audited) SAR'000	June 30, 2012 (Unaudited) SAR'000
ASSETS				
Cash and balances with Saudi Arabian Monetary Agency ("SAMA")		4,247,785	2,764,956	1,966,308
Due from banks and other financial institutions		2,913,973	9,007,813	6,703,334
Investments	4	5,796,799	1,960,243	2,423,502
Financing, net	5	41,569,395	37,186,500	30,035,628
Property and equipment, net		1,428,446	1,447,824	1,408,976
Other assets		1,985,603	1,647,117	1,654,306
Total assets		57,942,001	54,014,453	44,192,054
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES				
Due to banks and other financial institutions		1,300,759	2,414,532	1,184,417
Customers' deposits	6	36,466,122	32,213,612	25,964,080
Other liabilities		3,048,183	2,722,112	810,575
Total liabilities		40,815,064	37,350,256	27,959,072
SHAREHOLDERS' EQUITY				
Share capital		15,000,000	15,000,000	15,000,000
Statutory reserve		446,259	446,259	262,969
Net change in fair value of 'available for sale' investments		30,463	33,784	5,828
Retained earnings		1,801,644	1,338,775	1,118,806
Other reserves	12	3,192	-	-
Treasury shares		(154,621)	(154,621)	(154,621)
Total shareholders' equity		17,126,937	16,664,197	16,232,982
Total liabilities and shareholders' equity		57,942,001	54,014,453	44,192,054

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

ALINMA BANK
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF INCOME (Unaudited)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30

	<u>For the three months ended</u>		<u>For the six months ended</u>	
	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Note	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>
Income from investments and financing	499,688	373,410	983,475	726,992
Return on time investments	(42,783)	(27,046)	(83,303)	(50,267)
Net income from investments and financing activities	456,905	346,364	900,172	676,725
Fees from banking services, net	74,709	127,995	124,622	163,631
Exchange income, net	7,979	5,382	15,298	10,636
Income /(loss) from FVIS financial instruments, net	4,458	(2,946)	6,459	1,194
Gain on sale of 'available for sale' investments	4,907	4,423	15,610	19,353
Dividend income	10,152	2,906	12,812	5,648
Other operating income	21	21	5,868	42
Total operating income	559,131	484,145	1,080,841	877,229
Salaries and employee related expenses	129,649	119,895	258,977	234,980
Rent and premises related expenses	22,349	20,384	42,353	37,646
Depreciation and amortization	38,469	37,394	78,186	72,322
Other general and administrative expenses	64,658	50,169	122,743	108,617
Charge for impairment	60,493	67,414	111,519	84,291
Total operating expenses	315,618	295,256	613,778	537,856
Net operating income	243,513	188,889	467,063	339,373
Share of loss from an associate	(2,052)	(9,473)	(4,194)	(9,473)
Net income for the period	241,461	179,416	462,869	329,900
Basic and diluted earnings per share (SAR)	10 0.16	0.12	0.31	0.22

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

ALINMA BANK
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30

	<u>For the three months ended</u>		<u>For the six months ended</u>	
	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>
	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>
Net income for the period	241,461	179,416	462,869	329,900
Other comprehensive income to be reclassified to income statements in subsequent periods:				
Net change in fair value of 'available for sale' investments	(6,666)	(21,928)	12,289	28,414
Net gain realized on available for sale investments	(4,907)	(4,423)	(15,610)	(19,353)
Total comprehensive income for the period	229,888	153,065	459,548	338,961

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

ALINMA BANK

(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

FOR THE SIX MONTHS PERIOD ENDED JUNE 30

SAR'000

2013	Share capital	Statutory reserve	Net change in fair value of 'available for sale' investments	Retained earnings	Other reserves	Treasury shares	Total
Balance at the beginning of the period	15,000,000	446,259	33,784	1,338,775	-	(154,621)	16,664,197
Net income for the period	-	-	-	462,869	-	-	462,869
Net change in fair value of available for sale investments	-	-	12,289	-	-	-	12,289
Net gain realized on 'available for sale' investments	-	-	(15,610)	-	-	-	(15,610)
Total comprehensive income for the period	-	-	(3,321)	462,869	-	-	459,548
Employees share plan reserve	-	-	-	-	3,192	-	3,192
Balance at the end of the period	15,000,000	446,259	30,463	1,801,644	3,192	(154,621)	17,126,937

