

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2012 SAR'000 (Unaudited)	31 December 2011 SAR'000 (Audited)	30 June 2011 SAR'000 (Unaudited)
ASSETS				
Cash and balances with SAMA		19,057,838	17,623,477	18,711,233
Due from banks and other financial institutions		3,449,942	6,085,023	2,986,366
Investments, net	5	36,619,375	36,616,170	39,546,329
Loans and advances, net	6	115,091,441	112,972,764	110,575,501
Investment in associates		379,336	339,954	-
Other real estate		433,246	440,896	427,300
Property and equipment, net		1,762,674	1,806,833	1,863,399
Other assets		3,843,540	5,002,273	3,423,603
Total assets		180,637,392	180,887,390	177,533,731
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Due to banks and other financial institutions		7,637,579	6,241,948	10,738,692
Customer deposits	7	137,055,777	139,822,500	132,404,033
Other liabilities		4,972,736	4,664,587	4,647,774
Total liabilities		149,666,092	150,729,035	147,790,499
Shareholders' equity				
Share capital		15,000,000	15,000,000	15,000,000
Statutory reserve		12,475,088	12,475,088	11,687,749
Other reserves		807,813	535,749	867,751
Retained earnings		2,688,399	872,518	2,187,732
Proposed dividends		-	1,275,000	-
Total shareholders' equity		30,971,300	30,158,355	29,743,232
Total liabilities and shareholders' equity		180,637,392	180,887,390	177,533,731

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 ended 30 June		For the six months period ended 30 June	
	2012	2011	2012	2011
	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>
Special commission income	1,278,481	1,238,134	2,554,867	2,410,687
Special commission expense	183,258	171,544	391,181	360,084
Net special commission income	1,095,223	1,066,590	2,163,686	2,050,603
Fee and commission income, net	488,428	392,262	961,963	787,957
Exchange income, net	62,186	64,733	124,578	172,076
Trading losses, net	(934)	(3,789)	(3,099)	(2,808)
Gains on non-trading investments, net	122,959	7,557	141,626	32,724
Other operating income	58,635	42,325	108,819	55,969
Total operating income	1,826,497	1,569,678	3,497,573	3,096,521
Salaries and employee-related expenses	306,568	333,141	614,131	666,985
Rent and premises-related expenses	59,752	64,680	117,197	126,364
Depreciation of property and equipment	73,917	72,404	139,897	142,696
Other general and administrative expenses	169,201	171,360	348,026	326,359
Impairment charge for credit losses, net	386,553	87,449	539,423	247,757
Impairment charge for investments, net	(90,000)	-	(90,000)	-
Other operating expenses	6,094	4,655	13,018	9,132
Total operating expenses	912,085	733,689	1,681,692	1,519,293
Net income for the period	914,412	835,989	1,815,881	1,577,228
Basic and diluted earnings per share for the period (in SAR) -Note 13	0.61	0.56	1.21	1.05

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 ended 30 June		For the six months period ended 30 June	
	2012	2011	2012	2011
	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>
Net income for the period	914,412	835,989	1,815,881	1,577,228
Other comprehensive income:				
-Available for sale investments				
Net changes in fair value	(70,491)	63,728	503,848	115,971
Net changes in fair value transferred to interim condensed consolidated income statement	(209,502)	(13,263)	(227,971)	(38,077)
	<u>(279,993)</u>	<u>50,465</u>	<u>275,877</u>	<u>77,894</u>
-Cash flow hedges				
Effective portion of net changes in fair value	9,157	(11,219)	(3,518)	(24,106)
Net changes in fair value transferred to interim condensed consolidated income statement	(295)	64	(295)	(2)
	<u>8,862</u>	<u>(11,155)</u>	<u>(3,813)</u>	<u>(24,108)</u>
Other comprehensive income for the period	<u>(271,131)</u>	<u>39,310</u>	<u>272,064</u>	<u>53,786</u>
Total comprehensive income for the period	<u>643,281</u>	<u>875,299</u>	<u>2,087,945</u>	<u>1,631,014</u>

