

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2011 SAR'000	31 December 2010 SAR'000	30 June 2010 SAR'000
<b>ASSETS</b>		(Unaudited)	(Audited)	(Unaudited)
Cash and balances with SAMA		18,711,233	23,178,560	17,199,074
Due from banks and other financial institutions		2,986,366	4,688,754	9,965,975
Investments, net	5	39,546,329	33,822,441	32,649,321
Loans and advances, net	6	110,575,501	106,034,740	104,743,992
Other real estate		427,300	431,578	400,133
Property and equipment, net		1,863,399	1,862,855	1,820,729
Other assets		3,423,603	3,537,502	2,557,851
<b>Total assets</b>		<b>177,533,731</b>	<b>173,556,430</b>	<b>169,337,075</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Liabilities</b>				
Due to banks and other financial institutions		10,738,692	10,636,551	10,255,436
Customer deposits	7	132,404,033	126,945,459	124,100,691
Debt securities in issue	8	-	1,873,723	1,873,548
Other liabilities		4,647,774	4,867,479	4,614,570
<b>Total liabilities</b>		<b>147,790,499</b>	<b>144,323,212</b>	<b>140,844,245</b>
<b>Shareholders' equity</b>				
Share capital		15,000,000	15,000,000	15,000,000
Statutory reserve		11,687,749	11,687,749	10,981,592
Other reserves		867,751	813,965	547,940
Retained earnings		2,187,732	610,504	1,963,298
Proposed dividends		-	1,121,000	-
<b>Total shareholders' equity</b>		<b>29,743,232</b>	<b>29,233,218</b>	<b>28,492,830</b>
<b>Total liabilities and shareholders' equity</b>		<b>177,533,731</b>	<b>173,556,430</b>	<b>169,337,075</b>

## INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	For the three months ended 30 June		For the six months ended 30 June	
	2011	2010	2011	2010
	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>
Special commission income	1,238,134	1,198,470	2,410,687	2,407,203
Special commission expense	<u>171,544</u>	<u>170,816</u>	<u>360,084</u>	<u>367,110</u>
<b>Net special commission income</b>	<b>1,066,590</b>	<b>1,027,654</b>	<b>2,050,603</b>	<b>2,040,093</b>
Fee and commission income, net	392,262	387,587	787,957	754,545
Exchange income, net	64,733	71,368	172,076	113,666
Trading losses, net	(3,789)	(1,344)	(2,808)	(2,831)
Gains on non-trading investments, net	7,557	19,633	32,724	56,566
Other operating income	<u>42,325</u>	<u>22,362</u>	<u>55,969</u>	<u>34,632</u>
<b>Total operating income</b>	<b>1,569,678</b>	<b>1,527,260</b>	<b>3,096,521</b>	<b>2,996,671</b>
Salaries and employee-related expenses	333,141	269,616	666,985	562,804
Rent and premises-related expenses	64,680	62,466	126,364	128,140
Depreciation	72,404	67,614	142,696	130,526
Other general and administrative expenses	171,360	161,538	326,359	326,343
Impairment charge for credit losses, net	87,449	196,162	247,757	475,148
Impairment charge for investments, net	-	-	-	(85,000)
Other operating expenses	<u>4,655</u>	<u>4,060</u>	<u>9,132</u>	<u>8,446</u>
<b>Total operating expenses</b>	<b>733,689</b>	<b>761,456</b>	<b>1,519,293</b>	<b>1,546,407</b>
<b>Net income for the period</b>	<b>835,989</b>	<b>765,804</b>	<b>1,577,228</b>	<b>1,450,264</b>
Basic and diluted earnings per share for the period (in SAR)	<u>0.56</u>	<u>0.51</u>	<u>1.05</u>	<u>0.97</u>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	For the three months ended 30 June		For the six months ended 30 June	
	2011	2010	2011	2010
	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>
Net income for the period	835,989	765,804	1,577,228	1,450,264
Other comprehensive income:				
-Available for sale investments				
Net changes in fair value	63,728	(45,737)	115,971	109,968
Net changes in fair value transferred to interim condensed consolidated income statement	(13,263)	(21,516)	(38,077)	(141,654)
	<u>50,465</u>	<u>(67,253)</u>	<u>77,894</u>	<u>(31,686)</u>
-Cash flow hedges				
Net changes in fair value	(11,219)	(12,013)	(24,106)	(26,723)
Net changes in fair value transferred to interim condensed consolidated income statement	64	(145)	(2)	531
	<u>(11,155)</u>	<u>(12,158)</u>	<u>(24,108)</u>	<u>(26,192)</u>
Other comprehensive income for the period	<u>39,310</u>	<u>(79,411)</u>	<u>53,786</u>	<u>(57,878)</u>
Total comprehensive income for the period	<u>875,299</u>	<u>686,393</u>	<u>1,631,014</u>	<u>1,392,386</u>