SAR'000

2012	Share capital	Statutory reserve	Net change in fair value of 'available for sale' investments	Retained earnings	Other reserves	Treasury Shares	Total
Balance at the beginning of the period	15,000,000	262,969	(3,233)	788,906	-	(154,621)	15,894,021
Net income for the period	-	-	-	329,900	-	-	329,900
Net change in fair value of 'available for sale' investments	-	-	28,414	-	-	-	28,414
Net gain realized on available for sale investments	-	-	(19,353)	-	-	-	(19,353)
Total comprehensive income for the period	-	-	9,061	329,900	-	-	338,961
Employees share plan reserve	-	-	-	-	-	-	-
Balance at the end of the period	15,000,000	262,969	5,828	1,118,806	-	(154,621)	16,232,982

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

ALINMA BANK

(A Saudi Joint Stock Company)

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30**

	Note	2013 SAR'000	2012 SAR'000
OPERATING ACTIVITIES			
Net income for the period		462,869	329,900
Adjustments to reconcile net income to net cash (used in)/ from/operating activities:			
Depreciation and amortization		78,186	72,322
Loss on disposal of property and equipment, net		2,707	-
Income from FVIS financial instruments, net		(6,459)	(1,194)
Charge for impairment		111,519	84,291
Employees share plan reserve		3,192	-
Share of loss from an associate		4,194	9,473
		656,208	494,792
Net (increase)/decrease in operating assets:			
Statutory deposit with SAMA		(398,326)	(383,925)
Due from banks and other financial institutions, maturing after ninety days from the date of acquisition		1,330,934	393,840
Investments		(3,837,612)	1,005,561
Financing		(4,464,643)	(4,861,385)
Other assets		(368,257)	(353,109)
Net increase/(decrease) in operating liabilities:			
Due to banks and other financial institutions		(1,113,773)	(1,258,459)
Customers' deposits		4,252,510	8,187,796
Other liabilities		326,071	140,390
		(3,616,888)	3,365,501
Net cash (used in)/from operating activities			
INVESTING ACTIVITIES			
Acquisition of property and equipment		(94,215)	(102,053)
Proceeds from disposal of property and equipment		32,700	-
		(61,515)	(102,053)
Net cash used in investing activities			
Net (decrease) / increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		6,865,902	485,297
	8	3,187,499	3,748,745
Cash and cash equivalents at the end of the period		841,804	756,074
Income received from investments and financing		68,778	39,229
Return paid on time investments		12,812	5,648
Dividend received			
Supplemental non-cash information			
Net change in fair value less realized gain on 'available for sale' investments		(3,321)	9,061

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

ALINMA BANK

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2013

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). The Bank operates under Ministerial Resolution No.173 and Commercial Registration No. 1010250808 both dated 21/05/1429H (corresponding to May 26, 2008) and providing banking services through 51 branches (June 30, 2012: 43) 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 interim condensed consolidated financial statements comprise the financial statements of the Bank and its following subsidiaries (the Bank):

Subsidiaries	Bank's Ownership	Establishment date
Alinma Investment Company	100 %	07 Jumada II 1430 H (corresponding to May 31, 2009)
Al-Tanweer Real Estate Company	100 %	24 Sha'aban 1430 H (corresponding to August 15, 2009)

The Bank's objective is to provide full range of banking and investment services through products and instruments that are in accordance with Islamic Shariah, the Articles of Association and within the provisions of Banking Control Law.

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 approval and review.