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 2012 and 2011

	SAR'000						
	Share capital	Statutory reserve	Other reserves Available for sale investments	Cash flow hedges	Retained earnings	Proposed dividends	Total
30 June 2012							
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
30 June 2011							
Balance at the beginning of the period	15,000,000	11,687,749	751,238	62,727	610,504	1,121,000	29,233,218
Total comprehensive income for the period	-	-	77,894	(24,108)	1,577,228	-	1,631,014
Final dividends paid - 2010	-	-	-	-	-	(1,121,000)	(1,121,000)
Balance at the end of the period	15,000,000	11,687,749	829,132	38,619	2,187,732	-	29,743,232

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 2012 and 2011

	For the six months period ended 30 June	
	2012	2011
Notes	SAR'000	SAR'000
OPERATING ACTIVITIES		
Net income for the period	1,815,881	1,577,228
Adjustments to reconcile net income for the period to net cash from (used in) from operating activities:		
(Accretion of discounts) on non-trading investments, net and debt securities in issue, net	(18,208)	(28,341)
(Gains) on Available for sale investments, net	(141,626)	(32,724)
Depreciation of property and equipment	139,897	142,696
Impairment charge for credit losses, net	539,423	247,757
Impairment charge for investments, net	(90,000)	-
	<u>2,245,367</u>	<u>1,906,616</u>
Net (increase) decrease in operating assets:		
Statutory deposit with SAMA	(98,644)	(633,103)
Due from banks and other financial institutions maturing after three months from date of acquisition	1,825,669	244,089
Loans and advances	(2,658,100)	(4,788,518)
Other real estate	7,650	4,278
Other assets	1,158,733	113,899
Net increase (decrease) in operating liabilities:		
Due to banks and other financial institutions	1,395,631	102,141
Customer deposits	(2,766,723)	5,458,574
Other liabilities	226,597	(226,255)
Net cash from operating activities	<u>1,336,180</u>	<u>2,181,721</u>
INVESTING ACTIVITIES		
Proceeds from sales and maturities of non-trading investments	23,056,952	16,914,033
Purchase of non-trading investments	(22,577,641)	(22,521,743)
Purchase of property and equipment, net	(95,738)	(143,240)
Net cash from/ (used in) investing activities	<u>383,573</u>	<u>(5,750,950)</u>
FINANCING ACTIVITIES		
Repayment of debt securities in issue	8 -	(1,875,050)
Dividend and zakat paid	(1,193,448)	(1,114,450)
Net cash (used in) financing activities	<u>(1,193,448)</u>	<u>(2,989,500)</u>
Net increase/ (decrease) in cash and cash equivalents	526,305	(6,558,729)
Cash and cash equivalents at beginning of the period	14,483,739	20,837,007
Cash and cash equivalents at end of the period	11 <u>15,010,044</u>	<u>14,278,278</u>
Special commission received during the period	<u>2,552,305</u>	<u>2,477,754</u>
Special commission paid during the period	<u>426,280</u>	<u>420,902</u>
Supplemental non-cash information		
Net changes in fair value and transfer to interim condensed consolidated income statement	<u>272,064</u>	<u>53,786</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 2012 & 2011

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 251 branches (30 June 2011: 244) 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.

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 2011.

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 comprise the interim condensed financial statements of Riyad Bank and its wholly owned subsidiaries, Riyad Capital and Ithra Riyad Real Estate Company (collectively referred to as "the Group"). The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies.

Subsidiaries are all 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.

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.

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, 2011 except for the adoption of amendment to IAS 12: Deferred Tax: Recovery of underlying assets, which has had no material financial impact on the interim condensed consolidated financial statements of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the six months period ended 30 June 2012 & 2011

5. INVESTMENTS, NET

Investment securities are classified as follows:

SAR 000'	30 June 2012 (Unaudited)	31 December 2011 (Audited)	30 June 2011 (Unaudited)
Investments:			
- Available for sale	16,026,574	15,209,735	14,691,029
- Other investments held at amortised costs,	14,742,405	14,397,624	19,833,235
- Held to maturity	5,850,396	7,008,811	5,022,065
Total	36,619,375	36,616,170	39,546,329

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 2012 was SR 3,624 million (30 June 2011: SR 3,554 million).

