

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|                                                   | Notes | 30 June 2013<br>SAR'000<br>(Unaudited) | 31 December 2012<br>SAR'000<br>(Audited) | 30 June 2012<br>SAR'000<br>(Unaudited) |
|---------------------------------------------------|-------|----------------------------------------|------------------------------------------|----------------------------------------|
| <b>ASSETS</b>                                     |       |                                        |                                          |                                        |
| Cash and balances with SAMA                       |       | 20,861,511                             | 26,270,523                               | 19,057,838                             |
| Due from banks and other financial institutions   |       | 3,877,701                              | 3,190,989                                | 3,449,942                              |
| Investments, net                                  | 5     | 35,408,287                             | 36,253,852                               | 36,619,375                             |
| Loans and advances, net                           | 6     | 126,189,862                            | 117,470,654                              | 115,091,441                            |
| Investment in associates                          |       | 421,682                                | 410,172                                  | 379,336                                |
| Other real estate                                 |       | 434,084                                | 458,385                                  | 433,246                                |
| Property and equipment, net                       |       | 1,685,082                              | 1,737,902                                | 1,762,674                              |
| Other assets                                      |       | 2,749,011                              | 4,388,361                                | 3,843,540                              |
| <b>Total assets</b>                               |       | <b>191,627,220</b>                     | <b>190,180,838</b>                       | <b>180,637,392</b>                     |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>       |       |                                        |                                          |                                        |
| <b>Liabilities</b>                                |       |                                        |                                          |                                        |
| Due to banks and other financial institutions     |       | 5,410,167                              | 6,162,968                                | 7,637,579                              |
| Customer deposits                                 | 7     | 147,879,059                            | 146,214,567                              | 137,055,777                            |
| Other liabilities                                 |       | 6,712,239                              | 5,839,793                                | 4,972,736                              |
| <b>Total liabilities</b>                          |       | <b>160,001,465</b>                     | <b>158,217,328</b>                       | <b>149,666,092</b>                     |
| <b>Shareholders' equity</b>                       |       |                                        |                                          |                                        |
| Share capital                                     |       | 15,000,000                             | 15,000,000                               | 15,000,000                             |
| Statutory reserve                                 |       | 13,341,600                             | 13,341,600                               | 12,475,088                             |
| Other reserves                                    |       | 968,206                                | 1,124,855                                | 807,813                                |
| Retained earnings                                 |       | 2,315,949                              | 1,372,055                                | 2,688,399                              |
| Proposed dividends                                |       | -                                      | 1,125,000                                | -                                      |
| <b>Total shareholders' equity</b>                 |       | <b>31,625,755</b>                      | <b>31,963,510</b>                        | <b>30,971,300</b>                      |
| <b>Total liabilities and shareholders' equity</b> |       | <b>191,627,220</b>                     | <b>190,180,838</b>                       | <b>180,637,392</b>                     |

The accompanying notes 1 to 17 form an integral part of these interim condensed consolidated financial statements.

**INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (Unaudited)**

|                                                                              | For the three months period<br>ended 30 June |                  | For the six months period<br>ended 30 June |                  |
|------------------------------------------------------------------------------|----------------------------------------------|------------------|--------------------------------------------|------------------|
|                                                                              | 2013                                         | 2012             | 2013                                       | 2012             |
|                                                                              | SAR'000                                      | SAR'000          | SAR'000                                    | SAR'000          |
| Special commission income                                                    | 1,342,558                                    | 1,278,481        | 2,644,839                                  | 2,554,867        |
| Special commission expense                                                   | 176,223                                      | 183,258          | 388,912                                    | 391,181          |
| <b>Net special commission income</b>                                         | <b>1,166,335</b>                             | <b>1,095,223</b> | <b>2,255,927</b>                           | <b>2,163,686</b> |
| Fee and commission income, net                                               | 490,357                                      | 488,428          | 937,020                                    | 961,963          |
| Exchange income, net                                                         | 58,814                                       | 62,186           | 116,645                                    | 124,578          |
| Trading losses, net                                                          | (865)                                        | (934)            | (1,769)                                    | (3,099)          |
| Dividend income                                                              | 30,638                                       | 25,345           | 42,449                                     | 41,382           |
| Gains on non-trading investments, net                                        | 37,561                                       | 122,959          | 130,787                                    | 141,626          |
| Other operating income                                                       | 32,639                                       | 11,094           | 59,058                                     | 18,040           |
| <b>Total operating income</b>                                                | <b>1,815,479</b>                             | <b>1,804,301</b> | <b>3,540,117</b>                           | <b>3,448,176</b> |
| Salaries and employee-related expenses                                       | 325,644                                      | 306,568          | 642,388                                    | 614,131          |
| Rent and premises-related expenses                                           | 60,565                                       | 59,752           | 124,909                                    | 117,197          |
| Depreciation of property and equipment                                       | 67,756                                       | 73,917           | 136,947                                    | 139,897          |
| Other general and administrative expenses                                    | 202,528                                      | 169,201          | 362,873                                    | 348,026          |
| Impairment charge for credit losses, net                                     | 197,211                                      | 386,553          | 388,340                                    | 539,423          |
| Impairment charge for investments, net                                       | -                                            | (90,000)         | (22,000)                                   | (90,000)         |
| Other operating expenses                                                     | 6,116                                        | 6,094            | 13,057                                     | 13,018           |
| <b>Total operating expenses</b>                                              | <b>859,820</b>                               | <b>912,085</b>   | <b>1,646,514</b>                           | <b>1,681,692</b> |
| <b>Income from operating activities</b>                                      | <b>955,659</b>                               | <b>892,216</b>   | <b>1,893,603</b>                           | <b>1,766,484</b> |
| <b>Share in earnings of associates, net</b>                                  | <b>12,251</b>                                | <b>22,196</b>    | <b>25,291</b>                              | <b>49,397</b>    |
| <b>Net income for the period</b>                                             | <b>967,910</b>                               | <b>914,412</b>   | <b>1,918,894</b>                           | <b>1,815,881</b> |
| <b>Basic and diluted earnings per share for the period (in SAR) -Note 13</b> | <b>0.65</b>                                  | <b>0.61</b>      | <b>1.28</b>                                | <b>1.21</b>      |

The accompanying notes 1 to 17 form an integral part of these interim condensed consolidated financial statements.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)**

|                                                                                          | For the three months period<br>ended 30 June |                  | For the six months period<br>ended 30 June |                  |
|------------------------------------------------------------------------------------------|----------------------------------------------|------------------|--------------------------------------------|------------------|
|                                                                                          | 2013                                         | 2012             | 2013                                       | 2012             |
|                                                                                          | SAR'000                                      | SAR'000          | SAR'000                                    | SAR'000          |
| <b>Net income for the period</b>                                                         | <b>967,910</b>                               | <b>914,412</b>   | <b>1,918,894</b>                           | <b>1,815,881</b> |
| <b>Other comprehensive income:</b>                                                       |                                              |                  |                                            |                  |
| <b>-Available for sale investments</b>                                                   |                                              |                  |                                            |                  |
| Net changes in fair value                                                                | (163,438)                                    | (70,491)         | (50,331)                                   | 503,848          |
| Net changes in fair value transferred to interim condensed consolidated income statement | (33,870)                                     | (209,502)        | (104,055)                                  | (227,971)        |
|                                                                                          | <u>(197,308)</u>                             | <u>(279,993)</u> | <u>(154,386)</u>                           | <u>275,877</u>   |
| <b>-Cash flow hedges</b>                                                                 |                                              |                  |                                            |                  |
| Effective portion of net changes in fair value                                           | (543)                                        | 9,157            | (1,529)                                    | (3,518)          |
| Net changes in fair value transferred to interim condensed consolidated income statement | (734)                                        | (295)            | (734)                                      | (295)            |
|                                                                                          | <u>(1,277)</u>                               | <u>8,862</u>     | <u>(2,263)</u>                             | <u>(3,813)</u>   |
| <b>Other comprehensive income for the period</b>                                         | <b>(198,585)</b>                             | <b>(271,131)</b> | <b>(156,649)</b>                           | <b>272,064</b>   |
| <b>Total comprehensive income for the period</b>                                         | <b>769,325</b>                               | <b>643,281</b>   | <b>1,762,245</b>                           | <b>2,087,945</b> |

The accompanying notes 1 to 17 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)

