

ALINMA BANK
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

FOR THE NINE MONTHS PERIOD ENDED
SEPTEMBER 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

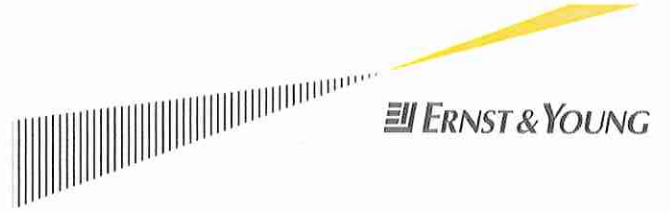
We have reviewed the accompanying interim consolidated statement of financial position of Alinma Bank and its subsidiaries (the "Bank") as of September 30, 2013, and the related interim consolidated statements of income and comprehensive income for the three month and nine month periods ended September 30, 2013 and the interim consolidated statements of changes in shareholders' equity and cash flows for the nine month period then ended and the notes from (1) to (15). We have not reviewed note 16, nor the information related to "Basel III-Capital Structure 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
29 Dhu Al-Hijjah, 1434 H
(November 3, 2013)



ALINMA BANK
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	September 30, 2013 (Unaudited) SAR'000	December 31, 2012 (Audited) SAR'000	September 30, 2012 (Unaudited) SAR'000
ASSETS				
Cash and balances with Saudi Arabian Monetary Agency ("SAMA")		3,300,744	2,764,956	4,344,822
Due from banks and other financial institutions		4,533,564	9,007,813	4,886,068
Investments	4	5,990,216	1,960,243	2,544,909
Financing, net	5	41,914,945	37,186,500	35,000,356
Property and equipment, net		1,440,251	1,447,824	1,402,421
Other assets		1,965,156	1,647,117	1,674,023
Total assets		59,144,876	54,014,453	49,852,599
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES				
Due to banks and other financial institutions		770,751	2,414,532	2,401,253
Customers' deposits	6	37,623,053	32,213,612	28,568,542
Other liabilities		3,328,506	2,722,112	2,442,302
Total liabilities		41,722,310	37,350,256	33,412,097
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		60,495	33,784	17,700
Retained earnings		2,063,676	1,338,775	1,314,454
Other reserves	12	6,757	-	-
Treasury shares		(154,621)	(154,621)	(154,621)
Total shareholders' equity		17,422,566	16,664,197	16,440,502
Total liabilities and shareholders' equity		59,144,876	54,014,453	49,852,599

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)

	Note	<u>For the three months ended</u>		<u>For the nine months ended</u>	
		<u>September 30, 2013</u>	<u>September 30, 2012</u>	<u>September 30, 2013</u>	<u>September 30, 2012</u>
		<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>
Income from investments and financing		505,559	440,847	1,489,034	1,167,839
Return on time investments		(45,100)	(33,751)	(128,403)	(84,018)
Income from investments and financing activities, net		460,459	407,096	1,360,631	1,083,821
Fees from banking services, net		52,988	38,061	177,610	201,692
Exchange income, net		7,903	4,925	23,201	15,561
Income from FVIS financial instruments, net		3,601	870	10,060	2,064
Gain on sale of 'available for sale' investments		9,998	3,507	25,608	22,860
Dividend income		6,006	4,456	18,818	10,104
Other operating income		1,501	187	7,369	229
Total operating income		542,456	459,102	1,623,297	1,336,331
Salaries and employee related expenses		130,855	114,507	389,832	349,487
Rent and premises related expenses		24,449	20,357	66,802	58,003
Depreciation and amortization		37,698	37,919	115,884	110,241
Other general and administrative expenses		56,446	45,724	179,189	154,343
Charge for impairment of assets		28,306	44,070	139,825	128,359
Total operating expenses		277,754	262,577	891,532	800,433
Net operating income		264,702	196,525	731,765	535,898
Share of loss from an associate		(2,670)	(877)	(6,864)	(10,350)
Net income for the period		262,032	195,648	724,901	525,548
Basic and diluted earnings per share (SAR)	10	0.18	0.13	0.49	0.35

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)

	<u>For the three months ended</u>		<u>For the nine months ended</u>	
	<u>September 30, 2013</u>	<u>September 30, 2012</u>	<u>September 30, 2013</u>	<u>September 30, 2012</u>
	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>
Net income for the period	262,032	195,648	724,901	525,548
Other comprehensive income to be reclassified to statements of income in subsequent periods:				
Net change in fair value of 'available for sale' investments	40,030	15,380	52,319	43,793
Net gain realized on 'available for sale' investments	(9,998)	(3,507)	(25,608)	(22,860)
Total comprehensive income for the period	292,064	207,521	751,612	546,481

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 NINE MONTHS PERIOD ENDED SEPTEMBER 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	-	-	-	724,901	-	-	724,901
Net change in fair value of 'available for sale' investments	-	-	52,319	-	-	-	52,319
Net gain realized on 'available for sale' investments	-	-	(25,608)	-	-	-	(25,608)
Total comprehensive income for the period	-	-	26,711	724,901	-	-	751,612
Employees share plan reserve	-	-	-	-	6,757	-	6,757
Balance at the end of the period	15,000,000	446,259	60,495	2,063,676	6,757	(154,621)	17,422,566

