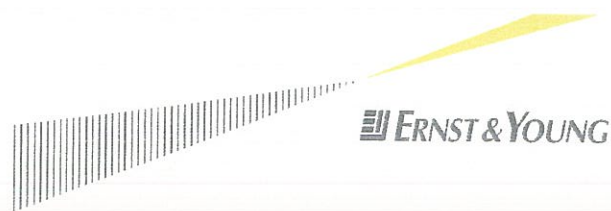

ALINMA BANK
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

FOR THE SIX MONTHS PERIOD ENDED
JUNE 30, 2012



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



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

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Alinma Bank and its subsidiaries (the “Bank”) as of June 30, 2012, and the related interim consolidated statements of comprehensive income, changes in shareholders’ equity, cash flows and the notes from (1) to (14) for the six months period then ended. We have not reviewed note 14, nor the information related to “Basel II pillar 3 disclosures” cross-referenced therein, which is not required to be within the scope of our review. The Bank’s management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with applicable Accounting Standards for Financial Institutions and certain capital adequacy disclosure requirements issued by the Saudi Arabian Monetary Agency (“SAMA”) and with International Accounting Standard No. 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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



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Conclusion

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

Other Regulatory Matters

As required by SAMA, certain capital adequacy information has been disclosed in note (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

Riyadh 6 Ramadan, 1433H
(July 25, 2012)



INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	June 30, 2012 (Unaudited) SAR'000	December 31, 2011 (Audited) SAR'000	June 30, 2011 (Unaudited) SAR'000
ASSETS				
Cash and balances with Saudi Arabian Monetary Agency ("SAMA")		1,966,308	1,412,781	1,273,471
Due from banks and other financial institutions		6,703,334	4,003,328	3,880,906
Investments	4	2,423,502	3,428,281	2,299,348
Financing, net	5	30,034,276	25,258,534	22,502,739
Property and equipment, net		1,408,976	1,379,245	1,243,609
Other assets		1,655,658	1,301,197	1,146,960
Total assets		44,192,054	36,783,366	32,347,033
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES				
Due to banks and other financial institutions		1,184,417	2,442,876	2,869,489
Customers' deposits	6	25,964,080	17,776,284	13,232,144
Other liabilities		810,575	670,185	594,109
Total liabilities		27,959,072	20,889,345	16,695,742
SHAREHOLDERS' EQUITY				
Share capital		15,000,000	15,000,000	15,000,000
Statutory reserve		262,969	262,969	155,135
Net change in fair value of available for sale investments		5,828	(3,233)	8,023
Retained earnings		1,118,806	788,906	638,133
Treasury shares		(154,621)	(154,621)	(150,000)
Total shareholders' equity		16,232,982	15,894,021	15,651,291
Total liabilities and shareholders' equity		44,192,054	36,783,366	32,347,033

The accompanying notes from 1 to 14 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>	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Note	SAR'000	SAR'000	SAR'000	SAR'000
Income from investments and financing	373,410	295,299	726,992	530,485
Return on time investments	(27,046)	(17,432)	(50,267)	(33,436)
Net income from investments and financing activities	346,364	277,867	676,725	497,049
Fees from banking services, net	127,995	26,715	163,631	62,744
Exchange income, net	5,382	1,504	10,636	3,343
Income from FVIS financial instruments, net	(2,946)	397	1,194	397
Gain on sale of available for sale investments	4,423	-	19,353	-
Dividend income	2,906	495	5,648	3,146
Other operating income	21	271	42	2,282
Total operating income	484,145	307,249	877,229	568,961
Salaries and employee related expenses	119,895	107,908	234,980	218,046
Rent and premises related expenses	20,384	15,253	37,646	30,150
Depreciation and amortization	37,394	30,183	72,322	57,972
Other general and administrative expenses	50,169	46,371	108,619	83,031
Charge for impairment on financing	67,414	5,035	84,289	7,035
Total operating expenses	295,256	204,750	537,856	396,234
Net operating income	188,889	102,499	339,373	172,727
Share of loss from associate	(9,473)	-	(9,473)	-
Net income for the period	179,416	102,499	329,900	172,727
Other comprehensive income				
Net change in fair value of available for sale investments	(21,928)	7,007	28,414	8,012
Net amount realized on available for sale investments	(4,423)	-	(19,353)	-
Total comprehensive income for the period	153,065	109,506	338,961	180,739
Basic and diluted earnings per share (SAR)	0.12	0.07	0.22	0.12

The accompanying notes from 1 to 14 form an integral part of these interim condensed consolidated financial statements.