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

For the six months period ended 30 June 2011 & 2010

	SAR'000						
	Share capital	Statutory reserve	Other reserves		Retained earnings	Proposed dividend	Total
			Available for sale investments	Cash flow hedges			
<u>30 June 2011</u>							
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	<u>15,000,000</u>	<u>11,687,749</u>	<u>829,132</u>	<u>38,619</u>	<u>2,187,732</u>	<u>-</u>	<u>29,743,232</u>
<u>30 June 2010</u>							
Balance at the beginning of the period	15,000,000	10,981,592	485,692	120,126	513,034	1,135,000	28,235,444
Total comprehensive income for the period	-	-	(31,686)	(26,192)	1,450,264	-	1,392,386
Final dividends paid - 2009	-	-	-	-	-	(1,135,000)	(1,135,000)
Balance at the end of the period	<u>15,000,000</u>	<u>10,981,592</u>	<u>454,006</u>	<u>93,934</u>	<u>1,963,298</u>	<u>-</u>	<u>28,492,830</u>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months period ended 30 June 2011 and 2010

	For the six month period ended	
	30 June 2011	30 June 2010
	<u>SAR'000</u>	<u>SAR'000</u>
<b>OPERATING ACTIVITIES</b>		
Net income for the period	1,577,228	1,450,264
Adjustments to reconcile net income to net cash from (used in) operating activities:		
Accretion of discounts and amortization of premiums on non-trading investments and debt securities in issue, net	(28,341)	(52,791)
(Gains) on non-trading investments, net	(32,724)	(56,566)
Depreciation	142,696	130,526
Impairment charge for credit losses, net	247,757	475,148
Impairment charge for investments, net	-	(85,000)
	<u>1,906,616</u>	<u>1,861,581</u>
Net (increase)/decrease in operating assets:		
Statutory deposit with SAMA	(633,103)	159,715
Due from banks and other financial institutions maturing after three months from date of acquisition	244,089	(1,555,812)
Loans and advances	(4,788,518)	1,295,473
Other real estate	4,278	6,999
Other assets	113,899	657,663
Net increase/(decrease) in operating liabilities:		
Due to banks and other financial institutions	102,141	(5,907,576)
Customers' deposits	5,458,574	(1,177,415)
Other liabilities	(226,255)	(206,440)
	<u>2,181,721</u>	<u>(4,865,812)</u>
<b>Net cash from (used in) operating activities</b>		
	<u>16,914,033</u>	<u>13,573,020</u>
<b>INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of non-trading investments	16,914,033	13,573,020
Purchase of non-trading investments	(22,521,743)	(13,777,640)
Purchase of property and equipment, net	(143,240)	(121,098)
	<u>(5,750,950)</u>	<u>(325,718)</u>
<b>Net cash (used in) investing activities</b>		
	<u>(5,750,950)</u>	<u>(325,718)</u>
<b>FINANCING ACTIVITIES</b>		
Maturity of Debt securities in issue (Note 8)	(1,875,050)	-
Dividend and zakat paid	(1,114,450)	(1,163,283)
	<u>(2,989,500)</u>	<u>(1,163,283)</u>
<b>Net cash (used in) financing activities</b>		
	<u>(2,989,500)</u>	<u>(1,163,283)</u>
<b>Net (decrease) in cash and cash equivalents</b>		
	<u>(6,558,729)</u>	<u>(6,354,813)</u>
Cash and cash equivalents at beginning of the period	20,837,007	22,445,240
<b>Cash and cash equivalents at end of the period (Note 11)</b>	<u>14,278,278</u>	<u>16,090,427</u>
Special commission received during the period	2,477,754	2,474,450
Special commission paid during the period	420,902	485,547
<b>Supplemental non-cash information</b>		
Net changes in fair value and cash flow hedges and transfer to interim condensed consolidated income statement	<u>53,786</u>	<u>(57,878)</u>

The accompanying notes 1 to 16 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 2011 and 2010

### 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 244 branches (30 June 2010: 234) 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 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 disclosure required in the annual consolidated financial statements, and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2010.

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 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.

Non controlling 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 30 June 2011 and 2010, non-controlling interest is less than 1% of the Bank's subsidiaries' net assets and is owned by representative shareholders and hence, it is not presented separately in the interim condensed consolidated income statement and within equity in the interim condensed consolidated statement of financial position.