For the six months period ended 30 June 2013 & 2012

|                                           | SAR'000       |                   |                                                  |                  |                   |                    |             |
|-------------------------------------------|---------------|-------------------|--------------------------------------------------|------------------|-------------------|--------------------|-------------|
|                                           | Share capital | Statutory reserve | Other reserves<br>Available for sale investments | Cash flow hedges | Retained earnings | Proposed dividends | Total       |
| <b>30 June 2013</b>                       |               |                   |                                                  |                  |                   |                    |             |
| Balance at the beginning of the period    | 15,000,000    | 13,341,600        | 1,122,592                                        | 2,263            | 1,372,055         | 1,125,000          | 31,963,510  |
| Total comprehensive income for the period | -             | -                 | (154,386)                                        | (2,263)          | 1,918,894         | -                  | 1,762,245   |
| Final dividends paid - 2012               | -             | -                 | -                                                | -                | -                 | (1,125,000)        | (1,125,000) |
| Interim dividends paid - 2013 (Note 14)   | -             | -                 | -                                                | -                | (975,000)         | -                  | (975,000)   |
| Balance at the end of the period          | 15,000,000    | 13,341,600        | 968,206                                          | -                | 2,315,949         | -                  | 31,625,755  |
| <b>30 June 2012</b>                       |               |                   |                                                  |                  |                   |                    |             |
| Balance at the beginning of the period    | 15,000,000    | 12,475,088        | 526,651                                          | 9,098            | 872,518           | 1,275,000          | 30,158,355  |
| Total comprehensive income for the period | -             | -                 | 275,877                                          | (3,813)          | 1,815,881         | -                  | 2,087,945   |
| Final dividends paid - 2011               | -             | -                 | -                                                | -                | -                 | (1,275,000)        | (1,275,000) |
| Balance at the end of the period          | 15,000,000    | 12,475,088        | 802,528                                          | 5,285            | 2,688,399         | -                  | 30,971,300  |

The accompanying notes 1 to 17 form an integral part of these interim condensed consolidated financial statements.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

For the six months period ended 30 June 2013 & 2012

|                                                                                                          | For the six months period ended 30 June |                    |
|----------------------------------------------------------------------------------------------------------|-----------------------------------------|--------------------|
|                                                                                                          | 2013                                    | 2012               |
|                                                                                                          | Notes                                   |                    |
|                                                                                                          | SAR'000                                 | SAR'000            |
| <b>OPERATING ACTIVITIES</b>                                                                              |                                         |                    |
| Net income for the period                                                                                | 1,918,894                               | 1,815,881          |
| Adjustments to reconcile net income for the period to net cash from (used in) from operating activities: |                                         |                    |
| Amortisation of premium(accretion of discounts) on non-trading investments, net                          | (24,690)                                | (18,208)           |
| Gains on non-trading investments, net                                                                    | (130,787)                               | (141,626)          |
| Depreciation of property and equipment                                                                   | 136,947                                 | 139,897            |
| Impairment charge for credit losses, net                                                                 | 388,340                                 | 539,423            |
| Impairment charge for investments, net                                                                   | (22,000)                                | (90,000)           |
| Share in earnings of associates, net                                                                     | (25,291)                                | (49,397)           |
|                                                                                                          | <u>2,241,413</u>                        | <u>2,195,970</u>   |
| <b>Net (increase) decrease in operating assets:</b>                                                      |                                         |                    |
| Statutory deposit with SAMA                                                                              | (916,065)                               | (98,644)           |
| Due from banks and other financial institutions maturing after three months from date of acquisition     | 315,456                                 | 1,825,669          |
| Loans and advances                                                                                       | (9,107,548)                             | (2,658,100)        |
| Other real estate                                                                                        | 24,301                                  | 7,650              |
| Other assets                                                                                             | 1,639,350                               | 1,158,733          |
| <b>Net increase (decrease) in operating liabilities:</b>                                                 |                                         |                    |
| Due to banks and other financial institutions                                                            | (752,801)                               | 1,395,631          |
| Customer deposits                                                                                        | 1,664,492                               | (2,766,723)        |
| Other liabilities                                                                                        | (168,979)                               | 226,597            |
| <b>Net cash (used in) from operating activities</b>                                                      | <u>(5,060,381)</u>                      | <u>1,286,783</u>   |
| <b>INVESTING ACTIVITIES</b>                                                                              |                                         |                    |
| Proceeds from sales and maturities of non-trading investments                                            | 11,081,661                              | 23,056,952         |
| Purchase of non-trading investments                                                                      | (10,201,487)                            | (22,528,244)       |
| Purchase of property and equipment, net                                                                  | (84,127)                                | (95,738)           |
| <b>Net cash from investing activities</b>                                                                | <u>796,047</u>                          | <u>432,970</u>     |
| <b>FINANCING ACTIVITIES</b>                                                                              |                                         |                    |
| Dividend and zakat paid                                                                                  | (1,058,575)                             | (1,193,448)        |
| <b>Net cash used in financing activities</b>                                                             | <u>(1,058,575)</u>                      | <u>(1,193,448)</u> |
| <b>Net (decrease) increase in cash and cash equivalents</b>                                              | <u>(5,322,909)</u>                      | <u>526,305</u>     |
| Cash and cash equivalents at beginning of the period                                                     | 22,008,689                              | 14,483,739         |
| <b>Cash and cash equivalents at end of the period</b>                                                    | <u>10 16,685,780</u>                    | <u>15,010,044</u>  |
| Special commission received during the period                                                            | 2,654,242                               | 2,552,305          |
| Special commission paid during the period                                                                | <u>418,265</u>                          | <u>426,280</u>     |
| <b>Supplemental non-cash information</b>                                                                 |                                         |                    |
| Net changes in fair value and transfer to interim condensed consolidated income statement                | <u>(156,649)</u>                        | <u>272,064</u>     |