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30**

	SAR'000					
	Share capital	Statutory reserve	Net change in fair value of available for sale investments	Retained earnings	Treasury shares	Total
2012						
Balance at the beginning of the period	15,000,000	262,969	(3,233)	788,906	(154,621)	15,894,021
Total comprehensive income for the period	-	-	9,061	329,900	-	338,961
Balance at the end of the period	15,000,000	262,969	5,828	1,118,806	(154,621)	16,232,982

	SAR'000					
	Share capital	Statutory reserve	Net change in fair value of available for sale investments	Retained earnings	Treasury shares	Total
2011						
Balance at the beginning of the period	15,000,000	155,135	11	465,406	(120,000)	15,500,552
Total comprehensive income for the period	-	-	8,012	172,727	-	180,739
Net change in treasury shares	-	-	-	-	(30,000)	(30,000)
Balance at the end of the period	15,000,000	155,135	8,023	638,133	(150,000)	15,651,291

The accompanying notes from 1 to 14 form an integral part of these interim condensed consolidated financial statements.

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

	Note	2012 SAR'000	2011 SAR'000
OPERATING ACTIVITIES			
Net income for the period		329,900	172,727
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization		72,322	57,972
Income from FVIS financial instruments, net		(1,194)	(397)
Charge for impairment on financing		84,289	7,035
Share of loss from associate		9,473	-
		<u>494,790</u>	<u>237,337</u>
Net (increase)/decrease in operating assets:			
Statutory deposit with SAMA		(383,925)	(348,259)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		393,840	1,254,013
Investments		1,005,561	332,650
Financing		(4,860,031)	(6,916,489)
Other assets		(354,461)	(469,202)
Net increase/(decrease) in operating liabilities:			
Due to banks and other financial institutions		(1,258,459)	615,473
Customers' deposits		8,187,796	4,916,266
Other liabilities		140,390	115,818
Net cash from / (used in) operating activities		<u>3,365,501</u>	<u>(262,393)</u>
INVESTING ACTIVITIES			
Acquisition of property and equipment		(102,053)	(108,386)
Net cash used in investing activities		<u>(102,053)</u>	<u>(108,386)</u>
FINANCING ACTIVITIES			
Purchase of treasury shares		-	(30,000)
Net cash used in financing activities		<u>-</u>	<u>(30,000)</u>
Net increase/decrease in cash and cash equivalents		<u>3,263,448</u>	<u>(400,779)</u>
Cash and cash equivalents at beginning of the period		485,297	1,324,746
Cash and cash equivalents at end of the period	8	<u>3,748,745</u>	<u>923,967</u>
Income received from investments and financing		<u>756,074</u>	<u>478,595</u>
Return paid on time investments		<u>39,229</u>	<u>32,212</u>
Supplemental non-cash information			
Net change in fair value and transfers to consolidated income statement		<u>9,061</u>	<u>8,012</u>

The accompanying notes from 1 to 14 form an integral part of these interim condensed consolidated financial statements.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2012**

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 provides banking services through 43 branches (June 30, 2011: 31 branches) 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 1430H (corresponding to May 31, 2009)
Al-Tanweer Real Estate Company	100 %	24 Sha'aban 1430H (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. The Shariah Board ensures that the Bank's activities are subject to its approval and control.

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, 2011. 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, 2011.

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

The 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 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 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 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, 2011.

The amendments to and new International Financial Reporting Standards that are applicable during 2012 were not relevant to the Bank or 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 2013 onwards are also not expected to have any significant impact on the Bank's interim condensed consolidated financial statements except for some additional disclosures. The evaluation of the impacts of IFRS 9 & 10 on Bank's interim condensed consolidated financial statements will be carried out in due course.

4. Investments

	June 30, 2012 (Unaudited) SAR'000	December 31, 2011 (Audited) SAR'000	June 30, 2011 (Unaudited) SAR'000
Murabahas with SAMA, (at amortized cost)	1,549,984	2,649,934	1,999,905
Available for sale	798,857	695,407	274,049
Held as FVIS	26,634	25,440	25,394
Investment in associate	48,027	57,500	-
Total	2,423,502	3,428,281	2,299,348

Investment in associate represents the Bank's share of investment (28.75%) in Alinma Tokio Marine (a new Shariah compliant insurance company). The Company has a share capital of SAR 200 million. The company has been established under Ministerial Resolution No. 7000873971 dated 19 Rajab 1433H corresponding June 09, 2012 and Commercial Registration No.1010342537 dated 28 Rajab 1433H corresponding to June 18, 2012.

