

ALINMA BANK
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

FOR THE THREE MONTHS PERIOD ENDED
MARCH 31, 2013



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



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

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

Introduction

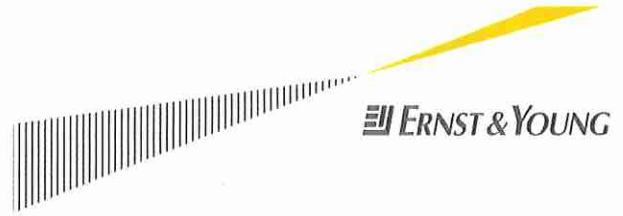
We have reviewed the accompanying interim consolidated statement of financial position of Alinma Bank and its subsidiaries (the "Bank") as of March 31, 2013, and the related interim consolidated statements of comprehensive income, changes in shareholders' equity, cash flows and the notes from (1) to (13) for the three months period then ended. 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 (11) to the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note (11) 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



19 Jumada II, 1434H
(April 29, 2013)



ALINMA BANK
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	March 31, 2013 (Unaudited) SAR'000	December 31, 2012 (Audited) SAR'000	March 31, 2012 (Unaudited) SAR'000
ASSETS				
Cash and balances with Saudi Arabian Monetary Agency ("SAMA")		3,509,066	2,764,956	2,761,124
Due from banks and other financial institutions		5,039,449	9,007,813	4,323,759
Investments	4	5,055,193	1,960,243	2,323,497
Financing, net	5	39,415,822	37,186,500	27,608,372
Property and equipment, net		1,456,090	1,447,824	1,390,426
Other assets		1,760,910	1,647,117	1,464,969
Total assets		56,236,530	54,014,453	39,872,147
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES				
Due to banks and other financial institutions		1,689,530	2,414,532	1,603,129
Customers' deposits	6	34,357,814	32,213,612	21,329,311
Other liabilities		3,295,329	2,722,112	859,790
Total liabilities		39,342,673	37,350,256	23,792,230
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		42,036	33,784	32,179
Retained earnings		1,560,183	1,338,775	939,390
Treasury shares		(154,621)	(154,621)	(154,621)
Total shareholders' equity		16,893,857	16,664,197	16,079,917
Total liabilities and shareholders' equity		56,236,530	54,014,453	39,872,147

The accompanying notes from 1 to 13 form an integral part of these interim condensed consolidated financial statements.

ALINMA BANK
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF INCOME (Unaudited)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31

	Note	2013 SAR'000	2012 SAR'000
Income from investments and financing		483,786	353,582
Return on time investments		(40,520)	(23,221)
Net income from investments and financing activities		443,266	330,361
Fees from banking services, net		49,913	35,636
Exchange income, net		7,318	5,254
Income from FVIS financial instruments, net		2,001	4,140
Gain on sale of available for sale investments		10,704	14,930
Dividend income		2,660	2,742
Other operating income		5,847	21
Total operating income		521,709	393,084
Salaries and employee related expenses		129,328	115,085
Rent and premises related expenses		20,004	17,262
Depreciation and amortization		39,717	34,928
Other general and administrative expenses		58,084	58,448
Charge for impairment on financing		51,026	16,877
Total operating expenses		298,159	242,600
Net operating income		223,550	150,484
Share of loss from associate		(2,142)	-
Net income for the period		221,408	150,484
Basic and diluted earnings per share (SAR)	10	0.15	0.10

The accompanying notes from 1 to 13 form an integral part of these interim condensed consolidated financial statements.

ALINMA BANK
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INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31

	2013	2012
	SAR'000	SAR'000
Net income for the period	221,408	150,484
Other comprehensive income to be reclassified to income statements in subsequent periods:		
Net change in fair value of available for sale investments	18,956	50,342
Net gain realized on available for sale investments	(10,704)	(14,930)
Total comprehensive income for the period	229,660	185,896

The accompanying notes from 1 to 13 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

FOR THE THREE MONTHS PERIOD ENDED MARCH 31

	SAR'000					
2013	Share capital	Statutory reserve	Net change in fair value of 'available for sale' investments	Retained earnings	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	-	-	-	221,408	-	221,408
Net change in fair value of available for sale investments	-	-	18,956	-	-	18,956
Net gain realized on available for sale investments	-	-	(10,704)	-	-	(10,704)
Total comprehensive income for the period	-	-	8,252	221,408	-	229,660
Balance at the end of the period	15,000,000	446,259	42,036	1,560,183	(154,621)	16,893,857