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, 2010 except for the adoption of following amendments and revisions to existing standards mentioned below which has had no material financial impact on the interim condensed consolidated financial statements of the Group:

- IAS 24 Related Party Disclosures (revised 2009)

The revised IAS 24 Related Party Disclosures amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities.

- IAS 34 Interim Financial Reporting

These amendments emphasises the principle in IAS 34 that the disclosure about significant events and transactions in interim periods should update the relevant information presented in the most recent annual consolidated financial statement and clarifies how to apply this principle in respect of financial instruments and their fair values.

- IFRIC 13 Customer Loyalty Programmes

The amendments clarify that the fair value of award credits takes into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) - continued**  
**For the six months period ended 30 June 2011 and 2010**

**5. INVESTMENTS, NET**

Investment securities are classified as follows:

SAR 000'	30 June 2011 (Unaudited)	31 December 2010 (Audited)	30 June 2010 (Unaudited)
Investments:			
- Available for sale	14,691,029	14,288,419	12,593,120
- Held at amortised costs, other	19,833,235	18,516,547	18,170,232
- Held to maturity	5,022,065	1,017,475	1,885,969
<b>Total</b>	<b>39,546,329</b>	<b>33,822,441</b>	<b>32,649,321</b>

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 2011 was SR 3,708 million (30 June 2010 was SR 3,339 million).

Had the reclassification not occurred, the interim condensed consolidated income statement for the three and six months period ended 30 June 2011 would have included unrealised fair value gain on such reclassified investments amounting to SAR 46.5 million and SAR 142.3 million (30 June 2010: SAR 95 million).

**6. LOANS AND ADVANCES, NET**

Loans and advances are comprised of the following:

SAR 000'	30 June 2011 (Unaudited)	31 December 2010 (Audited)	30 June 2010 (Unaudited)
Consumer loans	23,172,852	20,505,072	19,011,361
Commercial loans and overdrafts	87,183,226	85,157,107	85,023,027
Credit cards	732,788	847,429	842,514
Performing loans and advances	111,088,866	106,509,608	104,876,902
Non performing loans and advances	1,845,284	1,813,485	1,923,654
Gross loans and advances	112,934,150	108,323,093	106,800,556
Allowance for impairment	(2,358,649)	(2,288,353)	(2,056,564)
<b>Loans and advances, net</b>	<b>110,575,501</b>	<b>106,034,740</b>	<b>104,743,992</b>

**7. CUSTOMER DEPOSITS**

Customer deposits are comprised of the following:

SAR 000'	30 June 2011 (Unaudited)	31 December 2010 (Audited)	30 June 2010 (Unaudited)
Demand	54,026,600	47,939,992	44,145,233
Saving	308,126	285,581	269,512
Time	72,884,698	70,081,869	71,050,584
Other	5,184,609	8,638,017	8,635,362
<b>Total</b>	<b>132,404,033</b>	<b>126,945,459</b>	<b>124,100,691</b>

**8. DEBT SECURITIES IN ISSUE**

The USD 500 million (SAR 1,875 million) Floating Euro Medium Term Note (EMTN) matured on 26 April 2011.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) - continued**  
**For the six months period ended 30 June 2011 and 2010**

**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 2011 (Unaudited)			31 December 2010 (Audited)			30 June 2010 (Unaudited)		
	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
SAR 000'									
<b>Held for trading:</b>									
Commission rate swaps and futures	2,868	(2,957)	2,291,199	3,201	(3,256)	854,455	2,460	(1,964)	1,611,412
Forward foreign exchange contracts	2,532,299	(378,014)	82,474,249	2,241,307	(317,957)	63,149,908	1,902,913	(292,826)	68,911,583
Currency options	55,684	(58,677)	4,352,612	350,747	(350,997)	1,218,686	294,493	(294,493)	891,953
Commodity options	9,494	(9,494)	333,725	-	-	-	-	-	-
<b>Held as fair value hedges:</b>									
Commission rate swaps	784	(7,359)	3,591,630	-	(9,766)	2,661,795	129	(15,167)	4,033,198
<b>Held as cash flow hedges:</b>									
Commission rate swaps	53,750	-	1,368,000	79,065	(1,209)	1,929,011	111,272	(1,318)	2,129,040
<b>Total</b>	<b>2,654,879</b>	<b>(456,501)</b>	<b>94,411,415</b>	<b>2,674,320</b>	<b>(683,185)</b>	<b>69,813,855</b>	<b>2,311,267</b>	<b>(605,768)</b>	<b>77,577,186</b>