Had the reclassification not occurred, the interim condensed consolidated income statement for the three and six months period ended 30 June 2012 would have included unrealised fair value gain on such reclassified investments amounting to SAR 20.9 million and SAR 155.7 million (30 June 2011: SAR 142.3 million).

6. LOANS AND ADVANCES, NET

Loans and advances are comprised of the following:

SAR 000'	30 June 2012 (Unaudited)	31 December 2011 (Audited)	30 June 2011 (Unaudited)
Consumer Loans	28,197,801	25,549,643	23,172,852
Commercial loans, overdrafts and others	86,478,551	86,796,826	87,183,226
Credit Cards	740,326	745,616	732,788
Performing Loans and Advances	115,416,678	113,092,085	111,088,866
Non performing loans and advances	1,896,175	1,879,223	1,845,284
Gross loans and advances	117,312,853	114,971,308	112,934,150
Allowance for impairment	(2,221,412)	(1,998,544)	(2,358,649)
Loans and advances, net	115,091,441	112,972,764	110,575,501

7. CUSTOMER DEPOSITS

Customer deposits are comprised of the following:

SAR 000'	30 June 2012 (Unaudited)	31 December 2011 (Audited)	30 June 2011 (Unaudited)
Demand	59,340,150	58,123,709	54,026,600
Saving	301,217	305,148	308,126
Time	71,101,549	75,615,429	72,884,698
Other	6,312,861	5,778,214	5,184,609
Total	137,055,777	139,822,500	132,404,033

8. DEBT SECURITIES IN ISSUE

During April 2006, the Bank issued USD 500 million (SAR 1,875 million) Floating Euro Medium Term Note (EMTN), as the first tranche of the Notes issuance programme amounting to USD 1,600 million. These matured on April 26, 2011.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the six months period ended 30 June 2012 & 2011

9. 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 2012 (Unaudited)			31 December 2011 (Audited)			30 June 2011 (Unaudited)		
SAR 000'	Positive fair value	Negative fair value	Notional amount total	Positive fair value	Negative fair value	Notional amount total	Positive fair value	Negative fair value	Notional amount total
Held for trading:									
Special commission rate swaps and futures	1,126	(1,019)	637,832	2,544	(1,690)	1,360,162	2,868	(2,957)	2,291,199
Forward foreign exchange contracts	2,432,567	(102,797)	88,769,000	2,886,658	(89,222)	93,510,641	2,532,299	(378,014)	82,474,249
Currency options	86,179	(86,209)	21,343,144	27,978	(27,331)	15,805,052	55,684	(58,677)	4,352,612
Commodity options	-	-	-	17,301	(17,301)	80,160	9,494	(9,494)	333,725
Held as fair value hedges:									
Special commission rate swaps	-	(356)	500,000	-	(3,871)	500,000	784	(7,359)	3,591,630
Held as cash flow hedges:									
Special commission rate swaps	4,406	-	295,000	24,389	-	1,098,000	53,750	-	1,368,000
Total	2,524,278	(190,381)	111,544,976	2,958,870	(139,415)	112,354,015	2,654,879	(456,501)	94,411,415

10. CREDIT RELATED COMMITMENTS AND CONTINGENCIES AND OTHERS

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

SAR 000'	30 June 2012 (Unaudited)	31 December 2011 (Audited)	30 June 2011 (Unaudited)
Letters of credit	14,226,260	15,548,618	14,973,011
Letters of guarantee	55,351,844	55,418,199	52,665,684
Acceptances	2,466,746	2,350,751	2,361,244
Irrevocable commitments to extend credit	10,855,249	9,225,937	11,286,599
Total	82,900,099	82,543,505	81,286,538

b) Others

During the period ended 30 June 2012, the Bank has received notices from the Department of Zakat and Income Tax (DZIT) requiring revision in Zakat returns for years 2010 and 2011 applying the same basis used by DZIT in their assessment orders issued for 2008 and 2009. As at June 30, 2012, the Bank's position with respect to its stance on 2008 and 2009 assessments and consequently on the above mentioned notices from DZIT, remained the same as disclosed in the Bank's annual consolidated financial statements for the year ended 31 December 2011.

