

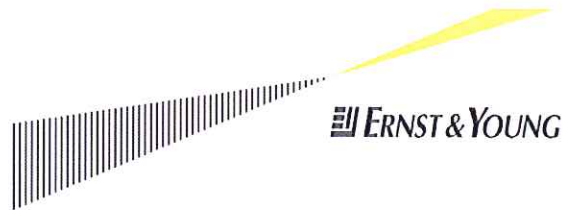
ALINMA BANK
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

FOR THE SIX MONTHS PERIOD ENDED
JUNE 30, 2011



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 (the “Bank”) and its subsidiaries (collectively referred to as “the Group”) as of June 30, 2011, and the related interim consolidated statement of comprehensive income for the three-month and six-month periods ended June 30, 2011, and the interim consolidated statements of changes in equity and cash flows for the six-month period then ended and the notes from (1) to (12). We have not reviewed note (13), nor the information related to “Basel II Pillar III 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.

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

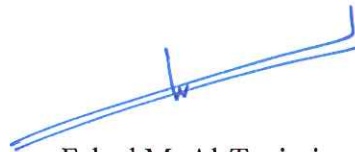
As required by SAMA, certain capital adequacy information have been disclosed in note (11) of the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note (11) to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

PriceWaterhouseCoopers



Mohammed A. Al Obaidi
Registration No. 367

Ernst & Young



Fahad M. Al-Toaimi
Registration No. 354



Riyadh
Shaaban 19, 1432 H
(July 20, 2011)



INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	June 30, 2011 (Unaudited) SAR'000	December 31, 2010 (Audited) SAR'000	June 30, 2010 (Unaudited) SAR'000
ASSETS				
Cash and balances with Saudi Arabian Monetary Agency ("SAMA")		1,273,471	657,593	2,598,635
Due from banks and other financial institutions		3,880,906	5,803,317	10,645,978
Investments	4	2,299,348	2,623,589	1,700,774
Financing, net	5	22,502,739	15,593,250	8,425,885
Property and equipment, net		1,243,609	1,193,195	1,029,288
Other assets		1,296,960	797,793	546,988
Total assets		32,497,033	26,668,737	24,947,548
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Due to banks and other financial institutions		2,869,489	2,254,016	2,502,458
Customer deposits	6	13,232,144	8,315,878	6,409,476
Other liabilities		594,109	478,291	502,069
Total liabilities		16,695,742	11,048,185	9,414,003
Shareholders' equity				
Share capital		15,000,000	15,000,000	15,000,000
Statutory reserve		155,135	155,135	151,335
Net change in fair value of available for sale investments		8,023	11	-
Retained earnings		638,133	465,406	382,210
Total shareholders' equity		15,801,291	15,620,552	15,533,545
Total liabilities and shareholders' equity		32,497,033	26,668,737	24,947,548

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

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

	<u>For the three months ended</u>		<u>For the six months ended</u>	
	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Note	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>
Income from investments and financing	300,799	167,194	555,985	235,958
Return on time investments	(17,432)	(5,581)	(33,436)	(7,090)
Net income from investments and financing activities	283,367	161,613	522,549	228,868
Fees from banking services, net	21,215	10,260	37,244	21,357
Exchange income	1,504	1,867	3,343	3,119
Income from FVIS financial instruments	397	-	397	-
Dividend income	495	-	3,146	-
Other operating income	271	517	2,282	3,273
Total operating income	307,249	174,257	568,961	256,617
Salaries and employee-related expenses	107,908	86,920	218,046	178,863
Rent and premises- related expenses	15,253	10,676	30,150	20,205
Depreciation and amortization	30,183	22,064	57,972	46,671
Other general and administrative expenses	46,371	51,299	83,031	82,674
Impairment charge for financing	5,035	-	7,035	-
Total operating expenses	204,750	170,959	396,234	328,413
Net income/(loss) for the period	102,499	3,298	172,727	(71,796)
Other comprehensive income	7,007	-	8,012	-
Total comprehensive income/(loss) for the period	109,506	3,298	180,739	(71,796)
Basic and diluted earnings/(loss) per share (SAR)	0.07	0.002	0.12	(0.05)

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 CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)
FOR THE SIX MONTH PERIOD ENDED JUNE 30,

	SAR'000				
2011	Share capital	Statutory reserve	Net change in fair value of available for sale investments	Retained earnings	Total
Balance at the beginning of the period	15,000,000	155,135	11	465,406	15,620,552
Total comprehensive income for the period	-	-	8,012	172,727	180,739
Balance at the end of the period	15,000,000	155,135	8,023	638,133	15,801,291

	SAR'000				
2010	Share capital	Statutory reserve	Net change in fair value of available for sale investments	Retained earnings	Total
Balance at the beginning of the period	15,000,000	151,335	-	454,006	15,605,341
Total comprehensive loss for the period	-	-	-	(71,796)	(71,796)
Balance at the end of the period	15,000,000	151,335	-	382,210	15,533,545

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 SIX MONTH PERIOD ENDED JUNE 30,

