

ALINMA BANK
(A Saudi Joint Stock Company)


(UNAUDITED)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD FROM MAY 26, 2008
(DATE OF MINISTERIAL RESOLUTION)
TO SEPTEMBER 30, 2009



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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, 2009, and the related interim consolidated statements of comprehensive income, changes in shareholders’ equity and cash flows for the period from May 26, 2008 (Date of Ministerial resolution) to September 30, 2009.

Management Responsibility for the Interim Consolidated Financial Statements

These interim 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.

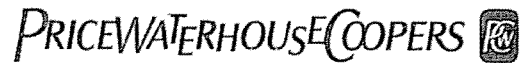
Scope of Review

Our responsibility is to express a conclusion on these interim 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.



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Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim 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 (13) to the accompanying interim 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

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23 Shawal 1430H
(October 12, 2009)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at September 30, 2009 (Unaudited)

	<u>Notes</u>	<u>SAR '000</u>
ASSETS		
Cash and balances with Saudi Arabian Monetary Agency ("SAMA")		424,570
Due from banks and other financial institutions	4	11,685,439
Investments	5	2,858,124
Financing		713,873
Property and equipment, net	6	790,754
Other assets		42,121
TOTAL ASSETS		<u>16,514,881</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Customers' deposits		782,576
Other liabilities		132,554
TOTAL LIABILITIES		<u>915,130</u>
SHAREHOLDERS' EQUITY		
Share capital	12	15,000,000
Retained earnings		599,751
TOTAL SHAREHOLDERS' EQUITY		<u>15,599,751</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>16,514,881</u>

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

		<u>SAR'000</u>	
	<u>Notes</u>	For the three months period ended September 30, 2009	For the period from May 26, 2008 (date of Ministerial Resolution) to September 30, 2009
INCOME			
Income from investing and financing activities	8	139,064	810,017
Return on customers' deposits		(1,102)	(2,621)
Net income from investing and financing activities		137,962	807,396
Other operating income		7,257	8,263
Total operating income		145,219	815,659
Salaries and employee-related expenses		69,424	274,510
Rent and premises related expenses		8,557	41,994
Depreciation and amortization	6	14,690	56,713
Other general and administrative expenses		13,902	106,770
Total operating expenses		106,573	479,987
Net operating income		38,646	335,672
Pre-operating income, net	9	-	264,079
Net income for the period		38,646	599,751
Other comprehensive income		-	-
Net comprehensive income for the period		38,646	599,751
Basic and diluted earnings per share (SAR)	12	0.03	0.40

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

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD FROM MAY 26, 2008 (DATE OF MINISTERIAL RESOLUTION) TO
SEPTEMBER 30, 2009 (Unaudited)**

	SAR'000		
	Share capital	Retained earnings	Total
Share capital	15,000,000	-	15,000,000
Net comprehensive income for the period	-	599,751	599,751
Balance at the end of the period	15,000,000	599,751	15,599,751

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



**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM MAY 26, 2008 (DATE OF MINISTERIAL RESOLUTION) TO
SEPTEMBER 30, 2009 (Unaudited)**

	<u>Notes</u>	<u>SAR'000</u>
OPERATING ACTIVITIES		
Net income for the period		599,751
Adjustments to reconcile net income to net cash used in operating activities		
Depreciation and amortization		56,713
Net increase in operating assets:		
Statutory deposit with SAMA		(41,813)
Due from banks and other financial institutions maturing after ninety days of acquisition		(11,175,533)
Investments		(2,858,124)
Financing		(713,873)
Other assets		(42,121)
Net increase in operating liabilities:		
Customers' deposits		782,576
Other liabilities		132,554
Net cash used in operating activities		(13,259,870)
INVESTING ACTIVITIES:		
Purchase of property and equipment		(847,467)
Net cash used in investing activities		(847,467)
FINANCING ACTIVITIES:		
Paid in share capital		15,000,000
Net cash from financing activities		15,000,000
Cash and cash equivalents at end of the period	10	892,663
Income received from investments in financial assets including pre-operating		992,054
Return paid to customers		198

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD FROM MAY 26, 2008 (DATE OF MINISTERIAL RESOLUTION) TO
SEPTEMBER 30, 2009 (Unaudited)**

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 Head Office address is as follows:

Alinma Bank
P.O. Box 66674
Riyadh 11586
Kingdom of Saudi Arabia

The Bank's objectives include banking, investment and other activities in accordance with its Articles of Association and the Banking Control Law.

b) Period of the consolidated financial statements

According to the clause 39 of the Articles of Association of the Bank, the financial year begins on January 1 and ends on December 31. However, the first financial year starts from the date of the Ministerial Resolution announcing the establishment of the Bank until the end of December of the following year. The first financial year, therefore, will cover the period from May 26, 2008 to December 31, 2009. Further, to meet the regulatory requirements, these interim consolidated financial statements have been prepared for the period from May 26, 2008 to September 30, 2009.