2. Basis of preparation

These interim condensed consolidated financial statements have been prepared using uniform accounting policies, estimates, judgement and valuation methods for like transactions and other events in similar circumstances as disclosed in the annual consolidated financial statements of the Bank as of and for the financial year ended December 31, 2012. However, these interim condensed consolidated financial statements do not include all information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the annual consolidated financial statements of the Bank as of and for the financial year ended December 31, 2012.

a) Statement of compliance

These interim condensed consolidated financial statements have been prepared:

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

b) Basis of measurement

These interim condensed 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 income statements (FVIS) and available for sale (AFS) investments.

c) Functional and presentation currency

These interim condensed consolidated financial statements are presented in Saudi Arabian Riyals (“SAR”) which is Bank’s functional currency. Except as indicated, financial information presented in SAR has been rounded off to the nearest thousands.

d) Basis of consolidation

These interim condensed consolidated financial statements comprise the financial statements of the Bank and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank.

Subsidiaries are the entities that are controlled by the Bank. The Bank controls an entity when, 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. Subsidiaries are consolidated from the date on which control is transferred to the Bank and cease to be consolidated from the date on which the control is transferred from the Bank. The results of subsidiaries acquired or disposed of during the period, if any, are included in the interim consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The accounting policies adopted by the subsidiaries are consistent with that of Bank’s accounting policies. Adjustments, if any, are made to the financial statements of the subsidiaries to align with the Bank’s financial statements.

Since the subsidiaries are fully owned by the Bank, there is no non-controlling interest to be disclosed.

Intra-group balances and any income and expenses arising from intra-group transactions, are eliminated in preparing these interim condensed consolidated financial statements.

3. Summary of significant accounting policies

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those described in the annual consolidated financial statements for the year ended December 31, 2012, except for the accounting policy described in 3(a) and the adoption of following relevant new standards and amendments to the existing standards that are applicable during 2013.

Standard, and amendments	Effective date	Brief description of changes
IFRS 10 “Consolidated Financial Statements”	January 01, 2013	IFRS 10 introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees.
IFRS 12 “Disclosure of Interests in Other Entities”	January 01, 2013	IFRS 12 requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
IFRS 13 “Fair Value Measurement”	January 01, 2013	IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines, a framework and sets out disclosure requirements for fair value measurement. It explains how to measure fair value when it is required or permitted by other IFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.
Amendments to IAS 1 “Presentation of financial statements”	January 01, 2013	Amendments to IAS 1 Presentation of financial statements: amends IAS 1 to revise the way other comprehensive income is presented.
Amendments to IFRS 7 Financial Instruments: Disclosures	January 01, 2013	Amendments require information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32 and also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and agreements even if they are not set off under IAS 32.

These adoptions have no material impact on the interim condensed 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 with effect from future dates.

3(a). 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 Employee Share Participation Scheme (ESPS), the eligible employees are offered shares at a pre-determined strike price on the grant date. Deductions are made on monthly basis from the employee salary over the vesting period of three years. On the completion of 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 Employee Share Grant Scheme, 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 statement of interim consolidated income for a reporting period represents the movement in cumulative expense recognized as at the beginning and end of that period.

4. Investments

	June 30, 2013 (Unaudited) SAR'000	December 31, 2012 (Audited) SAR'000	June 30, 2012 (Unaudited) SAR'000
Murabahas with SAMA, (at amortized cost)	4,000,000	900,000	1,549,984
Available for sale	1,718,104	987,979	798,857
Held as FVIS	38,901	28,277	26,634
Investment in an associate	39,794	43,987	48,027
Total	<u>5,796,799</u>	<u>1,960,243</u>	<u>2,423,502</u>

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

5. Financing, net

	June 30, 2013 (Unaudited) SAR'000	December 31, 2012 (Audited) SAR'000	June 30, 2012 (Unaudited) SAR'000
Retail	8,325,257	6,191,388	4,992,951
Corporate	33,426,562	31,154,525	25,144,560
Performing financing	41,751,819	37,345,913	30,137,511
Non performing financing	180,861	122,125	110,142
Total financing-gross	41,932,680	37,468,038	30,247,653
Allowance for impairment	(363,285)	(281,538)	(212,025)
Financing, net	<u>41,569,395</u>	<u>37,186,500</u>	<u>30,035,628</u>

