

ALINMA BANK
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

FOR THE NINE MONTHS PERIOD ENDED
SEPTEMBER 30, 2012



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



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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

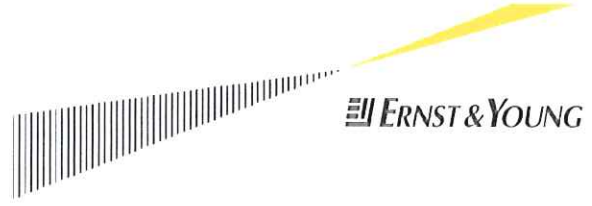
We have reviewed the accompanying interim consolidated statement of financial position of Alinma Bank and its subsidiaries (the "Bank") as of September 30, 2012, and the related interim consolidated statement of comprehensive income for the three month and nine month periods then ended, and the interim consolidated statements of changes in shareholders' equity and cash flows for the nine month period then ended, and the notes from (1) to (13). 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



28 Dhu Al-Hijjah, 1433H
(November 13, 2012)



INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	September 30, 2012 (Unaudited) SAR'000	December 31, 2011 (Audited) SAR'000	September 30, 2011 (Unaudited) SAR'000
ASSETS				
Cash and balances with Saudi Arabian Monetary Agency ("SAMA")		4,344,822	1,412,781	1,241,425
Due from banks and other financial institutions		4,886,068	4,003,328	3,712,067
Investments	4	2,544,909	3,428,281	2,391,645
Financing, net	5	34,999,318	25,258,534	24,063,575
Property and equipment, net		1,402,421	1,379,245	1,293,168
Other assets		1,675,061	1,301,197	1,147,365
Total assets		49,852,599	36,783,366	33,849,245
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES				
Due to banks and other financial institutions		2,401,253	2,442,876	1,752,615
Customers' deposits	6	28,568,542	17,776,284	15,850,535
Other liabilities		2,442,302	670,185	494,583
Total liabilities		33,412,097	20,889,345	18,097,733
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		17,700	(3,233)	(14,056)
Retained earnings		1,314,454	788,906	760,433
Treasury shares		(154,621)	(154,621)	(150,000)
Total shareholders' equity		16,440,502	15,894,021	15,751,512
Total liabilities and shareholders' equity		49,852,599	36,783,366	33,849,245

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)

	Note	<u>For the three months ended</u>		<u>For the nine months ended</u>	
		<u>September 30, 2012</u>	<u>September 30, 2011</u>	<u>September 30, 2012</u>	<u>September 30, 2011</u>
		<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>
Income from investments and financing		440,847	316,046	1,167,839	846,581
Return on time investments		(33,751)	(17,492)	(84,018)	(50,928)
Net income from investments and financing activities		407,096	298,554	1,083,821	795,653
Fees from banking services, net		38,061	28,722	201,692	91,416
Exchange income, net		4,925	4,034	15,561	7,377
Income/(loss) from FVIS financial instruments, net		870	(1,095)	2,064	(698)
Gain on sale of available for sale investments		3,507	-	22,860	-
Dividend income		4,456	1,952	10,104	5,098
Other operating income		187	85	229	2,368
Total operating income		459,102	332,252	1,336,331	901,214
Salaries and employee related expenses		114,507	107,215	349,487	325,260
Rent and premises related expenses		20,357	17,175	58,003	47,326
Depreciation and amortization		37,919	32,380	110,241	90,352
Other general and administrative expenses		45,724	47,546	154,343	130,578
Charge for impairment on financing		44,070	5,636	128,359	12,671
Total operating expenses		262,577	209,952	800,433	606,187
Net operating income		196,525	122,300	535,898	295,027
Share of loss from associate		(877)	-	(10,350)	-
Net income for the period		195,648	122,300	525,548	295,027
Other comprehensive income:					
Net change in fair value of available for sale investments		15,380	(22,079)	43,793	(14,067)
Net amount realized on available for sale investments		(3,507)	-	(22,860)	-
Total comprehensive income for the period		207,521	100,221	546,481	280,960
Basic and diluted earnings per share (SAR)	10	0.13	0.08	0.35	0.20