The accompanying notes 1 to 17 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 30 June 2013 & 2012

### 1. GENERAL

Riyad Bank (the "Bank") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia, formed pursuant to the Royal Decree and the Council of Ministers' Resolution No. 91 dated 1 Jumad Al-Awal 1377H (corresponding to 23 November 1957G). The Bank operates under commercial registration No. 1010001054 dated 25 Rabi Al-Thani 1377H (corresponding to 18 November 1957G) through its 252 branches (30 June 2012: 251) in the Kingdom of Saudi Arabia, a branch in London, United Kingdom, an agency in Houston, United States, and a representative office in Singapore. The Bank's Head Office is located at the following address:

Riyad Bank  
P.O. Box 22622  
Riyadh 11416  
Kingdom of Saudi Arabia

The objective of the Bank is to provide a full range of banking services. The Bank also provides to its customers Islamic(non-interest based) banking products which are approved and supervised by an independent Shariah Board established by the Bank.

The interim condensed consolidated financial statements comprise the interim condensed financial statements of Riyad Bank and its wholly owned subsidiaries; Riyad Capital and Ithra Al-Riyad Real Estate Company (collectively referred to as "the Group").

### 2. BASIS OF PREPARATION

These interim condensed consolidated financial statements are prepared in accordance with the Accounting Standards for Financial Institutions promulgated by the Saudi Arabian Monetary Agency (SAMA) and IAS 34 – Interim Financial Reporting. The Bank also prepares its interim condensed consolidated financial statements to comply with the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia. The interim condensed consolidated financial statements do not include all information and disclosures required for the annual consolidated financial statements, and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2012.

The preparation of interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements as at and for the year ended December 31, 2012

These interim condensed consolidated financial statements are expressed in Saudi Arabian Riyals (SAR) and are rounded off to the nearest thousands.

### 3. BASIS OF CONSOLIDATION

The interim condensed consolidated financial statements include the financial statements of the subsidiaries which are prepared for the same reporting period as that of the Bank, using consistent accounting policies.

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has ability to affect those returns through its power over the investee.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the six months period ended 30 June 2013 & 2012

### 4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used 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 year ended December 31, 2012 except for the adoption of the following new standards and other amendments to existing standards mentioned below which has had an insignificant effect/no financial impact on the interim condensed consolidated financial statements of the Group for the current period or prior period and is expected to have an insignificant effect in future periods:

#### a) New standards

- IFRS 10 Consolidated financial statements: IFRS 10 replaces the requirements previously contained in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities. The Standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e. whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in 'special purpose entities').
- IFRS 11 Joint arrangements: IFRS 11 replaces IAS 31 Interests in Joint Ventures. Requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement.
- IFRS 12 Disclosure of Interests in Other Entities: Requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
- IFRS 13 Fair value measurements: Replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. The IFRS defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value.

#### b) Amendments to existing standards

- Amendments to IAS 1 Presentation of financial statements: amends IAS 1 to revise the way other comprehensive income is presented.
- Amendments to IFRS 7 Financial Instruments: Disclosure: Amends the disclosure requirements in IFRS 7 to require information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32 and also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and agreements even if they are not set off under IAS 32.
- IAS 19 Employee Benefits – Amendments: The amendments to IAS 19 remove the option to defer the recognition of actuarial gains and losses, i.e., the corridor mechanism. All changes in the value of defined benefit plans will be recognised in profit or loss and other comprehensive income.
- IAS 27 Separate Financial Statements (2011): now only deals with the requirements for separate financial statements, which have been carried over largely unamended from IAS 27 Consolidated and Separate Financial Statements. Requirements for consolidated financial statements are now contained in IFRS 10 Consolidated Financial Statements.
- IAS 28 Investments in Associates and Joint Ventures (2011): The majority of these revisions result from the incorporation of Joint ventures into IAS 28 (2011) and the fundamental approach to accounting for equity accounted investments has not changed.