	SAR'000					
2012	Share capital	Statutory reserve	Net change in fair value of 'available for sale' investment	Retained earnings	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	-	-	-	150,484	-	150,484
Net change in fair value of available for sale investments	-	-	50,342	-	-	50,342
Net gain realized on available for sale investments	-	-	(14,930)	-	-	(14,930)
Total comprehensive income for the period	-	-	35,412	150,484	-	185,896
Balance at the end of the period	15,000,000	262,969	32,179	939,390	(154,621)	16,079,917

The accompanying notes from 1 to 13 form an integral part of these interim condensed consolidated financial statements.

ALINMA BANK

(A Saudi Joint Stock Company)

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31**

	2013	2012
Note	SAR'000	SAR'000
OPERATING ACTIVITIES		
Net income for the period	221,408	150,484
Adjustments to reconcile net income to net cash from / (used in) operating activities:		
Depreciation and amortization	39,717	34,928
Gain on disposal of property and equipment	(5,799)	-
Income from FVIS financial instruments, net	(2,001)	(4,140)
Charge for impairment on financing	51,026	16,877
Share of loss from associate	2,142	-
	306,493	198,149
Net (increase)/decrease in operating assets:		
Statutory deposit with SAMA	(163,914)	(188,734)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition	628,870	35,150
Investments	(3,086,839)	1,144,336
Financing	(2,280,349)	(2,366,715)
Other assets	(113,793)	(163,772)
Net increase/(decrease) in operating liabilities:		
Due to banks and other financial institutions	(725,002)	(839,747)
Customers' deposits	2,144,202	3,553,027
Other liabilities	573,217	189,605
Net cash (used in)/from operating activities	(2,717,115)	1,561,299
INVESTING ACTIVITIES		
Acquisition of property and equipment	(74,884)	(46,109)
Proceeds from disposal of property and equipment	32,700	-
Net cash used in investing activities	(42,184)	(46,109)
Net (decrease) / increase in cash and cash equivalents	(2,759,299)	1,515,190
Cash and cash equivalents at beginning of the period	6,865,902	485,297
Cash and cash equivalents at end of the period	4,106,603	2,000,487
Income received from investments and financing	410,931	364,261
Return paid on time investments	33,900	14,421
Dividend received	2,660	2,742
Supplemental non-cash information		
Net change in fair value less realized gain on available for sale investments	8,252	35,412

The accompanying notes from 1 to 13 form an integral part of these interim condensed consolidated financial statements.

ALINMA BANK

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 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 50 branches (March 31, 2012: 42) 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 a 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 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, establishes a framework and sets out disclosure requirements for fair value measurements. 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 these 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.

4. Investments

	Note	March 31, 2013 (Unaudited) SAR'000	December 31, 2012 (Audited) SAR'000	March 31, 2012 (Unaudited) SAR'000
Murabahas with SAMA, (at amortized cost)		4,000,000	900,000	1,549,984
Available for sale		958,635	987,979	686,433
Held as FVIS		54,713	28,277	29,580
Investment in associate	4.1	41,845	43,987	57,500
Total		5,055,193	1,960,243	2,323,497

- 4.1. Investment in 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

	March 31, 2013 (Unaudited) SAR'000	December 31, 2012 (Audited) SAR'000	March 31, 2012 (Unaudited) SAR'000
Retail	7,356,629	6,191,388	4,538,563
Corporate	32,254,397	31,154,525	23,146,351
Performing financing	39,611,026	37,345,913	27,684,914
Non performing financing	137,360	122,125	68,069
Total financing-gross	39,748,386	37,468,038	27,752,983
Allowance for impairment	(332,564)	(281,538)	(144,611)
Financing, net	39,415,822	37,186,500	27,608,372

6. Customers' deposits

	Note	March 31, 2013 (Unaudited) SAR'000	December 31, 2012 (Audited) SAR'000	March 31, 2012 (Unaudited) SAR'000
Demand deposits		21,069,272	19,511,453	11,105,962
Customers' time investments	6.1	12,466,075	9,972,540	8,855,294
Others	6.2	822,467	2,729,619	1,368,055
Total		34,357,814	32,213,612	21,329,311

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:

	March 31, 2013 (Unaudited)	December 31, 2012 (Audited)	March 31, 2012 (Unaudited)
	SAR'000	SAR'000	SAR'000
Letters of credit	2,117,144	3,586,140	2,437,925
Letters of guarantee	2,504,869	2,517,335	3,083,550
Acceptances	271,555	239,365	99,022
Irrevocable commitments to extend credit	1,691,921	1,854,432	1,584,107
Total	6,585,489	8,197,272	7,204,604

8. Cash and cash equivalents

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

	March 31, 2013 (Unaudited)	December 31, 2012 (Audited)	March 31, 2012 (Unaudited)
	SAR'000	SAR'000	SAR'000
Cash in hand	914,035	689,227	455,380
Balances with SAMA excluding statutory deposit	758,894	403,506	1,113,532
Due from banks and other financial institutions maturing within ninety days from the date of acquisition	2,433,674	5,773,169	431,575
Total	4,106,603	6,865,902	2,000,487

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 with banks, investments and treasury services.

d) Investment and brokerage

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

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

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

SAR '000	March 31, 2013				
	Retail	Corporate	Treasury	Investment & brokerage	Total
Total assets	8,987,994	33,866,774	12,830,963	550,799	56,236,530
Total liabilities	17,707,834	9,786,846	11,539,976	308,017	39,342,673
Net income from investments and financing	127,216	234,779	80,742	529	443,266
Fees from banking services and other operating income	18,341	32,841	22,997	4,264	78,443
Total operating income	145,557	267,620	103,739	4,793	521,709
Charge for impairment on financing	20,840	30,186	-	-	51,026
Depreciation and amortization	18,397	15,076	6,024	220	39,717
Other operating expenses	106,953	63,756	25,641	11,066	207,416
Total operating expenses	146,190	109,018	31,665	11,286	298,159
Net operating income / (loss)	(633)	158,602	72,074	(6,493)	223,550
Share of loss from associate	-	-	(2,142)	-	(2,142)
Net income / (loss) for the period	(633)	158,602	69,932	(6,493)	221,408

SAR '000	March 31, 2012				
	Retail	Corporate	Treasury	Investment & brokerage	Total
Total assets	5,584,473	24,689,348	9,094,520	503,806	39,872,147
Total liabilities	11,555,565	5,287,947	6,647,614	301,104	23,792,230
Net income from investments and financing	86,758	173,555	69,375	673	330,361
Fees from banking services and other operating income	7,086	22,943	26,480	6,214	62,723
Total operating income	93,844	196,498	95,855	6,887	393,084
Charge for impairment on financing	16,877	-	-	-	16,877
Depreciation and amortization	14,800	14,088	5,800	240	34,928
Other operating expenses	94,146	61,665	25,708	9,276	190,795
Total operating expenses	125,823	75,753	31,508	9,516	242,600
Net operating income / (loss)	(31,979)	120,745	64,347	(2,629)	150,484
Share of loss from associate	-	-	-	-	-
Net income / (loss) for the period	(31,979)	120,745	64,347	(2,629)	150,484

10. 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 1,485 million at the period end after accounting for treasury shares.

11. Capital adequacy

The Bank maintains an actively managed capital base to cover risks inherent in its business. 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.

The Bank monitors the adequacy of its capital using ratios established by SAMA at or above the prescribed minimum of 8%. These ratios measure capital adequacy by comparing the Bank's eligible capital with its statement of financial position assets, commitments and notional amount of derivatives at a weighted amount to reflect their relative risk.

	March 31, 2013 (Unaudited)	December 31, 2012 (Audited)	March 31, 2012 (Unaudited)
	SAR'000	SAR'000	SAR'000
Credit Risk Weighted Assets	45,053,422	43,940,575	34,793,185
Operational Risk Weighted Assets	2,861,235	2,561,291	1,881,673
Market Risk Weighted Assets	4,155,602	4,773,266	2,217,235
Total Pillar-I Risk Weighted Assets	52,070,259	51,275,132	38,892,093
Tier I Capital	16,851,821	16,608,419	15,897,254
Tier II Capital	256,860	200,141	290,115
Total Tier I & II Capital	17,108,681	16,808,560	16,187,369
Capital Adequacy Ratio %			
Tier I ratio	32%	32%	41%
Tier I + Tier II ratio	33%	33%	42%

12. Comparative figures

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

13. Approval of the financial statements

These interim condensed consolidated financial statements were approved on 27 Jumada I 1434H (corresponding to April 08, 2013).