

ALINMA BANK
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

FOR THE THREE MONTHS PERIOD ENDED
MARCH 31, 2014



KPMG Al Fozan & Al Sadhan

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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, 2014, and the related interim consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the three months period ended March 31, 2014 and the notes from (1) to (15) which form an integral part of the interim condensed consolidated financial statements. We have not reviewed note 14, nor the information related to "Basel III-Capital structure" 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.

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April 21, 2014
21 Jamad Al Akhir 1435H



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

	Note	March 31, 2014 (Unaudited) SAR'000	December 31, 2013 (Audited) SAR'000	March 31, 2013 (Unaudited) SAR'000
ASSETS				
Cash and balances with Saudi Arabian Monetary Agency		3,821,935	4,972,467	3,509,066
Due from banks and other financial institutions		7,135,849	4,972,181	5,039,449
Investments	4	5,942,555	5,399,466	5,055,193
Financing, net	5	45,811,023	44,923,623	39,415,822
Property and equipment, net		1,470,088	1,474,912	1,456,090
Other assets		1,262,659	1,258,583	1,760,910
TOTAL ASSETS		65,444,109	63,001,232	56,236,530
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES				
Due to banks and other financial institutions		23,230	200,736	1,689,530
Customers' deposits	6	45,139,794	42,762,623	34,357,814
Other liabilities		3,137,119	3,205,942	3,295,329
TOTAL LIABILITIES		48,300,143	46,169,301	39,342,673
SHAREHOLDERS' EQUITY				
Share capital		15,000,000	15,000,000	15,000,000
Statutory reserve		697,448	697,448	446,259
Net change in fair value of available for sale investments		96,551	80,862	42,036
Other reserves		13,755	10,250	-
Retained earnings		1,490,833	1,197,992	1,560,183
Treasury shares		(154,621)	(154,621)	(154,621)
TOTAL SHAREHOLDERS' EQUITY		17,143,966	16,831,931	16,893,857
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		65,444,109	63,001,232	56,236,530

The accompanying notes from 1 to 15 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	2014	2013
		SAR'000	SAR'000
Income from investments and financing		560,222	483,786
Return on time investments		(47,603)	(40,520)
Income from investments and financing activities, net		512,619	443,266
Fees from banking services, net		53,862	49,913
Exchange income, net		8,318	7,318
Income from FVIS financial instruments, net		9,706	2,001
Gain on sale of available for sale investments		9,802	10,704
Dividend income		5,458	2,660
Other operating income		78	5,847
Total operating income		599,843	521,709
Salaries and employee related expenses		155,304	129,328
Rent and premises related expenses		23,839	20,004
Depreciation and amortization		37,905	39,717
Other general and administrative expenses		62,701	58,084
Charge for impairment of financial assets		24,975	51,026
Total operating expenses		304,724	298,159
Net operating income		295,119	223,550
Share of loss from an associate		(2,278)	(2,142)
Net income for the period		292,841	221,408
Basic and diluted earnings per share (SAR)	10	0.20	0.15

The accompanying notes from 1 to 15 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 THREE MONTHS PERIOD ENDED MARCH 31,**

	<u>2014</u>	<u>2013</u>
	<u>SAR'000</u>	<u>SAR'000</u>
Net income for the period	292,841	221,408
Other comprehensive income to be reclassified to consolidated statement of income in subsequent periods:		
Net change in fair value of available for sale investments	25,491	18,956
Net gain realized on available for sale investments	<u>(9,802)</u>	<u>(10,704)</u>
Total comprehensive income for the period	<u>308,530</u>	<u>229,660</u>

The accompanying notes from 1 to 15 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 THREE MONTHS PERIOD ENDED MARCH 31,

SAR'000							
2014	Share capital	Statutory reserve	Net change in fair value of available for sale investments	Other reserves	Retained earnings	Treasury shares	Total
Balance at the beginning of the period	15,000,000	697,448	80,862	10,250	1,197,992	(154,621)	16,831,931
Net income for the period	-	-	-	-	292,841	-	292,841
Net change in fair value of available for sale investments	-	-	25,491	-	-	-	25,491
Net gain realized on available for sale investments	-	-	(9,802)	-	-	-	(9,802)
Total comprehensive income for the period	-	-	15,689	-	292,841	-	308,530
Employee share plan reserve	-	-	-	3,505	-	-	3,505
Balance at the end of the period	15,000,000	697,448	96,551	13,755	1,490,833	(154,621)	17,143,966

SAR'000							
2013	Share capital	Statutory reserve	Net change in fair value of available for sale investments	Other reserves	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
Employee share plan reserve	-	-	-	-	-	-	-
Balance at the end of the period	15,000,000	446,259	42,036	-	1,560,183	(154,621)	16,893,857

The accompanying notes from 1 to 15 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,**