	Note	2011 SAR'000	2010 SAR'000
OPERATING ACTIVITIES			
Net income/(loss) for the period		172,727	(71,796)
Adjustments to reconcile net income /(loss) to net cash used in operating activities:			
Depreciation and amortization		57,972	46,671
Impairment charge for financing		7,035	-
		<u>237,734</u>	<u>(25,125)</u>
Net (increase)/decrease in operating assets:			
Statutory deposit with SAMA		(348,259)	(179,851)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		1,254,013	(8,522,236)
Investments		332,253	(700,619)
Financing		(6,916,489)	(7,299,494)
Other assets		(499,202)	(496,799)
Net increase/(decrease) in operating liabilities:			
Due to banks and other financial institutions		615,473	2,502,458
Customers' deposits		4,916,266	4,908,336
Other liabilities		115,818	302,157
Net cash used in operating activities		<u>(292,393)</u>	<u>(9,511,173)</u>
INVESTING ACTIVITIES			
Acquisition of property and equipment		(108,386)	(153,760)
Net cash used in investing activities		<u>(108,386)</u>	<u>(153,760)</u>
Net decrease in cash and cash equivalents		<u>(400,779)</u>	<u>(9,664,933)</u>
Cash and cash equivalents at beginning of the period		1,324,746	12,130,385
Cash and cash equivalents at end of the period	8	<u>923,967</u>	<u>2,465,452</u>
Income received from investments and financing activities		<u>478,595</u>	<u>216,758</u>
Return paid on time investments		<u>32,212</u>	<u>1,137</u>
Supplemental non-cash information			
Net change in fair value of available for sale investments		<u>8,012</u>	<u>-</u>

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 SIX MONTHS PERIOD ENDED JUNE 30, 2011

1. General

a) Incorporation

Alinma Bank, (the “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 31 branches (June 30, 2010: 15) in the Kingdom of Saudi Arabia. The address of the Bank’s head office is as follows:

Alinma Bank
Head Office-Building
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:

Subsidiaries	Bank Ownership	Establishment date
Alinma Investment Company	99.96 %	07 Jumada II 1430 H (corresponding to May 31, 2009)
Al-Tanweer Real Estate Company	98.00 %	24 Sha’aban 1430 H (corresponding to August 15, 2009)

The Bank aims to provide full range of banking and investment services through Shariah compliant products.

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 control.

2. Basis of preparation

The 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, 2010.

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 based on the historical cost convention except for the measurement at fair value of available for sale and FVIS investments.

c) Functional and presentation currency

These interim condensed consolidated financial statements are expressed 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 over which the Bank has the power to govern the financial and operating policies, so as to obtain economic benefits from its activities, generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are consolidated from the date on which control is transferred to the Bank and ceased 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.

These interim condensed consolidated financial statements have been prepared using uniform accounting policies and valuation methods for like transactions and other events in similar circumstances. The accounting policies adopted by the subsidiaries are consistent with that of Bank’s accounting policies. Adjustments, if any, are made to the financial statements of the subsidiaries to align with the Bank’s financial statements.

Non controlling interests represent the portion of net results and net assets attributable to interests which are not owned, directly or indirectly, by the Bank in its subsidiaries. As at June 30, 2011, non controlling interests in the subsidiaries are immaterial and are owned by representative shareholders of the Bank, to meet regulatory requirements, and hence not presented separately in the interim consolidated statement of comprehensive income and within shareholders’ equity in the interim consolidated statement of financial position.

Inter-company balances and any income and expenses arising from inter-company 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 of the annual consolidated financial statements for the year ended December 31, 2010.

The amendments to and new International Financial Reporting Standards that are applicable during 2011 were not relevant to the Bank and therefore have no material impact on these 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.

Other than IFRS 9 (Financial Instruments) and IFRS 10 (consolidation), the amendments to or new IFRS applicable from 2012 onwards are also not expected to have any significant impact on the Bank's consolidated financial statements except for some additional disclosures. The evaluation of the impacts of IFRS 9 & 10 on Bank's consolidated financial statements is in process.

4. Investments

	June 30, 2011 (Unaudited)	December 31, 2010 (Audited)	June 30, 2010 (Unaudited)
	SAR'000	SAR'000	SAR'000
Murabahas with SAMA, (at amortized cost)	1,999,905	2,549,776	1,700,774
Available for sale	274,049	73,813	-
Held as FVIS	25,394	-	-
Total	<u>2,299,348</u>	<u>2,623,589</u>	<u>1,700,774</u>

5. Financing, net

	June 30, 2011 (Unaudited)	December 31, 2010 (Audited)	June 30, 2010 (Unaudited)
Consumer	3,597,289	1,778,609	893,745
Commercial	18,913,524	13,817,641	7,532,140
Performing financing	22,510,813	15,596,250	8,425,885
Non performing financing	1,926	-	-
Total financing-gross	22,512,739	15,596,250	8,425,885
Allowances for impairment	(10,000)	(3,000)	-
Total	<u>22,502,739</u>	<u>15,593,250</u>	<u>8,425,885</u>