2. Basis of preparation

a) Statement of compliance

These interim consolidated financial statements have been prepared 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 in compliance with the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia.

b) Basis of consolidation

The interim consolidated financial statements comprise the financial statements of the Bank, its 99.96% subsidiary Alinma Investment Company, and its 98% subsidiary Tanweer Real Estate Company. 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 to align with the Bank's financial statements.

Subsidiaries are the entities controlled by the Bank. Control exists when the Bank has the power to govern the financial and operating policies, so as to obtain benefits from its activities, generally accompanying an ownership interest 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 year, if any, are included in the consolidated statement of comprehensive income from the effective date of the acquisition or up to the effective date of disposal, as appropriate.

Minority interests represent the portion of net income and net assets attributable to interests which are not owned, directly or indirectly, by the Bank in its subsidiaries. As at September 30, 2009, minority interests in the subsidiaries are immaterial and are owned by representative shareholders, to meet regulatory requirements, and hence not presented separately in the consolidated statement of comprehensive income and within shareholders' equity in the consolidated statement of financial position.

Balances between the parent and its subsidiaries, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

c) Basis of measurement

The consolidated financial statements are prepared under the historical cost convention.

d) Presentation and functional currency

These interim consolidated financial statements are expressed in Saudi Arabian Riyals ("SAR") which is the functional currency of the Bank. The amounts are rounded off to the nearest thousands.

e) Critical accounting judgments and estimates

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. Such estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including obtaining professional advices and expectations of future events that are believed to be reasonable under the circumstances. The significant areas where management has used estimates, assumptions or exercised judgments are the valuation of financial assets and the lives of property and equipment for depreciation calculation purposes.

3. Significant accounting policies

The accounting policies adopted are consistent with those of the first published interim financial statements as of December 31, 2008 as set out below, except for the revisions and amendments to IAS 1 "Presentation of Financial Statements". The Bank has adopted IFRS 8 and other amendments in existing standards. However, these revisions and amendments have no impact on these interim consolidated financial statements as the Bank had limited operations during the period.

a) Foreign currencies

Transactions in foreign currencies are translated into Saudi Riyals by applying the exchange rates prevailing at the date of such transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Saudi Riyals at the exchange rates prevailing at the date of consolidated statement of financial position. Realized and unrealized gains or losses on exchange are recognized in the consolidated statement of comprehensive income.

b) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, “cash and cash equivalents” are defined as those amounts included in cash, balances with SAMA excluding statutory deposits, and due from banks and other financial institutions, if any, with a maturity of three months or less from the date of acquisition.

c) Financing

Financing includes primarily Murabaha products, which are held at amortized cost. These are initially recognized at cost (including the associated acquisition charges) representing the fair value of amounts paid. Subsequently these are measured at cost less impairment (if any).

Murabaha is an agreement whereby the Bank sells to a customer a commodity or an asset, which the Bank has purchased and acquired based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin.

d) Investments

Investments include certain Commodity Murabahas held at amortized cost. These are initially recognized at cost (including associated acquisition charges) representing the fair value of amounts paid. Subsequently these are measured at cost net of impairment (if any).

e) Impairment of financial assets

An assessment is made at the date of each statement of financial position to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of future anticipated cash flows, is recognized for changes in its carrying amounts.

In addition to specific impairment charge, provision for collective impairment is made on a portfolio level. This provision is estimated based on various factors including credit ratings allocated to a borrower or group of borrowers, the current economic conditions, the experience the Bank has had in dealing with a borrower or group of borrowers and available historical default information. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions.

f) Offsetting

Financial assets and liabilities are offset and reported net in the consolidated statement of financial position when there is a legally enforceable right to set off the recognized amounts and when the Bank intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

g) Customers' deposits

Customers' deposits represent current and investment accounts. Investment accounts are initially recognized at cost which represents the fair value of the amounts received, and subsequently measured at amortized cost.

h) Zakat

Zakat is calculated in accordance with the zakat rules and regulations prevailing in the Kingdom of Saudi Arabia and is considered as a liability on the shareholders to be deducted from dividends.

i) Trade date accounting

All regular purchases and sales of financial assets are recognized on the trade date (i.e. the date that the Bank commits to purchase or sell the assets). Regular way purchases or sales of financial assets require delivery of those assets within the time frame generally established by regulation or convention in the market place.

j) Revenue recognition

Income on investments and financing is recognized over the period of the transaction using the effective yield.