6. Customers' deposits

	Notes	June 30, 2013 (Unaudited) SAR'000	December 31, 2012 (Audited) SAR'000	June 30, 2012 (Unaudited) SAR'000
Demand deposits		20,399,640	19,511,453	12,757,029
Customers' time investments	6.1	15,885,063	9,972,540	10,983,261
Others	6.2	181,419	2,729,619	2,223,790
Total		36,466,122	32,213,612	25,964,080

6.1 It represents Murabaha and Mudarbah with customers.

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

7. Credit related commitments and contingencies

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

	June 30, 2013 (Unaudited) SAR'000	December 31, 2012 (Audited) SAR'000	June 30, 2012 (Unaudited) SAR'000
Letters of credit	1,157,897	3,586,140	3,522,405
Letters of guarantee	2,551,613	2,517,335	2,674,106
Acceptances	228,773	239,365	344,354
Irrevocable commitments to extend credit	1,188,544	1,854,432	5,469,024
Total	5,126,827	8,197,272	12,009,889

8. Cash and cash equivalents

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

	June 30, 2013 (Unaudited) SAR'000	December 31, 2012 (Audited) SAR'000	June 30, 2012 (Unaudited) SAR'000
Cash in hand	900,579	689,227	529,419
Balances with SAMA excluding statutory deposit	1,276,656	403,506	49,486
Due from banks and other financial institutions maturing within ninety days from the date of acquisition	1,010,264	5,773,169	3,169,840
Total	3,187,499	6,865,902	3,748,745

9. Operating segments

Operating segments are identified on the basis of internal reports about activities of the Bank that are regularly reviewed by the key decision makers including CEO and the Assets and Liabilities Committee (ALCO), in order to allocate resources to the segments and to assess their performance.

The Bank's primary business is conducted in Saudi Arabia. Transactions between the operating segments are on terms as approved by the management. Majority of the segment assets and liabilities comprise of operating assets and liabilities.

The Bank's reportable segments are as follows:

a) Retail banking

Financing, deposit and other products/services for individuals and small to medium sized businesses.

b) Corporate banking

Financing, deposit and other products and services for corporate and institutional customers.

c) Treasury

Murabahas and mudaraba with banks, investments and treasury services.

d) Investment and brokerage

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

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

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

SAR '000	June 30, 2013				
	Retail	Corporate	Treasury	Investment & brokerage	Total
Total assets	10,074,137	35,082,727	12,078,767	706,370	57,942,001
Total liabilities	18,912,524	8,740,559	12,712,165	449,816	40,815,064
Net income from investments and financing	266,774	464,665	167,462	1,271	900,172
Fees from banking services and other operating income	37,787	72,913	48,491	21,478	180,669
Total operating income	304,561	537,578	215,953	22,749	1,080,841
Charge for impairment	38,766	72,753	-	-	111,519
Depreciation and amortization	37,459	28,793	11,455	479	78,186
Other operating expenses	229,709	123,717	49,845	20,802	424,073
Total operating expenses	305,934	225,263	61,300	21,281	613,778
Net operating income / (loss)	(1,373)	312,315	154,653	1,468	467,063
Share of loss from an associate	-	-	(4,194)	-	(4,194)
Net income/(loss) for the period	(1,373)	312,315	150,459	1,468	462,869

SAR '000	June 30, 2012				
	Retail	Corporate	Treasury	Investment & brokerage	Total
Total assets	6,158,671	26,782,760	10,824,494	426,129	44,192,054
Total liabilities	14,843,890	4,673,465	8,214,477	227,240	27,959,072
Net income from investments and financing	178,019	358,210	139,169	1,327	676,725
Fees from banking services and other operating income	23,327	126,918	35,701	14,558	200,504
Total operating income	201,346	485,128	174,870	15,885	877,229
Charge for impairment	67,691	16,600	-	-	84,291
Depreciation and amortization	30,806	29,261	11,768	487	72,322
Other operating expenses	192,292	121,287	50,008	17,656	381,243
Total operating expenses	290,789	167,148	61,776	18,143	537,856
Net operating income / (loss)	(89,443)	317,980	113,094	(2,258)	339,373
Share of loss from an associate	-	-	(9,473)	-	(9,473)
Net income/(loss) for the period	(89,443)	317,980	103,621	(2,258)	329,900

10. Earnings per share

Earnings per share are calculated by dividing the net income by the weighted average number of outstanding shares (Basic, 1,485 million, diluted 1,491 million) at the period end.