**10. CREDIT RELATED COMMITMENTS AND CONTINGENCIES**

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

	30 June 2011 (Unaudited)	31 December 2010 (Audited)	30 June 2010 (Unaudited)
SAR 000'			
Letters of credit	14,973,011	11,287,109	12,177,110
Letters of guarantee	52,665,684	51,189,303	44,490,936
Acceptances	2,361,244	2,334,095	1,934,189
Irrevocable commitments to extend credit	11,286,599	8,630,416	7,385,512
<b>Total</b>	<b>81,286,538</b>	<b>73,440,923</b>	<b>65,987,747</b>

**11. CASH AND CASH EQUIVALENTS**

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

	30 June 2011 (Unaudited)	31 December 2010 (Audited)	30 June 2010 (Unaudited)
SAR 000'			
Cash and balances with SAMA excluding statutory deposit	11,940,695	17,041,125	11,266,001
Due from banks and other financial institutions maturing within three months from date of acquisition	2,337,583	3,795,882	4,824,426
<b>Total</b>	<b>14,278,278</b>	<b>20,837,007</b>	<b>16,090,427</b>



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) - continued**  
**For the six months period ended 30 June 2011 and 2010**

**12. OPERATING SEGMENTS**

The operating segments are managed separately based on the Group's management and internal reporting structure. The Group's primary business is conducted in Kingdom of Saudi Arabia with one international branch. However, the total assets, liabilities, commitments and results of operations of this branch are not material to the Group's overall consolidated financial statements and as a result have not been separately disclosed. Transactions between the operating segments are on normal commercial terms. Funds are ordinarily reallocated between segments resulting in funding cost transfers. With effect from 1 January 2011, the Bank has enhanced its internal funds transfer pricing methodology, based on best industry practice.

There are no other material items of income or expense between the operating segments.

The Group's reportable segments 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

**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 2011 and 2010 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 2011 SAR'000	Retail banking	Investment banking and brokerage	Corporate banking	Treasury and investment	Other	Total
Total assets	23,958,405	4,475	87,749,144	63,800,157	2,021,550	177,533,731
Total liabilities	43,528,765	44,735	90,561,601	12,152,993	1,502,405	147,790,499
Total operating income	977,331	144,998	1,394,492	84,973	494,727	3,096,521
Fee and commission income, net	210,610	145,999	438,125	(6,777)	-	787,957
Total operating expenses	588,594	64,340	225,782	22,941	617,636	1,519,293
Depreciation and amortization	65,967	-	1,813	250	74,666	142,696
Capital expenditure	31,734	-	896	33	109,507	142,170
Impairment charge for credit losses, net	123,380	-	124,377	-	-	247,757
Impairment charge for investments, net	-	-	-	-	-	-
Net income	388,737	80,658	1,168,710	62,032	(122,909)	1,577,228

30 June 2010 SAR'000	Retail banking	Investment banking and brokerage	Corporate banking	Treasury and investment	Other	Total
Total assets	20,350,582	2,128	86,466,720	61,585,193	932,452	169,337,075
Total liabilities	38,236,618	32,305	87,527,194	13,601,223	1,446,905	140,844,245
Total operating income	838,515	122,813	1,242,047	366,928	426,368	2,996,671
Fee and commission income, net	178,624	125,157	455,114	(4,350)	-	754,545
Total operating expenses	583,063	62,628	409,471	(66,294)	557,539	1,546,407
Depreciation and amortization	51,916	-	1,815	273	76,522	130,526
Capital expenditure	37,598	-	573	37	81,020	119,228
Impairment charge for credit losses, net	131,277	-	343,871	-	-	475,148
Impairment charge for investments, net	-	-	-	(85,000)	-	(85,000)
Net income	255,452	60,185	832,576	433,222	(131,171)	1,450,264

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) - continued**  
**For the six months period ended 30 June 2011 and 2010**

**13. INTERIM DIVIDENDS**

The Board of Directors initially approved interim dividends of SAR 825 million (2010: SAR 900 million), which was finally ratified and announced on 6 July 2011, resulting in dividends of SAR 0.55 per share (2010: SAR 0.60 per share) to the shareholders. Zakat will be determined and deducted from the shareholders' dividends at year-end.

**14. CAPITAL ADEQUACY**

The Group maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by the Saudi Arabian Monetary Agency in supervising the Banks in the Kingdom.

Pursuant to SAMA guidelines regarding implementation of Basel II, Pillar 3 disclosures, the following disclosures have been made.

	Total capital ratio (unaudited)		Tier 1 capital ratio (unaudited)	
	30 June 2011	30 June 2010	30 June 2011	30 June 2010
Top consolidated level	17.6%	18.4%	16.2%	16.9%

**15. COMPARATIVE FIGURES**

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

**16. 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](http://www.riyadbank.com)) within 60 business days after June 30, 2011 as required by SAMA. Such disclosures are not subject to review/audit by the external auditors of the Bank.