

ALINMA BANK
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED
SEPTEMBER 30, 2010

(UNAUDITED)



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



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

REVIEW REPORT

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

We have reviewed the accompanying interim consolidated statement of financial position of Alinma Bank (the "Bank") as of September 30, 2010, and the related interim consolidated statements of comprehensive income for the three-month and nine-month periods then ended and the related interim consolidated statements of changes in shareholders' equity and cash flows for the nine-month period then ended including the notes from (1) to (11).

Management Responsibility for the Interim Condensed Consolidated Financial Statements

These interim condensed consolidated financial statements are the responsibility of the Bank's management and have been prepared by them in accordance with Accounting Standards for Financial Institutions, certain capital adequacy disclosure requirements issued by the Saudi Arabian Monetary Agency ("SAMA") and with International Accounting Standard No. 34 "Interim Financial Reporting" and submitted to us together with all the information and explanations which we required.

Scope of Review

Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our 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 No. 2410. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.



ERNST & YOUNG

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

PRICEWATERHOUSECOOPERS 

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

Conclusion

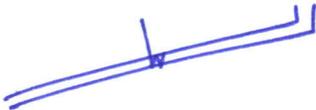
Based on our review, we are not aware of any material modifications that should be made to the accompanying interim condensed consolidated financial statements for them to be in conformity with applicable Accounting Standards for Financial Institutions issued by SAMA and with International Accounting Standard No. 34.

Other Regulatory Matters

As required by SAMA, certain capital adequacy information has been disclosed in Note (10) to the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in the aforementioned note to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

Ernst & Young

PricewaterhouseCoopers



Fahad M. Al-Toaimi
Registration No. 354



Mohammed A. Al Obaidi
Registration No. 367

2 Thul Quada 1431 H
(October 10, 2010)



ALINMA BANK
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<u>Notes</u>	September 30, 2010 (Unaudited) SAR'000	December 31, 2009 (Audited) SAR'000	September 30, 2009 (Unaudited) SAR'000
ASSETS				
Cash and balances with Saudi Arabian Monetary Agency ("SAMA")		578,061	361,133	424,570
Due from banks and other financial institutions	4	5,201,070	13,846,340	11,685,439
Investments	5	2,499,785	1,000,141	2,858,124
Financing		13,754,906	1,126,391	730,427
Property and equipment, net		1,083,013	922,199	790,754
Other assets		656,901	50,189	42,121
Total assets		23,773,736	17,306,393	16,531,435
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Due to banks and other financial institutions		950,000	-	-
Customers' deposits		6,786,719	1,501,140	782,576
Other liabilities		483,260	199,912	149,108
Total liabilities		8,219,979	1,701,052	931,684
Shareholders' equity				
Share capital		15,000,000	15,000,000	15,000,000
Statutory reserve		151,335	151,335	-
Retained earnings		402,422	454,006	599,751
Total shareholders' equity		15,553,757	15,605,341	15,599,751
Total liabilities and shareholders' equity		23,773,736	17,306,393	16,531,435

The accompanying notes from 1 to 11 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)

	Note	<u>For the three months ended</u>		<u>For the nine months ended</u>	
		September 30, 2010 SAR'000	September 30, 2009 SAR'000	September 30, 2010 SAR'000	September 30, 2009 SAR'000
Income from investments and financing		198,524	145,172	434,482	477,459
Return on time investments		(9,616)	(1,102)	(16,706)	(2,621)
Net income from investments and financing activities		188,908	144,070	417,776	474,838
Fees from banking services		6,457	1,031	27,814	1,239
Exchange income		907	86	4,026	182
Other operating income		563	32	3,836	734
		7,927	1,149	35,676	2,155
Total operating income		196,835	145,219	453,452	476,993
Salaries and employee-related expenses		73,945	69,424	252,808	169,675
Rent and premises-related expenses		13,096	8,557	33,301	23,266
Depreciation and amortization		27,431	14,690	74,102	36,727
Other general and administrative expenses		62,151	13,902	144,825	27,221
Total operating expenses		176,623	106,573	505,036	256,889
Income/(loss) from operating activities		20,212	38,646	(51,584)	220,104
Pre-operating expense, net		-	-	-	(10,334)
Net income /(loss) for the period		20,212	38,646	(51,584)	209,770
Other comprehensive income		-	-	-	-
Total comprehensive income/(loss) for the period		20,212	38,646	(51,584)	209,770
Basic and diluted earnings/(loss) per share (SAR)	9	0.01	0.03	(0.03)	0.14

The accompanying notes from 1 to 11 form an integral part of these interim condensed consolidated financial statements.