	Note	2014 SAR'000	2013 SAR'000
OPERATING ACTIVITIES			
Net income for the period		292,841	221,408
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization		37,905	39,717
Gain on disposal of property and equipment, net		-	(5,799)
Income from FVIS financial instruments, net		(9,706)	(2,001)
Dividend income		(5,458)	(2,660)
Charge for impairment of financial assets		24,975	51,026
Employee share based plan reserve		3,505	-
Share of loss from an associate		2,278	2,142
		<u>346,340</u>	<u>303,833</u>
Net (increase) / decrease in operating assets:			
Statutory deposit with Saudi Arabian Monetary Agency		(216,592)	(163,914)
Due from banks and other financial institutions, with original maturity of more than three months		(187,712)	628,870
Investments		(519,972)	(3,086,839)
Financing		(912,375)	(2,280,349)
Other assets		(2,125)	(113,410)
Net increase / (decrease) in operating liabilities:			
Due to banks and other financial institutions		(177,506)	(725,002)
Customers' deposits		2,377,171	2,144,202
Other liabilities		(68,823)	573,217
		<u>638,406</u>	<u>(2,719,392)</u>
INVESTING ACTIVITIES			
Acquisition of property and equipment		(33,081)	(74,884)
Proceeds from disposal of property and equipment		-	32,700
Dividends received		3,507	2,277
		<u>(29,574)</u>	<u>(39,907)</u>
Net increase / (decrease) in cash and cash equivalents			
		<u>608,832</u>	<u>(2,759,299)</u>
Cash and cash equivalents at beginning of the period		6,040,732	6,865,902
Cash and cash equivalents at end of the period	8	<u>6,649,564</u>	<u>4,106,603</u>
Income received from investments and financing		<u>543,567</u>	<u>410,931</u>
Return paid on time investments		<u>47,603</u>	<u>33,900</u>
Supplemental non-cash information			
Net change in fair value less realized gain on available for sale investments		<u>15,689</u>	<u>8,252</u>

The accompanying notes from 1 to 15 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, 2014

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 providing banking services through 55 branches (March 31, 2013: 50) in the Kingdom of Saudi Arabia. Its head office address is as follows:

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

The interim condensed consolidated financial statements comprise the financial statements of 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)
Alinma Cooperative Insurance Agency	100%	29 Rabi Awaal 1435H (corresponding to January 30, 2014

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, 2013. 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, 2013.

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 statement (“FVIS”) and available for sale (“AFS”) investments and employees share based program.

c) Functional and presentation currency

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

d) Basis of consolidation

These interim condensed consolidated financial statements comprise the financial statements of 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 to, or has a right, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over that entity.

When the Bank has less than a majority of the voting or similar rights of an investee entity, it considers relevant facts and circumstances in assessing whether it has power over the entity, including:

- The contractual arrangement with the other voters of the investee entity
- Rights arising from other contractual arrangements
- Bank’s current and potential voting rights

The Bank re-assesses whether or not it controls an investee entity if facts and circumstances indicate that there are changes to one or more elements of control.

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

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

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

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

3. Summary of significant accounting policies

The accounting policies 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, 2013, except for the adoption of the following relevant new standards and amendments to the existing standards that are applicable during 2014:

Standard and amendments	Effective date	Brief description of changes
Amendments to IFRS 10, IFRS 12 and IAS 27	January 1, 2014	The amendments provide consolidation relief for investment funds if it fulfills certain specified conditions.
Amendments to IAS 32 "Financial Instruments: Presentation"	January 1, 2014	It clarifies the following: a) an entity 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 1, 2014	It requires certain disclosure about the recoverable amount of impaired assets.

These adoptions have no material impact on the interim condensed consolidated financial statements.

The Bank has chosen not to early adopt the amendments and revisions to the International Financial Reporting Standards which have been published and are mandatory for compliance with effect from future dates.

4. Investments

	March 31, 2014 (Unaudited)	December 31, 2013 (Audited)	March 31, 2013 (Unaudited)
Note	SAR'000	SAR'000	SAR'000
Murabahas with SAMA, (at amortized cost)	4,000,000	3,550,000	4,000,000
Available for sale investments	1,820,679	1,708,007	958,635
Held as FVIS investments	90,603	107,908	54,713
Investment in an associate	4.1 31,273	33,551	41,845
Total	5,942,555	5,399,466	5,055,193

- 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

	March 31, 2014 (Unaudited)	December 31, 2013 (Audited)	March 31, 2013 (Unaudited)
	SAR'000	SAR'000	SAR'000
Retail	10,371,911	9,386,549	7,356,629
Corporate	35,661,147	35,748,812	32,254,397
Performing financing	46,033,058	45,135,361	39,611,026
Non-performing financing	317,160	302,482	137,360
Total financing, gross	46,350,218	45,437,843	39,748,386
Allowance for impairment	(539,195)	(514,220)	(332,564)
Financing, net	45,811,023	44,923,623	39,415,822

6. Customers' deposits

	March 31, 2014 (Unaudited)	December 31, 2013 (Audited)	March 31, 2013 (Unaudited)
Note	SAR'000	SAR'000	SAR'000
Demand deposits	26,801,892	21,999,085	21,069,272
Customers' time investments	6.1 17,448,319	20,488,205	12,466,075
Others	6.2 889,583	275,333	822,467
Total	45,139,794	42,762,623	34,357,814

- 6.1 This represents Murabaha and Mudarbah with customers.