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	-	-	-	525,548	-	-	525,548
Net change in fair value of 'available for sale' investments	-	-	43,793	-	-	-	43,793
Net gain realized on 'available for sale' investments	-	-	(22,860)	-	-	-	(22,860)
Total comprehensive income for the period	-	-	20,933	525,548	-	-	546,481
Employees share plan reserve	-	-	-	-	-	-	-
Balance at the end of the period	15,000,000	262,969	17,700	1,314,454	-	(154,621)	16,440,502

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 NINE MONTHS PERIOD ENDED SEPTEMBER 30**

	Note	2013 SAR'000	2012 SAR'000
OPERATING ACTIVITIES			
Net income for the period		724,901	525,548
Adjustments to reconcile net income to net cash (used in)/ from operating activities:			
Depreciation and amortization		115,884	110,241
Loss on disposal of property and equipment, net		3,932	-
Income from FVIS financial instruments, net		(10,060)	(2,064)
Charge for impairment of assets		139,825	128,359
Employees share based plan reserve		6,757	-
Share of loss from an associate		6,864	10,350
		<u>988,103</u>	<u>772,434</u>
Net (increase)/decrease in operating assets:			
Statutory deposit with SAMA		(392,903)	(597,080)
Due from banks and other financial institutions, maturing after ninety days from the date of acquisition		1,698,498	534,759
Investments		(4,000,066)	896,019
Financing		(4,836,998)	(9,870,181)
Other assets		(349,309)	(372,826)
Net increase/(decrease) in operating liabilities:			
Due to banks and other financial institutions		(1,643,781)	(41,623)
Customers' deposits		5,409,441	10,792,258
Other liabilities		606,394	1,772,117
		<u>(2,520,621)</u>	<u>3,885,877</u>
Net cash (used in)/from operating activities			
INVESTING ACTIVITIES			
Acquisition of property and equipment		(146,203)	(133,417)
Proceeds from disposal of property and equipment		33,958	-
		<u>(112,245)</u>	<u>(133,417)</u>
Net cash used in investing activities			
Net (decrease) / increase in cash and cash equivalents			
		(2,632,866)	3,752,460
Cash and cash equivalents at the beginning of the period		6,865,902	485,297
Cash and cash equivalents at the end of the period	8	<u>4,233,036</u>	<u>4,237,757</u>
Income received from investments and financing		1,351,596	1,082,183
Return paid on time investments		86,651	44,960
Dividend received		18,516	10,104
		<u>18,516</u>	<u>10,104</u>
Supplemental non-cash information			
Net change in fair value less realized gain on 'available for sale' investments		26,711	20,933

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 NINE MONTHS PERIOD ENDED SEPTEMBER 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 54 branches (September 30, 2012: 45) 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, judgment 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 Alinma bank.

b) Basis of measurement

These interim condensed consolidated financial statements have been prepared under the historical cost convention except for the measurement at fair value of the financial instruments held at fair value through 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 the Bank’s functional currency. Except as indicated, financial information presented in SAR has been rounded off to the nearest thousands.

d) Basis of consolidation

These interim condensed consolidated financial statements comprise the financial statements of 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 income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

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

3. Summary of significant accounting policies

The accounting policies 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

	September 30, 2013 (Unaudited)	December 31, 2012 (Audited)	September 30, 2012 (Unaudited)
Note	SAR'000	SAR'000	SAR'000
Murabahas with SAMA, (at amortized cost)	4,000,000	900,000	1,549,984
Available for sale	1,890,362	987,979	920,271
Held as FVIS	62,730	28,277	27,504
Investment in an associate	37,124	43,987	47,150
Total	5,990,216	1,960,243	2,544,909

- 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

	September 30, 2013 (Unaudited)	December 31, 2012 (Audited)	September 30, 2012 (Unaudited)
	SAR'000	SAR'000	SAR'000
Retail	8,869,341	6,191,388	5,460,766
Corporate	33,244,480	31,154,525	29,674,682
Performing financing	42,113,821	37,345,913	35,135,448
Non-performing financing	190,877	122,125	120,433
Total financing, gross	42,304,698	37,468,038	35,255,881
Allowance for impairment	(389,753)	(281,538)	(255,525)
Financing, net	41,914,945	37,186,500	35,000,356

6. Customers' deposits

	Notes	September 30, 2013 (Unaudited) SAR'000	December 31, 2012 (Audited) SAR'000	September 30, 2012 (Unaudited) SAR'000
Demand deposits		20,373,920	19,511,453	14,150,360
Customers' time investments	6.1	17,043,716	9,972,540	11,816,281
Others	6.2	205,417	2,729,619	2,601,901
Total		37,623,053	32,213,612	28,568,542

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:

	September 30, 2013 (Unaudited) SAR'000	December 31, 2012 (Audited) SAR'000	September 30, 2012 (Unaudited) SAR'000
Letters of credit	1,723,341	3,586,140	3,437,347
Letters of guarantee	2,633,000	2,517,335	2,640,973
Acceptances	267,826	239,365	519,065
Irrevocable commitments to extend credit	2,278,677	1,854,432	2,639,918
Total	6,902,844	8,197,272	9,237,303

8. Cash and cash equivalents

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

	September 30, 2013 (Unaudited) SAR'000	December 31, 2012 (Audited) SAR'000	September 30, 2012 (Unaudited) SAR'000
Cash in hand	1,052,925	689,227	668,622
Balances with SAMA excluding statutory deposit	182,693	403,506	2,075,642
Due from banks and other financial institutions maturing within ninety days from the date of acquisition	2,997,418	5,773,169	1,493,493
Total	4,233,036	6,865,902	4,237,757

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	September 30, 2013				
	Retail	Corporate	Treasury	Investment & brokerage	Total
Total assets	10,824,292	34,851,843	12,813,415	655,326	59,144,876
Total liabilities	20,879,589	7,076,171	13,299,460	467,090	41,722,310
Income from investments and Financing, net	410,266	699,187	249,029	2,149	1,360,631
Fees from banking services and other operating income	58,003	104,207	69,708	30,748	262,666
Total operating income	468,269	803,394	318,737	32,897	1,623,297
Charge for impairment of assets	30,655	109,170	-	-	139,825
Depreciation and amortization	56,624	42,327	16,200	733	115,884
Other operating expenses	345,755	187,432	73,095	29,541	635,823
Total operating expenses	433,034	338,929	89,295	30,274	891,532
Net operating income	35,235	464,465	229,442	2,623	731,765
Share of loss from an associate	-	-	(6,864)	-	(6,864)
Net income for the period	35,235	464,465	222,578	2,623	724,901

SAR '000	September 30, 2012				
	Retail	Corporate	Treasury	Investment & brokerage	Total
Total assets	6,764,653	31,306,370	11,420,886	360,690	49,852,599
Total liabilities	16,389,763	6,055,330	10,784,075	182,929	33,412,097
Income from investments and financing, net	281,008	580,403	220,542	1,868	1,083,821
Fees from banking services and other operating income	37,338	147,132	45,325	22,715	252,510
Total operating income	318,346	727,535	265,867	24,583	1,336,331
Charge for impairment of assets	80,462	47,897	-	-	128,359
Depreciation and amortization	47,655	44,361	17,537	688	110,241
Other operating expenses	268,493	190,206	77,194	25,940	561,833
Total operating expenses	396,610	282,464	94,731	26,628	800,433
Net operating income / (loss)	(78,264)	445,071	171,136	(2,045)	535,898
Share of loss from an associate	-	-	(10,350)	-	(10,350)
Net income/(loss) for the period	(78,264)	445,071	160,786	(2,045)	525,548

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:

September 30, 2013	SAR '000			
	Level 1	Level 2	Level 3	Total
Financial assets held as FVIS	62,730	-	-	62,730
Financial assets held as Available for sale	1,755,534	134,828	-	1,890,362
Total	1,818,264	134,828	-	1,953,092

	SAR '000			
September 30, 2012	Level 1	Level 2	Level 3	Total
Financial assets held as FVIS	27,504	-	-	27,504
Financial assets held as Available for sale	790,971	129,300	-	920,271
Total	818,475	129,300	-	947,775

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	2,733,362	3,032,000
Vesting period	3 years	3-5 years
Value of shares granted (SAR)	38,267,068	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	2.67 years	4.5 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	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Beginning of the year	-	-	-	-
Granted during the year	11.5	-	2,733,362	-
Forfeited	-	-	-	-
Exercised/expired	-	-	-	-
End of the year	11.5	-	2,733,362	-
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 6.757 million. (September 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 September 30, 2013 are calculated using Basel III framework. The comparative balances and ratios have not been restated and are based on Basel II framework.

	September 30, 2013 (Unaudited)	December 31, 2012 (Audited)	September 30, 2012 (Unaudited)
	SAR'000	SAR'000	SAR'000
Credit Risk Weighted Assets	47,402,580	43,940,575	43,561,796
Operational Risk Weighted Assets	3,155,771	2,561,291	2,321,007
Market Risk Weighted Assets	7,100,785	4,773,266	4,745,596
Total Pillar-I Risk Weighted Assets	<u>57,659,136</u>	<u>51,275,132</u>	<u>50,628,399</u>
Tier I Capital	17,422,566	16,608,419	15,897,254
Tier II Capital	266,735	200,141	709,594
Total Tier I & II Capital	<u>17,689,301</u>	<u>16,808,560</u>	<u>16,606,848</u>
Capital Adequacy Ratio %			
Tier I ratio	30%	32%	31%
Tier I + Tier II ratio	31%	33%	33%

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 01 Dhul-Hajjah, 1434H (corresponding to October 06, 2013).

16. Basel III-Capital Structure

Certain disclosures on the Bank's capital structure are required to be published on the Bank's website. These disclosures will be published on the Bank's website (www.alinma.com) as required by SAMA. Such disclosures are not subject to review by the external auditors of the Bank.