The IASB has published Annual Improvements to IFRSs: 2009-2011 cycle of improvements that contain amendments to the following standards with consequential amendments to other standards:

IFRS 1 - First time adoption of IFRS: Repeated application of IFRS 1 and borrowing cost exemption;

IAS 1 – Presentation of financial statements: Comparative information beyond minimum requirements and presentation of the opening statement of financial position and related notes;

IAS 16 – Property, plant and equipment: Classification of servicing equipment;

IAS 32 – Financial instruments presentation: Income tax consequences of distributions

IAS 34 – Interim Financial Reporting: Segment assets and liabilities.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the six months period ended 30 June 2013 & 2012

### 5. INVESTMENTS, NET

Investment securities are classified as follows:

| SAR 000'                                   | 30 June 2013<br>(Unaudited) | 31 December 2012<br>(Audited) | 30 June 2012<br>(Unaudited) |
|--------------------------------------------|-----------------------------|-------------------------------|-----------------------------|
| Investments:                               |                             |                               |                             |
| - Available for sale                       | 16,295,633                  | 16,615,510                    | 16,026,574                  |
| - Other investments held at amortised cost | 18,632,085                  | 15,542,119                    | 14,742,405                  |
| - Held to maturity                         | 480,569                     | 4,096,223                     | 5,850,396                   |
| Total                                      | <u>35,408,287</u>           | <u>36,253,852</u>             | <u>36,619,375</u>           |

On September 1, 2008, the Group reclassified investments held in trading portfolio reported under its investments at fair value through income statement ("FVIS") category to the Available for sale category.

The carrying and fair value of these reclassified investments as at 30 June 2013 was SAR 3,866 million (30 June 2012: SAR 3,624 million).

Had the reclassification not occurred, the interim condensed consolidated income statement for the three and six months period ended 30 June 2013 would have included unrealised fair value loss on such reclassified investments amounting to SAR 32.4 million and unrealised fair value gain on such reclassified investments amounting to SAR 75.8 million respectively (30 June 2012: unrealised gain of SAR 20.9 million and SAR 155.7 million).

### 6. LOANS AND ADVANCES, NET

Loans and advances held at amortised cost comprise the following:

| SAR 000'                                       | 30 June 2013<br>(Unaudited) | 31 December 2012<br>(Audited) | 30 June 2012<br>(Unaudited) |
|------------------------------------------------|-----------------------------|-------------------------------|-----------------------------|
| Consumer Loans                                 | 32,275,951                  | 29,857,170                    | 28,197,801                  |
| Commercial loans and overdrafts                | 93,686,295                  | 87,363,360                    | 86,478,551                  |
| Credit Cards                                   | 832,487                     | 754,682                       | 740,326                     |
| Performing Loans and Advances                  | <u>126,794,733</u>          | <u>117,975,212</u>            | <u>115,416,678</u>          |
| Non performing loans and advances              | <u>1,618,091</u>            | <u>2,037,134</u>              | <u>1,896,175</u>            |
| Gross loans and advances                       | <u>128,412,824</u>          | <u>120,012,346</u>            | <u>117,312,853</u>          |
| Allowance for impairment                       | <u>(2,222,962)</u>          | <u>(2,541,692)</u>            | <u>(2,221,412)</u>          |
| Loans and advances held at amortised cost, net | <u>126,189,862</u>          | <u>117,470,654</u>            | <u>115,091,441</u>          |

### 7. CUSTOMER DEPOSITS

Customer deposits are comprised of the following:

| SAR 000' | 30 June 2013<br>(Unaudited) | 31 December 2012<br>(Audited) | 30 June 2012<br>(Unaudited) |
|----------|-----------------------------|-------------------------------|-----------------------------|
| Demand   | 67,882,886                  | 67,525,144                    | 59,340,150                  |
| Saving   | 306,789                     | 301,758                       | 301,217                     |
| Time     | 71,010,983                  | 71,035,977                    | 71,101,549                  |
| Other    | 8,678,401                   | 7,351,688                     | 6,312,861                   |
| Total    | <u>147,879,059</u>          | <u>146,214,567</u>            | <u>137,055,777</u>          |

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the six months period ended 30 June 2013 & 2012

### 8. DERIVATIVES

The table below sets out the positive and negative fair values of derivative financial instruments, together with their notional amounts. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the end of the period, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Group's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor to market risk.