ALINMA BANK
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INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2010

<u>2010</u>	<u>SAR'000</u>			<u>Total</u>
	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Retained earnings</u>	
Balance at January 1	15,000,000	151,335	454,006	15,605,341
Total comprehensive loss for the period	-	-	(51,584)	(51,584)
Balance at September 30	15,000,000	151,335	402,422	15,553,757

<u>2009</u>	<u>SAR'000</u>			<u>Total</u>
	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Retained earnings</u>	
Balance at January 1	15,000,000	-	389,981	15,389,981
Total comprehensive income for the period	-	-	209,770	209,770
Balance at September 30	15,000,000	-	599,751	15,599,751

The accompanying notes from 1 to 11 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, 2010

	<u>Note</u>	<u>2010</u>	<u>2009</u>
		SAR'000	SAR'000
OPERATING ACTIVITIES			
Net (loss) income for the period		(51,584)	209,770
Adjustments to reconcile net (loss)/income to net cash used in operating activities:			
Depreciation and amortization		74,102	36,727
Operating income before changes in operating assets and liabilities		22,518	246,497
Net (increase)/decrease in operating assets			
Statutory deposit with SAMA		(254,152)	(41,813)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		(2,653,089)	(179,195)
Investments		(1,499,644)	(539,352)
Financing		(12,628,515)	(730,427)
Other assets		(606,712)	55,175
Net increase/(decrease) in operating liabilities			
Due to banks and other financial institutions		950,000	-
Customers' deposits		5,285,579	782,576
Other liabilities		283,348	(17,299)
Net cash used in operating activities		(11,100,667)	(423,838)
INVESTING ACTIVITIES			
Purchase of property and equipment		(234,916)	(345,486)
Net cash used in investing activities		(234,916)	(345,486)
Net decrease in cash and cash equivalents		(11,335,583)	(769,324)
Cash and cash equivalents at beginning of the period		12,130,385	1,661,987
Cash and cash equivalents at end of the period	7	794,802	892,663
Income received from investments and financing activities		266,286	282,070
Return paid to customers		10,397	198

The accompanying notes from 1 to 11 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
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2010

1. General

a) Incorporation and Operations

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). The address of the Bank’s head office is as follows:

Alinma Bank
Head Office
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 subsidiaries as follows:

Subsidiary	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, financing, and investment services through Sharia compliant products. These services are being offered through 15 branches (September 2009: 11) in the Kingdom of Saudi Arabia.

b) Sharia Board

The Bank has established a Sharia Board in line with its commitment to comply with Sharia. The Sharia Board is responsible for carrying out regular reviews of the operating results as well as any new products and services before its launch.

2. Basis of preparation

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 financial statements of the Bank for the financial period ended December 31, 2009.

a) Statement of compliance

These interim condensed consolidated financial statements are prepared:

- i) in accordance with the Accounting Standards for Financial Institutions promulgated by the Saudi Arabian Monetary Agency (“SAMA”), 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, directives issued by above mentioned regulators and the Articles of Association of the Bank.

b) Basis of measurement

These interim condensed consolidated financial statements have been prepared based on the historical cost convention.

c) Functional and presentation currency

These interim condensed consolidated financial statements are expressed in Saudi Arabian Riyals (“SAR”) which is the functional currency of the Bank. Except as indicated, the amounts are 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, using consistent accounting policies. Adjustments, if any, are made to the financial statements of the subsidiaries, where necessary, to align with the Bank’s financial statements.

Subsidiaries are the entities wherein 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 consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Non controlling interests represent the portion of net income (loss) and of net assets attributable to interests which are not owned, directly or indirectly, by the Bank in its subsidiaries. As at September 30, 2010, 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 used in the preparation of the annual consolidated financial statements for the period ended December 31, 2009.

As regards to the amendments to IFRS effective during 2010, the Bank is not expecting events attracting the provisions of these amendments and as such there is no material impact on these interim condensed consolidated financial statements. Similarly, the Bank has not exercised the option to early adopt the IFRS and related amendments issued to date with future effective dates.

