

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SAR'000	Note	30 June 2010 (Unaudited)	31 December 2009 (Audited)	30 June 2009 (Unaudited)
ASSETS				
Cash and balances with SAMA		17,199,074	23,419,303	14,498,355
Due from banks and other financial institutions		9,965,975	8,704,462	11,056,231
Investments, net	5	32,649,321	32,308,077	37,089,474
Loans and advances, net		104,743,992	106,514,613	104,581,768
Other real estate		400,133	407,132	506,574
Property and equipment, net		1,820,729	1,830,157	1,736,372
Other assets		2,557,851	3,215,514	3,298,439
Total assets		169,337,075	176,399,258	172,767,213
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Due to banks and other financial institutions		10,255,436	16,163,012	17,658,428
Customer deposits		124,100,691	125,278,106	122,070,426
Other liabilities		4,614,570	4,849,293	4,394,164
Debt securities in issue		1,873,548	1,873,403	1,872,803
Total liabilities		140,844,245	148,163,814	145,995,821
Shareholders' Equity				
Share capital		15,000,000	15,000,000	15,000,000
Statutory reserve		10,981,592	10,981,592	10,223,971
Other reserves		547,940	605,818	(86,807)
Retained earnings		1,963,298	513,034	1,634,228
Proposed dividends		-	1,135,000	-
Total shareholders' equity		28,492,830	28,235,444	26,771,392
Total liabilities and shareholders' equity		169,337,075	176,399,258	172,767,213

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (Unaudited)
For the six months period ended 30 June, 2010 and 2009

SAR'000	For the three months ended 30 June		For the six months ended 30 June	
	2010	2009	2010	2009
Special commission income	1,198,470	1,529,900	2,407,203	3,187,518
Special commission expense	170,816	382,176	367,110	927,670
Net special commission income	1,027,654	1,147,724	2,040,093	2,259,848
Fee and commission income, net	387,587	331,122	754,545	640,432
Exchange income, net	71,368	53,754	113,666	89,519
Trading losses, net	(1,344)	(1,488)	(2,831)	(3,149)
Gains (losses) on non-trading investments, net	19,633	(30,391)	56,566	(38,493)
Other operating income	22,362	23,688	34,632	35,612
Total operating income	1,527,260	1,524,409	2,996,671	2,983,769
Salaries and employee-related expenses	269,616	278,071	562,804	554,406
Rent and premises-related expenses	62,466	61,347	128,140	121,032
Depreciation	67,614	65,683	130,526	132,258
Other general and administrative expenses	161,538	154,895	326,343	298,843
Impairment charge for credit losses, net	196,162	95,509	475,148	280,346
Impairment charge for investments, net	-	(50,000)	(85,000)	232,843
Other operating expenses	4,060	905	8,446	4,983
Total operating expenses	761,456	606,410	1,546,407	1,624,711
Net Income for the period	765,804	917,999	1,450,264	1,359,058
Basic and diluted earnings per share for the period (in SAR)	0.51	0.61	0.97	0.91

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
For the six months period ended 30 June, 2010 and 2009

SAR'000	For the three months ended 30 June		For the six months ended 30 June	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Net income for the period	765,804	917,999	1,450,264	1,359,058
Other comprehensive income:				
-Available for sale investments				
Net changes in fair value	(45,737)	479,191	109,968	776,791
Transfer to consolidated income statement	(21,516)	33,180	(141,654)	40,117
	<u>(67,253)</u>	<u>512,371</u>	<u>(31,686)</u>	<u>816,908</u>
-Cash flow hedge				
Net changes in fair value	(12,013)	(5,589)	(26,723)	42,301
Transfer to consolidated income statement	(145)	(730)	531	(6,326)
	<u>(12,158)</u>	<u>(6,319)</u>	<u>(26,192)</u>	<u>35,975</u>
Total comprehensive income for the period	686,393	1,424,051	1,392,386	2,211,941

The accompanying notes 1 to 13 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, 2010 and 2009

SAR'000	Share capital	Statutory reserve	Other Reserves Available for sale investments	Cash flow hedge	Retained earnings	Proposed dividends	Total
2010							
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 dividend 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>
2009							
Balance at the beginning of the period	15,000,000	10,223,971	(1,053,400)	113,710	275,170	1,131,000	25,690,451
Total comprehensive income for the period	-	-	816,908	35,975	1,359,058	-	2,211,941
Final dividend paid - 2008	-	-	-	-	-	(1,131,000)	(1,131,000)
Balance at the end of the period	<u>15,000,000</u>	<u>10,223,971</u>	<u>(236,492)</u>	<u>149,685</u>	<u>1,634,228</u>	<u>-</u>	<u>26,771,392</u>

The accompanying notes 1 to 13 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, 2010 and 2009