|                                           | 30 June 2013<br>(Unaudited) |                        |                          | 31 December 2012<br>(Audited) |                        |                          | 30 June 2012<br>(Unaudited) |                        |                             |
|-------------------------------------------|-----------------------------|------------------------|--------------------------|-------------------------------|------------------------|--------------------------|-----------------------------|------------------------|-----------------------------|
|                                           | Positive<br>fair value      | Negative<br>fair value | Notional<br>amount total | Positive<br>fair value        | Negative<br>fair value | Notional<br>amount total | Positive fair<br>value      | Negative fair<br>value | Notional<br>amount<br>total |
| SAR 000'                                  |                             |                        |                          |                               |                        |                          |                             |                        |                             |
| <b>Held for trading:</b>                  |                             |                        |                          |                               |                        |                          |                             |                        |                             |
| Special commission rate swaps and futures | 243                         | (236)                  | 608,203                  | 372                           | (551)                  | 589,852                  | 1,126                       | (1,019)                | 637,832                     |
| Forward foreign exchange contracts        | 573,971                     | (190,932)              | 62,790,711               | 2,191,422                     | (118,078)              | 67,515,005               | 2,432,567                   | (102,797)              | 88,769,000                  |
| Currency options                          | 270,916                     | (270,795)              | 15,098,098               | 205,099                       | (204,962)              | 32,472,428               | 86,179                      | (86,209)               | 21,343,144                  |
| <b>Held as fair value hedges:</b>         |                             |                        |                          |                               |                        |                          |                             |                        |                             |
| Special commission rate swaps             | -                           | -                      | -                        | -                             | -                      | -                        | -                           | (356)                  | 500,000                     |
| <b>Held as cash flow hedges:</b>          |                             |                        |                          |                               |                        |                          |                             |                        |                             |
| Special commission rate swaps             | -                           | -                      | -                        | 1,529                         | -                      | 100,000                  | 4,406                       | -                      | 295,000                     |
| <b>Total</b>                              | <b>845,130</b>              | <b>(461,963)</b>       | <b>78,497,012</b>        | <b>2,398,422</b>              | <b>(323,591)</b>       | <b>100,677,285</b>       | <b>2,524,278</b>            | <b>(190,381)</b>       | <b>111,544,976</b>          |

### 9. CREDIT RELATED COMMITMENTS AND CONTINGENCIES AND OTHERS

a) The Group's credit related commitments and contingencies are as follows:

|                                          | 30 June 2013<br>(Unaudited) | 31 December 2012<br>(Audited) | 30 June 2012<br>(Unaudited) |
|------------------------------------------|-----------------------------|-------------------------------|-----------------------------|
| SAR 000'                                 |                             |                               |                             |
| Letters of credit                        | 19,165,030                  | 13,500,872                    | 14,226,260                  |
| Letters of guarantee                     | 53,647,190                  | 55,378,159                    | 55,351,844                  |
| Acceptances                              | 2,851,933                   | 2,643,417                     | 2,466,746                   |
| Irrevocable commitments to extend credit | 12,006,487                  | 8,563,465                     | 10,855,249                  |
| <b>Total</b>                             | <b>87,670,640</b>           | <b>80,085,913</b>             | <b>82,900,099</b>           |

b) Others

During the period ended 30 June 2013, there has been no change in the status of the Bank's Zakat assessments. The Bank's position with respect to stance on these assessments, have remained same as disclosed in the annual consolidated financial statements for the year ended 31 December 2012.

### 10. CASH AND CASH EQUIVALENTS

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

|                                                                                                       | 30 June 2013<br>(Unaudited) | 31 December 2012<br>(Audited) | 30 June 2012<br>(Unaudited) |
|-------------------------------------------------------------------------------------------------------|-----------------------------|-------------------------------|-----------------------------|
| SAR 000'                                                                                              |                             |                               |                             |
| Cash and balances with SAMA excluding statutory deposit                                               | 13,048,618                  | 19,373,695                    | 11,995,607                  |
| Due from banks and other financial institutions maturing within three months from date of acquisition | 3,637,162                   | 2,634,994                     | 3,014,437                   |
| <b>Total</b>                                                                                          | <b>16,685,780</b>           | <b>22,008,689</b>             | <b>15,010,044</b>           |

### 11. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted market price: financial instruments with quoted prices for identical instruments in active markets.

Level 2: valuation technique using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Level 3: valuation technique with significant unobservable inputs: financial instruments valued using valuation techniques where one or more significant inputs are unobservable. Valuations are based on Net Asset Value (NAV) per unit/share as per the statement provided by custodian for managed funds or the latest available audited financial statements for entities other than managed funds.