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



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

SAR'000						
2012	Share capital	Statutory reserve	Net change in fair value of available for sale investments	Retained earnings	Treasury shares	Total
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	-	-	20,933	525,548	-	546,481
Balance at the end of the period	15,000,000	262,969	17,700	1,314,454	(154,621)	16,440,502

SAR'000						
2011	Share capital	Statutory reserve	Net change in fair value of available for sale investments	Retained earnings	Treasury shares	Total
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			(14,067)	295,027	-	280,960
Net change in treasury shares					(30,000)	(30,000)
Balance at the end of the period	15,000,000	155,135	(14,056)	760,433	(150,000)	15,751,512

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

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

	Note	2012 SAR'000	2011 SAR'000
OPERATING ACTIVITIES			
Net income for the period		525,548	295,027
Adjustments to reconcile net income to net cash from/(used in) operating activities:			
Depreciation and amortization		110,241	90,352
(Income)/loss from FVIS financial instruments, net		(2,064)	698
Charge for impairment on financing		128,359	12,671
Share of loss from associate		10,350	-
		<u>772,434</u>	<u>398,748</u>
Net (increase)/decrease in operating assets:			
Statutory deposit with SAMA		(597,080)	(400,087)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		534,759	1,607,478
Investments		896,019	217,179
Financing		(9,869,143)	(8,482,961)
Other assets		(373,864)	(469,607)
Net increase/(decrease) in operating liabilities:			
Due to banks and other financial institutions		(41,623)	(501,401)
Customers' deposits		10,792,258	7,534,657
Other liabilities		1,772,117	16,291
Net cash from / (used in) operating activities		<u>3,885,877</u>	<u>(79,703)</u>
INVESTING ACTIVITIES			
Acquisition of property and equipment		(133,417)	(190,324)
Net cash used in investing activities		<u>(133,417)</u>	<u>(190,324)</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>3,752,460</u>	<u>(300,027)</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>4,237,757</u>	<u>1,024,719</u>
Income received from investments and financing		1,082,183	790,596
Return paid on time investments		44,960	37,946
Supplemental non-cash information			
Net change in fair value less realized gain on available for sale investments		<u>20,933</u>	<u>(14,067)</u>

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



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 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 45 branches (September 30, 2011: 34 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 review and approval.

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 and 10 on the Bank's interim condensed consolidated financial statements will be carried out in due course.

4. Investments

	September 30, 2012 (Unaudited) SAR'000	December 31, 2011 (Audited) SAR'000	September 30, 2011 (Unaudited) SAR'000
Murabahas with SAMA, (at amortized cost)	1,549,984	2,649,934	1,999,907
Available for sale	920,271	695,407	309,940
Held as FVIS	27,504	25,440	24,298
Investment in associate	47,150	57,500	57,500
Total	2,544,909	3,428,281	2,391,645

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. It 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

	September 30, 2012 (Unaudited) SAR'000	December 31, 2011 (Audited) SAR'000	September 30, 2011 (Unaudited) SAR'000
Retail	5,459,691	4,265,804	4,044,432
Corporate	29,674,682	21,110,295	20,030,495
Performing financing	35,134,373	25,376,099	24,074,927
Non-performing financing	120,432	10,134	4,284
Total financing, gross	35,254,805	25,386,233	24,079,211
Allowance for impairment	(255,487)	(127,699)	(15,636)
Financing, net	34,999,318	25,258,534	24,063,575

6. Customers' deposits

	September 30, 2012 (Unaudited) SAR'000	December 31, 2011 (Audited) SAR'000	September 30, 2011 (Unaudited) SAR'000
Demand deposits	14,150,360	8,961,924	7,569,299
Customers' time investments	11,816,281	7,530,095	5,746,367
Others	2,601,901	1,284,265	2,534,869
Total	28,568,542	17,776,284	15,850,535

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:

	September 30, 2012 (Unaudited) SAR'000	December 31, 2011 (Audited) SAR'000	September 30, 2011 (Unaudited) SAR'000
Letters of credit	3,437,347	2,256,804	3,895,551
Letters of guarantee	2,640,973	3,608,702	3,745,238
Acceptances	519,065	351,933	110,873
Irrevocable commitments to extend credit	2,639,918	1,621,666	-
Total	9,237,303	7,839,105	7,751,662