6. Customer deposits

	June 30, 2011 (Unaudited)	December 31, 2010 (Audited)	June 30, 2010 (Unaudited)
Demand	6,365,731	3,948,270	3,372,183
Customer time investments	5,420,492	4,180,372	2,831,400
Margin	1,445,921	187,236	205,893
Total	<u>13,232,144</u>	<u>8,315,878</u>	<u>6,409,476</u>

7. Credit related commitments and contingencies

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

	June 30, 2011 (Unaudited) SAR'000	December 31, 2010 (Audited) SAR'000	June 30, 2010 (Unaudited) SAR'000
Letters of credit	2,292,537	1,382,114	925,760
Letters of guarantee	3,630,944	3,464,247	1,864,476
Acceptances	77,214	156,550	201,280
Total	<u>6,000,694</u>	<u>5,002,911</u>	<u>2,991,516</u>

8. Cash and cash equivalents

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

	June 30, 2011 (Unaudited) SAR'000	December 31, 2010 (Audited) SAR'000	June 30, 2010 (Unaudited) SAR'000
Cash in hand	311,393	158,867	102,004
Balances with SAMA excluding statutory deposit	120,153	5,060	2,245,228
Murabaha with SAMA and due from banks and other financial institutions maturing within ninety days from the date of acquisition	492,421	1,160,819	118,220
Total	<u>923,967</u>	<u>1,324,746</u>	<u>2,465,452</u>

9. Segment information

Operating segments are identified on the basis of internal reports about activities of the Bank that are regularly reviewed by the chief operating decision makers, comprising CEO as well as the Assets and Liabilities Committee, in order to allocate resources to the segments and to assess its performance.

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

The Bank's reportable segments are as follows :

a) Retail banking

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

b) Corporate banking

Financing, deposits and other products /services for corporate and institutional customers.

c) Treasury

Murabahas with banks, equity 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.

e) Others

Includes head office (as custodian of capital), assets and liabilities under common use which do not constitute a separately reportable segment.

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 total assets, total liabilities as at June 30, and operating income, operating expenses and net income for the six months period ended June 30 by operating segments:

SAR'000	June 30, 2011 (Unaudited)					
	Retail	Corporate	Treasury	Investment and brokerage	Others	Total
Total assets	4,031,393	18,900,687	6,843,424	304,674	2,416,855	32,497,033
Total liabilities	7,149,140	3,178,191	5,894,772	119,431	354,208	16,695,742
Net income from investments and financing	103,861	225,329	85,766	374	107,219	522,549
Fees from banking services and other income	10,739	19,783	7,175	6,422	2,293	46,412
Total operating income	114,600	245,112	92,941	6,796	109,512	568,961
Impairment charge for financing	7,035	-	-	-	-	7,035
Depreciation and amortization	12,325	-	-	-	45,647	57,972
Other operating expenses	112,045	15,139	7,621	20,055	176,367	331,227
Total operating expenses	131,405	15,139	7,621	20,055	222,014	396,234
Net income /(loss) for the period	(16,805)	229,973	85,320	(13,259)	(112,502)	172,727

SAR'000	June 30, 2010 (Unaudited)					
	Retail	Corporate	Treasury	Investment and brokerage	Others	Total
Total assets	1,025,097	7,532,140	14,843,017	216,953	1,330,341	24,947,548
Total liabilities	3,548,517	1,799,802	3,803,957	6,342	255,385	9,414,003
Net income from investments and financing	13,198	122,793	38,291	498	54,088	228,868
Fees from banking services and other income	5,784	15,873	2,821	-	3,271	27,749
Total operating income	18,982	138,666	41,112	498	57,359	256,617
Impairment charge for financing	-	-	-	-	-	-
Depreciation and amortization	7,899	-	-	-	38,772	46,671
Other operating expenses	79,132	12,263	7,260	15,962	167,125	281,742
Total operating expenses	87,031	12,263	7,260	15,962	205,897	328,413
Net income /(loss) for the period	(68,049)	126,403	33,852	(15,464)	(148,538)	(71,796)

10. Earnings / (loss) per share

Basic and diluted earnings / (loss) per share are calculated by dividing the net income/ (loss) by the weighted average number of outstanding shares which were 1,500 million shares at the period end.

11. Capital adequacy

The Bank maintains an actively managed capital base to cover risks inherent in its business. The adequacy of the Bank's capital is monitored using, among other measures, the guidelines established by the Basel Committee on Banking Supervision as adopted by the SAMA.

	June 30, 2011		June 30, 2010	
	Total capital ratio	Tier 1 capital ratio	Total capital ratio	Tier 1 capital ratio
	(Unaudited)		(Unaudited)	
	(%)	(%)	(%)	(%)
Top consolidated level	58	57	107	107

12. Approval of the financial statements

These interim condensed consolidated financial statements were approved on 05 Shaaban 1432H (corresponding to July 06, 2011).

13. Basel II Pillar III disclosures

Certain additional quantitative disclosures are required under Basel II Pillar 3, which will be made available to the public on the Bank's website (www.alinma.com) within 60 business days after June 30, 2011 as required by the SAMA. Such disclosures are not subject to review by the external auditors of the Bank.