4. Due from banks and other financial institutions

	September 30, 2010 (Unaudited) SAR'000	December 31, 2009 (Audited) SAR'000	September 30, 2009 (Unaudited) SAR'000
Murabahas with banks	5,158,617	13,823,986	11,685,378
Current accounts	42,453	22,354	61
Total	5,201,070	13,846,340	11,685,439

5. Investments (at amortized cost)

Murabahas with SAMA	2,499,785	1,000,141	2,858,124
Total	2,499,785	1,000,141	2,858,124

6. Credit related commitments and contingencies

Letters of credit	1,251,696	290,284	194,924
Letters of guarantee	2,310,455	801,033	667,641
Acceptances	187,704	14,125	-
Total	3,749,855	1,105,442	862,565

7. Cash and cash equivalents

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

	September 30, 2010 (Unaudited) SAR'000	December 31, 2009 (Audited) SAR'000	September 30, 2009 (Unaudited) SAR'000
Cash in hand	145,684	55,203	43,717
Balances with SAMA excluding statutory deposit	106,673	234,378	339,040
Due from banks and other financial institutions maturing within ninety days from the date of acquisition	542,445	11,840,804	509,906
Total	794,802	12,130,385	892,663

8. Segmental 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, CEO as well as the Assets and Liabilities Committee, in order to allocate resources to the segments and to assess its performance.

Predominantly, the Bank's business is conducted in Saudi Arabia. Transactions between the operating segments are on terms as approved by the management. There are no material items of income or expense between the operating segments. Majority of the segment assets and liabilities comprise operating assets and liabilities. There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since December 31, 2009.

For management purposes, the Bank is divided into the following segments:

a) Retail banking

Deposits, financing and other products and services for individuals and small to medium sized businesses.

b) Corporate banking

Deposits, financing and other products and services for corporate and institutional customers.

c) Treasury

Murabahas with banks, and treasury services. Profit is charged or credited to business segments using internally developed Fund Transfer Pricing (FTP) rates which approximate the marginal cost of funds.

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 and assets in common use) which does not constitute a separately reportable segment.

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

	September 30, 2010 (Unaudited)					
SAR'000	Retail	Corporate	Treasury	Investment and brokerage	Others	Total
Total assets	1,469,813	12,488,994	7,932,890	201,127	1,680,912	23,773,736
Total liabilities	4,282,325	1,585,720	2,091,105	49,830	210,999	8,219,979
Net income from investments and financing	27,276	214,332	98,127	1,095	76,946	417,776
Fees from banking services and other income	10,474	17,671	3,696	-	3,835	35,676
Total operating income	37,750	232,003	101,823	1,095	80,781	453,452
Total operating expenses	138,292	24,672	13,742	24,581	303,749	505,036
Net income /(loss) for the Period	(100,542)	207,331	88,081	(23,486)	(222,968)	(51,584)

	September 30, 2009 (Unaudited)					
SAR'000	Retail	Corporate	Treasury	Investment and brokerage	Others	Total
Total assets	50,080	740,461	14,901,812	251,543	587,539	16,531,435
Total liabilities	268,269	541,668	-	17,530	104,217	931,684
Net income from investments and financing	1,107	15,096	141,827	-	316,808	474,838
Fees from banking services and other income	511	781	160	-	703	2,155
Total operating income	1,618	15,877	141,987	-	317,511	476,993
Total operating expenses	60,297	9,356	6,671	5,654	174,911	256,889
Pre-operating expenses, net	-	-	-	-	10,334	10,334
Net income /(loss) for the period	(58,679)	6,521	135,316	(5,654)	132,266	209,770

9. 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 are 1,500 million shares at the period end.

	<u>Three months period ended</u>		<u>Nine months period ended</u>	
	<u>September 30, 2010 SAR'000</u>	<u>September 30, 2009 SAR'000</u>	<u>September 30, 2010 SAR'000</u>	<u>September 30, 2009 SAR'000</u>
	(Unaudited)			
Total comprehensive income/(loss) for the period	<u>20,212</u>	<u>38,646</u>	<u>(51,584)</u>	<u>209,770</u>
Weighted average number of outstanding shares	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>
Basic and diluted earnings (loss) per share (SAR)	<u>0.01</u>	<u>0.03</u>	<u>(0.03)</u>	<u>0.14</u>

10. 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 and as adopted by SAMA in supervising the Bank.

Capital Adequacy Ratios	<u>September 30, 2010</u>		<u>September 30, 2009</u>	
	<u>Total Capital Ratio</u>	<u>Tier 1 Capital Ratio</u>	<u>Total Capital Ratio</u>	<u>Tier 1 Capital Ratio</u>
Particulars	(Unaudited)		(Unaudited)	
	(%)	(%)	(%)	(%)
Top consolidated level	<u>81</u>	<u>81</u>	<u>364</u>	<u>350</u>

11. Comparative Figures

Comparative figures have been reclassified wherever necessary to facilitate comparison.