8. Cash and cash equivalents

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

	September 30, 2012 (Unaudited) SAR'000	December 31, 2011 (Audited) SAR'000	September 30, 2011 (Unaudited) SAR'000
Cash in hand	668,622	359,352	341,542
Balances with SAMA excluding statutory deposit	2,075,642	49,951	6,130
Due from banks and other financial institutions maturing within ninety days from the date of acquisition	1,493,493	75,994	677,047
Total	4,237,757	485,297	1,024,719

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 Chief Executive Officer 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 September 30, its operating income, operating expenses and net income for the nine months period then ended by operating segments:

SAR'000	September 30, 2012 (Unaudited)					
	Retail	Corporate	Treasury	Investment and brokerage	Others	Total
Total assets	6,365,360	29,541,952	10,735,702	333,196	2,876,389	49,852,599
Total liabilities	16,110,033	4,819,243	10,304,060	163,667	2,015,094	33,412,097
Net income from investments and financing	257,262	475,475	179,795	233	171,056	1,083,821
Fees from banking services and other income	37,306	146,992	45,271	22,713	228	252,510
Total operating income	294,568	622,467	225,066	22,946	171,284	1,336,331
Charge for impairment on financing	80,462	47,897	-	-	-	128,359
Depreciation and amortization	37,662	203	389	-	71,987	110,241
Other operating expenses	230,602	22,770	12,173	23,331	272,957	561,833
Total operating expenses	348,726	70,870	12,562	23,331	344,944	800,433
Net operating income/(loss) for the period	(54,158)	551,597	212,504	(385)	(173,660)	535,898
Share of loss from associate, net	-	-	-	-	(10,350)	(10,350)
Net income/(loss) for the period	(54,158)	551,597	212,504	(385)	(184,010)	525,548

SAR'000	September 30, 2011 (Unaudited)					
	Retail	Corporate	Treasury	Investment and brokerage	Others	Total
Total assets	4,505,534	20,022,196	6,619,680	332,392	2,369,443	33,849,245
Total liabilities	7,941,000	4,673,220	5,050,637	156,342	276,534	18,097,733
Net income from investments and financing	171,793	324,395	135,778	374	163,313	795,653
Fees from banking services and other income	18,112	64,630	10,994	9,468	2,357	105,561
Total operating income	189,905	389,025	146,772	9,842	165,670	901,214
Charge for impairment on financing	3,623	9,048	-	-	-	12,671
Depreciation and amortization	20,438	-	-	-	69,914	90,352
Other operating expenses	178,212	22,213	11,494	28,082	263,163	503,164
Total operating expenses	202,273	31,261	11,494	28,082	333,077	606,187
Net operating income/(loss) for the period	(12,368)	357,764	135,278	(18,240)	(167,407)	295,027
Share of loss from associate, net	-	-	-	-	-	-
Net income/(loss) for the period	(12,368)	357,764	135,278	(18,240)	(167,407)	295,027

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 and commitments at a weighted amount to reflect their relative risk.

	September 30, 2012 (Unaudited) SAR'000	December 31, 2011 (Audited) SAR'000	September 30, 2011 (Unaudited) SAR'000
Credit Risk Weighted Assets	43,561,796	32,345,614	25,742,969
Operational Risk Weighted Assets	2,321,007	1,733,049	1,415,333
Market Risk Weighted Assets	4,745,596	2,216,522	1,201,851
Total Pillar-I Risk Weighted Assets	50,628,399	36,295,185	28,360,153
Tier I Capital	15,897,254	15,897,254	15,620,541
Tier II Capital	709,594	118,699	301,173
Total Tier I & II Capital	16,606,848	16,015,953	15,921,714
Capital Adequacy Ratio %			
Tier I ratio	31%	44%	55%
Tier I + Tier II ratio	33%	44%	56%

12. Comparative Figures

Certain prior period figures have been reclassified to conform to current period presentation.

13. Approval of the interim condensed consolidated financial statements

These interim condensed consolidated financial statements were approved on 21 Dul'Qa'dah 1433H (corresponding to October 07, 2012).