Fees from banking services are recognized on accrual basis when the related service is rendered while dividend income is recognized when declared.

k) Property and equipment

Property and equipment are stated at cost net of accumulated depreciation and amortization. Freehold land is not depreciated. The cost of other property and equipment is depreciated and amortized on the straight-line method over the estimated useful lives of the assets as follows:

Buildings	20 years
Furniture, fixtures & equipment	5-10 years
Leasehold improvements	The shorter of lease period or 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the date of each statement of financial position.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of comprehensive income.

l) Provisions

Provisions are recognized when a reliable estimate can be made by the Bank for a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation.

m) Accounting for leases

Leases entered into by the Bank are all operating leases. Payments made under operating leases are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any additional payment required to be made is recognized as an expense in the period in which termination takes place.

4. Due from banks and other financial institutions

Due from banks and other financial institutions at September 30, 2009 were as follows:

	SAR '000
Commodity Murabahas with banks	11,685,378
Current accounts	61
Total	11,685,439

5. Investments

Investments at September 30, 2009 were as follows:

<u>At amortized cost</u>	SAR '000
Commodity Murabahas with SAMA	2,858,124
Total	2,858,124

6. Property and equipment, net

Property and equipment, net at September 30, 2009 is as follows:

	<u>SAR'000</u>			
	Land & buildings	Furniture, fixtures & equipment	Leasehold improvements	Total
Cost	219,885	534,691	92,891	847,467
Depreciation and amortization	-	(52,655)	(4,058)	(56,713)
Net book value	219,885	482,036	88,833	790,754

Property and equipment include work in progress as at September 30, 2009 amounting to SAR 281 million. Depreciation and amortization includes an amount of SAR 0.48 million related to the subsidiaries which was charged to the pre-operating income, in the consolidated statement of comprehensive income.

7. Credit related commitments and contingencies

As at September 30, 2009 the Bank had credit related commitments and contingencies amounting to approximately SAR 863 million related to letters of guarantees and letters of credits. Guarantees, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as investments and financing assets.

8. Income from investing and financing activities

	<u>SAR'000</u>	
	<u>For the three months period ended September 30, 2009</u>	<u>For the period from May 26, 2008 to September 30, 2009</u>
Commodity Murabaha with banks and other institutions	130,887	796,281
Financing to customers	8,177	13,736
Total	139,064	810,017

9. Pre-operating income, net

	<u>SAR'000</u>	
	<u>For the three months period ended September 30, 2009</u>	<u>For the period from May 26, 2008 to September 30, 2009</u>
Income from investing and financing activities	-	484,632
Pre-operating expenses	-	(220,553)
Net pre-operating income	-	264,079

10. Cash and cash equivalents

Cash and cash equivalents at September 30, 2009 are as follows:

	<u>SAR '000</u>
Cash in hand	43,717
Balances with SAMA excluding statutory deposit	339,040
Due from banks and other financial institutions maturing within ninety days of acquisition	509,906
Total	892,663

In accordance with the Banking Control Law and regulations issued by SAMA, the Bank is required to maintain a statutory deposit with SAMA at prescribed percentages of its customers' deposits as calculated at the end of each month.

11. Business segments

The Bank's primary business is conducted in Saudi Arabia with the following major segments:

- Retail Banking
- Corporate banking
- Treasury and Investments
- Others

However, during the period, the business was mainly confined to mobilization for commencement of commercial launch, treasury investments and limited deposits and financing activities.

12. Share capital and earnings per share

The authorized, issued and fully paid share capital of the Bank at September 30, 2009 consists of 1,500 million shares of SR 10 each.

The ownership of the Bank's share capital is as follows:

	<u>Percentage</u>
Public Investment Fund ("PIF")	10
Public Pension Agency ("PPA")	10
General Organization for Social Insurance ("GOSI")	10
Public	70
Total	<u><u>100</u></u>

Basic and diluted earnings per share are calculated by dividing the net income for the period by 1,500 million shares.

13. Capital adequacy

The Bank maintains an actively managed capital 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.

<u>Particulars</u>	<u>Capital Adequacy Ratios</u>
Total Capital ratio (%)	364
Tier 1 Capital ratio (%)	<u>350</u>