11. CASH AND CASH EQUIVALENTS

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

SAR 000'	30 June 2012 (Unaudited)	31 December 2011 (Audited)	30 June 2011 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	11,995,607	10,659,890	11,940,695
Due from banks and other financial institutions maturing within three months from date of acquisition	3,014,437	3,823,849	2,337,583
Total	15,010,044	14,483,739	14,278,278

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the six months period ended 30 June 2012 & 2011

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

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

Treasury and investment

Principally 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 2012 and 2011 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 2012 SAR'000 (Unaudited)	Retail	Investment banking and brokerage	Corporate	Treasury and investment	Other	Total
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	168,277	3,497,573
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	518,141	(8,476)	-	961,963
Total operating expenses	512,647	61,995	574,945	(73,478)	605,583	1,681,692
Depreciation and amortization	64,926	-	1,755	537	72,679	139,897
Capital expenditure	35,716	-	1,611	110	53,244	90,681
Impairment charge for credit losses, net	85,684	-	453,739	-	-	539,423
Impairment charge for investments, net	-	-	-	(90,000)	-	(90,000)
Net income	527,970	138,722	866,727	719,768	(437,306)	1,815,881

30 June 2011 SAR'000 (Unaudited)	Retail	Investment banking and brokerage	Corporate	Treasury and investment	Other	Total
Total assets	24,209,340	4,475	87,094,662	63,447,383	2,777,871	177,533,731
Total liabilities	43,022,094	44,735	90,123,642	12,142,502	2,457,526	147,790,499
Total operating income	971,243	151,398	1,408,365	533,314	32,201	3,096,521
Net special commission income	772,144	6,402	950,649	329,254	(7,846)	2,050,603
Fee and commission income, net	199,877	145,997	449,068	(6,985)	-	787,957
Total operating expenses	585,853	64,340	228,760	14,846	625,494	1,519,293
Depreciation and amortization	72,130	-	1,760	191	68,615	142,696
Capital expenditure	31,734	-	896	33	109,507	142,170
Impairment charge for credit losses, net	123,441	-	124,316	-	-	247,757
Impairment charge for investments, net	-	-	-	-	-	-
Net income	385,390	87,058	1,179,605	518,468	(593,293)	1,577,228

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the six months period ended 30 June 2012 & 2011

13. EARNINGS PER SHARE

Basic and diluted earnings per share for the period ended June 30, 2012 and 2011 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 (2011: SAR 825 million), which was finally ratified and announced on 1 July 2012, resulting in dividends of SAR 0.65 per share (2011: SAR 0.55 per share) to the shareholders. Zakat will be determined and deducted from the shareholders' dividends at year-end.

15. CAPITAL ADEQUACY

The Group's objectives when managing capital are, to comply with the capital requirements set by SAMA; to safeguard the Bank's ability to continue as a going concern; and to maintain a strong capital base.

The Group monitors the adequacy of its capital using ratios established by SAMA. The following table summarizes the Bank's Pillar-I Risk Weighted Assets, Tier I and Tier II Capital and Capital Adequacy Ratios at top consolidated level.

SAR Millions	30 June 2012	31 December 2011	30 June 2011
	(Unaudited)	(Audited)	(Unaudited)
Risk weighted assets			
Credit Risk	169,806	167,887	161,857
Operational Risk	10,899	10,791	10,539
Market Risk	1,249	2,374	571
Total Pillar-I risk weighted assets	<u>181,954</u>	<u>181,052</u>	<u>172,967</u>
Eligible capital			
Tier I Capital	28,962	26,836	28,006
Tier II Capital	2,695	4,048	2,490
Total Tier I & II Capital	<u>31,657</u>	<u>30,884</u>	<u>30,496</u>
Tier 1 Capital Adequacy Ratio %	15.9%	14.8%	16.2%
Total Capital Adequacy Ratio %	17.4%	17.1%	17.6%

16. COMPARATIVE FIGURES

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

17. BASEL II PILLAR 3 DISCLOSURES

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