#### Fair value and fair value hierarchy

| 30 June 2013<br>SAR' 000                 | Level 1    | Level 2 | Level 3   | Total      |
|------------------------------------------|------------|---------|-----------|------------|
| <b>Financial assets</b>                  |            |         |           |            |
| Derivative financial instruments         | -          | 845,130 | -         | 845,130    |
| Financial investments available for sale | 14,254,178 | 275,432 | 1,766,023 | 16,295,633 |
| <b>Financial Liabilities</b>             |            |         |           |            |
| Derivative financial instruments         | -          | 461,963 | -         | 461,963    |

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the six months period ended 30 June 2013 & 2012

### 11. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

|                                               | 30 June 2013<br>SAR' 000 |
|-----------------------------------------------|--------------------------|
| <b>Reconciliation of movement in Level 3</b>  |                          |
| Opening balance                               | 1,686,880                |
| Total gains or losses                         |                          |
| - recognised in consolidated income statement | (231)                    |
| - recognised in other comprehensive income    | 87,263                   |
| Purchases                                     | -                        |
| Redemption                                    | (7,889)                  |
| Classified as associates (refer note 8)       | -                        |
| <b>Closing balance</b>                        | <b>1,766,023</b>         |

### 12. OPERATING SEGMENTS

The Bank determines and presents operating segments based on the information that is provided internally to the chief operating decision maker in order to allocate resources to the segments and to assess its performance. The operating segments are managed separately based on the Group's management and internal reporting structure. The Group's primary business is conducted in Saudi Arabia with one international branch, a representative office and an agency. However, the total assets, liabilities, commitments and results of operations of this branch, representative office and agency are not material to the Group's overall consolidated financial statements and as a result have not been separately disclosed. There are no other material items of income or expense between the operating segments.

The Group's reportable segments under IFRS 8 are as follows:

#### Retail banking

Deposit, credit and investment products for individuals and small to medium sized businesses.

#### Investment banking and brokerage

Investment management services and asset management activities related to dealing, managing, arranging, advising and custody of securities.

#### Corporate banking

Primarily handling corporate customers' current accounts, deposits and providing loans, overdrafts and other credit facilities and derivative products.

#### Treasury and investment

Primarily providing money market trading and treasury services as well as the management of the Bank's investment portfolios

#### Other

Includes income on capital and unallocated costs pertaining to head office, finance division, human resources, technology services and other support departments and unallocated assets and liabilities.

The Group's total assets and liabilities at 30 June 2013 and 2012 and its total operating income, total operating expenses and net income for the six months periods then ended, by operating segments, are as follows:

| 30 June 2013                             |            | Investment<br>banking and<br>brokerage | Corporate  | Treasury and<br>investment | Other     | Total       |
|------------------------------------------|------------|----------------------------------------|------------|----------------------------|-----------|-------------|
| SAR'000 (Unaudited)                      | Retail     |                                        |            |                            |           |             |
| Total assets                             | 33,695,169 | 65,506                                 | 93,588,536 | 60,962,867                 | 3,315,142 | 191,627,220 |
| Total liabilities                        | 55,392,797 | 64,458                                 | 92,902,332 | 7,933,097                  | 3,708,781 | 160,001,465 |
| Total operating income                   | 1,155,088  | 175,275                                | 1,575,773  | 576,476                    | 57,505    | 3,540,117   |
| Net special commission income            | 907,546    | 10,417                                 | 1,022,160  | 307,097                    | 8,707     | 2,255,927   |
| Fee and commission income, net           | 246,572    | 165,516                                | 529,401    | (4,469)                    | -         | 937,020     |
| Total operating expenses                 | 571,541    | 65,477                                 | 397,161    | (3,066)                    | 615,401   | 1,646,514   |
| Depreciation and amortization            | 52,784     | -                                      | (570)      | 1,019                      | 83,714    | 136,947     |
| Impairment charge for credit losses, net | 121,210    | -                                      | 267,130    | -                          | -         | 388,340     |
| Impairment charge for investments, net   | -          | -                                      | -          | (22,000)                   | -         | (22,000)    |
| Share in earnings of associates, net     | -          | -                                      | -          | -                          | 25,291    | 25,291      |
| Net income (loss)                        | 583,547    | 109,798                                | 1,178,612  | 579,542                    | (532,605) | 1,918,894   |