- 6.2 Others represent cash margins held against letters of credit and guarantee.

7. Credit related commitments and contingencies

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

	March 31, 2014 (Unaudited)	December 31, 2013 (Audited)	March 31, 2013 (Unaudited)
	SAR'000	SAR'000	SAR'000
Letters of credit	2,225,653	1,819,022	2,117,144
Letters of guarantee	2,994,914	2,592,251	2,504,869
Acceptances	322,322	236,366	271,555
Irrevocable commitments to extend credit	1,501,586	3,145,333	1,691,921
Total	7,044,475	7,792,972	6,585,489

8. Cash and cash equivalents

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

	March 31, 2014 (Unaudited)	December 31, 2013 (Audited)	March 31, 2013 (Unaudited)
	SAR'000	SAR'000	SAR'000
Cash in hand	1,085,310	987,697	914,035
Balances with SAMA excluding statutory deposit	344,421	1,809,158	758,894
Due from banks and other financial institutions with original maturity of three month or less	5,219,833	3,243,877	2,433,674
Total	6,649,564	6,040,732	4,106,603

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	March 31, 2014				
	Retail	Corporate	Treasury	Investment & brokerage	Total
Total assets	12,301,550	36,805,279	15,211,741	1,125,539	65,444,109
Total liabilities	28,723,930	7,683,817	10,967,750	924,646	48,300,143
Income from investments and financing, net	167,121	240,700	104,079	719	512,619
Fees from banking services and other operating income	19,199	29,952	29,102	8,971	87,224
Total operating income	186,320	270,652	133,181	9,690	599,843
Charge for impairment of financial assets	19,255	5,720	-	-	24,975
Depreciation and amortization	19,518	12,907	5,236	244	37,905
Other operating expenses	131,379	71,170	29,236	10,059	241,844
Total operating expenses	170,152	89,797	34,472	10,303	304,724
Net operating income	16,168	180,855	98,709	(613)	295,119
Share of loss from an associate	-	-	(2,278)	-	(2,278)
Net income for the period	16,168	180,855	96,431	(613)	292,841

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
Income from investments and financing, net	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 of financial assets	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 an associate	-	-	(2,142)	-	(2,142)
Net income/(loss) for the period	(633)	158,602	69,932	(6,493)	221,408

10. Earnings per share

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

11. Fair values of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer 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 value of on-balance sheet financial instruments are not significantly different from their carrying values included in the interim condensed 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:

	SAR '000			
March 31, 2014	Level 1	Level 2	Level 3	Total
Financial assets held as FVIS	90,603	-	-	90,603
Financial assets held as available for sale	1,820,679	-	-	1,820,679
Total	1,911,282	-	-	1,911,282

	SAR '000			
March 31, 2013	Level 1	Level 2	Level 3	Total
Financial assets held as FVIS	54,713	-	-	54,713
Financial assets held as available for sale	958,635	-	-	958,635
Total	1,013,348	-	-	1,013,348

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	one	one
Grant date	June 01, 2013	April 01, 2013
Maturity date	May 31, 2016	March 31, 2018
Number of shares granted	2,535,406	3,032,000
Vesting period	3 years	3-5 years
Value of shares granted (SAR)	35,495,684	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 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	2.17 years	4 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	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Beginning of the period	11.5	-	2,535,406	-
Granted during the period	-	-	-	-
Forfeited	-	-	-	-
Exercised/expired	-	-	-	-
End of the period	11.5	-	2,535,406	-
Exercisable at period end	-	-	-	-

These rights are granted only under a service/performance condition with no market condition associated with them. Total amount of expense recognized during the period in these interim condensed consolidated financial statements in respect of these schemes was SAR 3.5 million. (March 31, 2013: 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.

	March 31, 2014 (Unaudited)	December 31, 2013 (Audited)	March 31, 2013 (Unaudited)
	SAR'000	SAR'000	SAR'000
Credit risk weighted assets	51,130,572	50,231,214	45,053,422
Operational risk weighted assets	3,644,706	3,433,374	2,861,235
Market risk weighted assets	6,908,774	6,830,683	4,155,602
Total Pillar-I Risk Weighted Assets	61,684,052	60,495,271	52,070,259
Tier I capital	17,143,966	16,831,931	16,851,821
Tier II capital	332,487	328,487	256,860
Total Tier I & II Capital	17,476,453	17,160,418	17,108,681
Capital Adequacy Ratio %			
Tier I ratio	28%	28%	32%
Tier I + Tier II ratio	28%	28%	33%

14. 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.

15. Approval of the financial statements

These interim condensed consolidated financial statements were approved on 7 Jumada II, 1435H (corresponding to April 7, 2014).