11. Fair values of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of on-balance sheet financial instruments are not significantly different from their carrying values included in the interim consolidated financial statements.

The bank uses following hierarchy for determining and disclosing the fair value of financial instruments

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

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

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

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

June 30,2013	SAR '000			
	Level 1	Level 2	Level 3	Total
Financial assets held as FVIS	38,901	-	-	38,901
Financial assets held as Available for sale	1,718,104	-	-	1,718,104
Total	1,757,005	-	-	1,757,005

June 30,2012	SAR '000			
	Level 1	Level 2	Level 3	Total
Financial assets held as FVIS	26,634	-	-	26,634
Financial assets held as Available for sale	798,857	-	-	798,857
Total	825,491	-	-	825,491

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

12. Employees share-based plans

Significant features of the Employee Share based schemes outstanding at the end of the period are as follows:

Nature of scheme	ESPS	ESGS
No. of outstanding Schemes	01	01
Grant date	June 01, 2013	April 01, 2013
Maturity date	May 31, 2016	March 31, 2018
Number of shares granted	2,786,621	3,032,000
Vesting period	3 years	3-5 years
Value of shares granted (SAR)	39,012,694	39,870,800
Strike price per share at grant date (SAR)	11.5	-
Fair value per share at grant date (SAR)	14.0	13.15
Vesting condition	Employee remain in service and meets prescribed performance criteria	Employee remain in service and meets prescribed performance criteria
Method of settlement	Equity	Equity
Valuation model used	Market Value	Market Value
Weighted average remaining contractual life	2.92 years	4.75 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	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Beginning of the year	-	-	-	-
Granted during the year	11.5	-	2,786,621	-
Forfeited	-	-	-	-
Exercised/expired	-	-	-	-
End of the year	11.5	-	2,786,621	-
Exercisable at period end	-	-	-	-

These rights are granted only under a service/performance condition with no market condition associated with them. Total amount of expense recognized during the period in these interim consolidated financial statements in respect of these schemes was SAR 3.192 million. (June 30, 2012: NIL).

13. Capital adequacy

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

Capital adequacy and the use of regulatory capital are monitored by the Bank's management. SAMA requires to hold and maintain 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 as at June 30, 2013 are calculated using Basel III framework. The comparative balances and ratios have not been restated and are based on Basel II framework.

	June 30, 2013 (Unaudited)	December 31, 2012 (Audited)	June 30, 2012 (Unaudited)
	SAR'000	SAR'000	SAR'000
Credit Risk Weighted Assets	46,054,037	43,940,575	40,500,128
Operational Risk Weighted Assets	2,919,371	2,561,291	2,104,466
Market Risk Weighted Assets	6,417,450	4,773,266	2,426,136
Total Pillar-I Risk Weighted Assets	55,390,858	51,275,132	45,030,730
Tier I Capital	17,093,282	16,608,419	15,897,254
Tier II Capital	280,190	200,141	475,038
Total Tier I & II Capital	17,373,472	16,808,560	16,372,292
Capital Adequacy Ratio %			
Tier I ratio	31%	32%	35%
Tier I + Tier II ratio	31%	33%	36%

14. Comparative figures

Certain prior period figures have been reclassified to conform to current period presentation.

15. Approval of the financial statements

These interim condensed consolidated financial statements were approved on Sha'aban 27, 1434H (corresponding to July 06, 2013).

16. Basel III Pillar III disclosures

Certain additional quantitative disclosures are required under Basel III Pillar 3, will be made available to the public on the Bank's website (www.alinma.com) within 60 business days after June 30, 2013 as required by SAMA. Such disclosures are not subject to review by the external auditors of the Bank.