  

| 30 June 2012                             |            | Investment<br>banking and<br>brokerage | Corporate  | Treasury and<br>investment | Other     | Total       |
|------------------------------------------|------------|----------------------------------------|------------|----------------------------|-----------|-------------|
| SAR'000 (Unaudited)                      | Retail     |                                        |            |                            |           |             |
| Total assets                             | 29,907,839 | 49,299                                 | 86,194,590 | 61,257,946                 | 3,227,718 | 180,637,392 |
| Total liabilities                        | 46,825,954 | 56,972                                 | 91,169,559 | 9,330,254                  | 2,283,353 | 149,666,092 |
| Total operating income                   | 1,040,617  | 200,717                                | 1,441,672  | 646,290                    | 118,880   | 3,448,176   |
| Net special commission income            | 777,356    | 9,835                                  | 915,908    | 363,345                    | 97,242    | 2,163,686   |
| Fee and commission income, net           | 260,685    | 191,613                                | 518,142    | (8,477)                    | -         | 961,963     |
| Total operating expenses                 | 526,634    | 61,995                                 | 579,280    | (72,807)                   | 586,590   | 1,681,692   |
| Depreciation and amortization            | 64,926     | -                                      | 1,755      | 537                        | 72,679    | 139,897     |
| Impairment charge for credit losses, net | 85,684     | -                                      | 453,739    | -                          | -         | 539,423     |
| Impairment charge for investments, net   | -          | -                                      | -          | (90,000)                   | -         | (90,000)    |
| Share in earnings of associates, net     | -          | -                                      | -          | -                          | 49,397    | 49,397      |
| Net income (loss)                        | 513,983    | 138,722                                | 862,392    | 719,097                    | (418,313) | 1,815,881   |

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the six months period ended 30 June 2013 & 2012

### 13. EARNINGS PER SHARE

Basic and diluted earnings per share for the period ended 30 June 2013 and 2012 is calculated by dividing the net income for the period by 1,500 million outstanding shares.

### 14. INTERIM DIVIDENDS

The Board of Directors initially approved interim dividends of SAR 975 million (2012: SAR 975 million), which was finally ratified and announced on 22 June 2013, resulting in dividends of SAR 0.65 per share (2012: SAR 0.65 per share) to the shareholders. Zakat will be determined and deducted from the shareholders' dividends at year-end.

### 15. CAPITAL ADEQUACY

The Group monitors the adequacy of its capital using the methodologies and ratios established by the Basel Committee on Banking Supervision and as adopted by SAMA, with a view to maintain a sound capital base to support its business development and meet regulatory capital requirement as defined by SAMA.

The Group management reviews on a periodical basis its capital base and level of risk weighted assets to ensure that capital is adequate for risks inherent in its current business activities and future growth plans. In making such assessments, the management also considers Group's business plans along with economic conditions which directly and indirectly affects business environment.

SAMA has issued the framework and guidance regarding implementation of the capital reforms under Basel III - which are effective from January 1, 2013. Accordingly, the Group's consolidated Risk Weighted Assets (RWA), total capital and related ratios on a consolidated group basis, calculated under the Basel III framework, are as follows:

For the purposes of presentation, the RWAs, total capital and related ratios as at June 30, 2013 are calculated using the framework and the methodologies defined under the Basel III framework. The comparative balances and ratios as at December 31, 2012 and June 30, 2012 are calculated under Basel II and have not been restated.

| SAR Millions                        | 30 June 2013<br>(Unaudited) | 31 December 2012<br>(Audited) | 30 June 2012<br>(Unaudited) |
|-------------------------------------|-----------------------------|-------------------------------|-----------------------------|
| <b>Risk weighted assets</b>         |                             |                               |                             |
| Credit Risk                         | 181,325                     | 172,477                       | 169,806                     |
| Operational Risk                    | 11,330                      | 11,132                        | 10,899                      |
| Market Risk                         | 1,201                       | 1,145                         | 1,249                       |
| Total Pillar-I risk weighted assets | <u>193,856</u>              | <u>184,754</u>                | <u>181,954</u>              |
| <b>Eligible capital</b>             |                             |                               |                             |
| Tier I Capital                      | 31,626                      | 28,289                        | 28,962                      |
| Tier II Capital                     | 1,072                       | 4,330                         | 2,695                       |
| Total Tier I & II Capital           | <u>32,698</u>               | <u>32,619</u>                 | <u>31,657</u>               |
| Tier 1 Capital Adequacy Ratio %     | 16.3%                       | 15.3%                         | 15.9%                       |
| Total Capital Adequacy Ratio %      | 16.9%                       | 17.7%                         | 17.4%                       |

### 16. COMPARATIVE FIGURES

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

### 17. BASEL III PILLAR 3 DISCLOSURES

Certain additional quantitative disclosures are required under Basel III Pillar 3. These disclosures will be made available for public on the Bank's website ([www.riyadbank.com](http://www.riyadbank.com)) within 60 business days after June 30, 2013 as required by SAMA. Such disclosures are not subject to review/audit by the external auditors of the Bank.