5. Financing, net

	June 30, 2012 (Unaudited) SAR'000	December 31, 2011 (Audited) SAR'000	June 30, 2011 (Unaudited) SAR'000
Retail	4,991,599	4,265,804	3,597,289
Corporate	25,144,560	21,110,295	18,913,524
Performing financing	30,136,159	25,376,099	22,510,813
Non performing financing	110,105	10,134	1,926
Total financing-gross	30,246,264	25,386,233	22,512,739
Allowance for impairment	(211,988)	(127,699)	(10,000)
Financing, net	30,034,276	25,258,534	22,502,739

6. Customers' deposits

	June 30, 2012 <u>(Unaudited)</u> SAR'000	December 31, 2011 <u>(Audited)</u> SAR'000	June 30, 2011 <u>(Unaudited)</u> SAR'000
Demand deposits	12,757,029	8,961,924	6,365,731
Customers' time investments	10,983,261	7,530,095	5,420,492
Others	2,223,790	1,284,265	1,445,921
Total	25,964,080	17,776,284	13,232,144

Others represent cash margins for letters of credit and guarantee.

7. Credit related commitments and contingencies

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

	June 30, 2012 <u>(Unaudited)</u> SAR'000	December 31, 2011 <u>(Audited)</u> SAR'000	June 30, 2011 <u>(Unaudited)</u> SAR'000
Letters of credit	3,522,405	2,256,804	2,292,537
Letters of guarantee	2,674,106	3,608,702	3,630,944
Acceptances	344,354	351,933	77,214
Irrevocable commitments to extend credit	5,469,024	1,621,666	-
Total	12,009,889	7,839,105	6,000,695

8. Cash and cash equivalents

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

	June 30, 2012 <u>(Unaudited)</u> SAR'000	December 31, 2011 <u>(Audited)</u> SAR'000	June 30, 2011 <u>(Unaudited)</u> SAR'000
Cash in hand	529,419	359,352	311,393
Balances with SAMA excluding statutory deposit	49,486	49,951	120,153
Due from banks and other financial institutions maturing within ninety days from the date of acquisition	3,169,840	75,994	492,421
Total	3,748,745	485,297	923,967

9. Operating Segments

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, 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, liabilities and expenses in 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, its operating income, operating expenses and net income for the six months period then ended by operating segments:

SAR'000	June 30, 2012 (Unaudited)					
	Retail	Corporate	Treasury	Investment and brokerage	Others	Total
Total assets	5,750,995	25,026,526	10,130,501	396,743	2,887,289	44,192,054
Total liabilities	14,775,129	4,377,246	8,097,423	222,283	486,991	27,959,072
Net income from investments and financing	162,137	289,792	112,133	183	112,480	676,725
Fees from banking services and other income	23,321	126,894	35,692	14,558	39	200,504
Total operating income	185,458	416,686	147,825	14,741	112,519	877,229
Charge for impairment on financing	67,689	16,600	-	-	-	84,289
Depreciation and amortization	24,045	-	-	-	48,277	72,322
Other operating expenses	152,702	15,345	7,986	15,929	189,283	381,245
Total operating expenses	244,436	31,945	7,986	15,929	237,560	537,856
Net operating income/(loss) for the period	(58,978)	384,741	139,839	(1,188)	(125,041)	339,373
Share of loss from associate, net	-	-	-	-	(9,473)	(9,473)
Net income/(loss) for the period	(58,978)	384,741	139,839	(1,188)	(134,516)	329,900

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	2,266,855	32,347,033
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	199,829	85,766	374	107,219	497,049
Fees from banking services and other income	10,739	45,283	7,175	6,422	2,293	71,912
Total operating income	114,600	245,112	92,941	6,796	109,512	568,961
Charge for impairment on 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 operating income/(loss) for the period	(16,805)	229,973	85,320	(13,259)	(112,502)	172,727
Share of loss from associate, net	-	-	-	-	-	-
Net income/(loss) for the period	(16,805)	229,973	85,320	(13,259)	(112,502)	172,727

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 and to safeguard the Bank's ability to continue as a going concern.

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.

	June 30, 2012 (Unaudited) SAR'000	December 31, 2011 (Audited) SAR'000	June 30, 2011 (Unaudited) SAR'000
Credit Risk Weighted Assets	41,298,985	32,345,614	23,945,353
Operational Risk Weighted Assets	2,104,466	1,733,049	1,196,306
Market Risk Weighted Assets	828,422	2,216,522	2,122,882
Total Pillar-I Risk Weighted Assets	44,231,873	36,295,185	27,264,541
Tier I Capital	15,897,254	15,897,254	15,620,541
Tier II Capital	475,038	118,699	186,016
Total Tier I & II Capital	16,372,292	16,015,953	15,806,557
Capital Adequacy Ratio %			
Tier I ratio	36%	44%	57%
Tier I + Tier II ratio	37%	44%	58%

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 17 Shaban 1433H (corresponding to July 7, 2012).

14. Basel II Pillar III disclosures

Certain additional quantitative disclosures are required under Basel II Pillar 3, will be made available to the public on the Bank's website (www.alinma.com) within 60 business days after June 30, 2012 as required by SAMA. Such disclosures are not subject to review by the external auditors of the Bank.