SAR'000	2010	2009
OPERATING ACTIVITIES		
Net income for the period	1,450,264	1,359,058
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	(52,791)	(233,347)
(Gains)/ losses on non-trading investments, net	(56,566)	38,493
Depreciation	130,526	132,258
Impairment charge for credit losses, net	475,148	280,346
Impairment charge for investments, net	(85,000)	232,843
	1,861,581	1,809,651
Net (increase)/ decrease in operating assets and liabilities:		
Statutory deposit with SAMA	159,715	(432,981)
Due from banks and other financial institutions maturing after three months from date of acquisition	(1,555,812)	(3,118,234)
Loans and advances	1,295,473	(8,432,268)
Other real estate	6,999	7,000
Other assets	657,663	116,224
Due to banks and other financial institutions	(5,907,576)	(3,554,766)
Customers' deposits	(1,177,415)	17,014,880
Other liabilities	(206,440)	(1,436,801)
Net cash (used in) from operating activities	(4,865,812)	1,972,705
INVESTING ACTIVITIES		
Proceeds from sales and maturities of non-trading investments	13,573,020	15,319,504
Purchase of non-trading investments	(13,777,640)	(11,266,159)
Purchase of property and equipment, net	(121,098)	(238,324)
Net cash (used in) from investing activities	(325,718)	3,815,021
FINANCING ACTIVITIES		
Dividends and Zakat paid	(1,163,283)	(1,119,437)
Net cash used in financing activities	(1,163,283)	(1,119,437)
(Decrease) increase in cash and cash equivalents	(6,354,813)	4,668,289
Cash and cash equivalents at beginning of the period	22,445,240	9,676,382
Cash and cash equivalents at end of the period (Note 8)	16,090,427	14,344,671
Special commission received during the period	2,474,450	3,658,093
Special commission paid during the period	485,547	1,123,451
Supplemental non-cash information		
Net changes in fair value and cash flow hedges and transfer to consolidated income statement	(57,877)	852,883

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) For the six months period ended 30 June, 2010 and 2009

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 234 branches (30 June 2009: 203) 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 IAS34 – 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 financial statements for the year ended 31 December 2009.

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 year 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 subsidiary. As at 30 June 2010 and 2009, 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 consolidated statement of income and within equity in the 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 unrealised 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, 2010 and 2009

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 31 December 2009, except for the adoption of amendments to the existing standards, as mentioned below.

- IAS 27 Consolidated and Separate Financial Statements (amended 2008). The amendments deal primarily with the accounting for changes in ownership interests in subsidiaries after control is obtained, the accounting for the loss of control of subsidiaries, and the allocation of profit or loss to controlling and non-controlling interests in a subsidiary.
- Amendment to IAS 32 Financial Instruments: Presentation which deals with the Classification of Rights Issues
- IAS 39 (amendment), "Financial instruments- Recognition and measurement – Eligible hedged items". The amendment was issued in July 2008. These amendments to IAS 39 clarify how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations.

The above amendments to existing standards and interpretations are effective for 2010 but adoption of these will not have a material impact to the Group's interim condensed consolidated financial statements.

5. INVESTMENTS, NET

Investment securities are classified as follows:

	30 June 2010 (Unaudited) SAR'000	31 December 2009 (Audited) SAR'000	30 June 2009 (Unaudited) SAR'000
Investments:			
- Available for sale	12,593,120	13,018,686	14,294,445
- Held at amortised costs, other	18,170,232	17,276,431	20,685,992
- Held to maturity	1,885,969	2,012,960	2,109,037
Total	32,649,321	32,308,077	37,089,474

Following the amendments to IAS 39 and IFRS 7, "Reclassification of Financial Assets", the Bank reclassified its investments held in trading portfolio reported under its investments at fair value through income statement ("FVIS") category to the available for sale category. Under IAS 39 as amended, the reclassifications were made with effect from September 1, 2008 at fair value at that date.

The carrying and fair value of these reclassified investments as at 30 June 2010 was SR 3,339 million (31 December 2009: SAR 3,278 million).

Had the reclassification not occurred, the interim condensed consolidated statement of income for the three and six months period ended 30 June 2010 would have included unrealised fair value gain on such reclassified investments amounting to SAR 16.2 million and SAR 95 million (31 December 2009: SAR 576.1 million).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the six months period ended 30 June, 2010 and 2009

6. 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 2010 (Unaudited) SAR'000			31 December 2009 (Audited) SAR'000			30 June 2009 (Unaudited) SAR'000		
	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value	Notional amount
Held for trading:									
Commission rate swaps and futures	2,460	(1,964)	1,611,412	3,976	(3,780)	1,187,680	1,385	(991)	1,490,413
Forward foreign exchange contracts	1,902,913	(292,826)	68,911,583	1,665,124	(243,843)	52,694,695	1,248,627	(256,695)	65,586,215
Currency options	294,493	(294,493)	891,953	8,422	(8,422)	162,662	83,664	(83,664)	1,021,230
Held as fair value hedges:									
Commission rate swaps	129	(15,167)	4,033,198	917	(12,593)	2,508,083	30,932	(21,453)	976,971
Held as cash flow hedges:									
Commission rate swaps	111,272	(1,318)	2,129,040	138,801	(2,124)	2,459,075	147,391	(255)	2,459,020
Total	2,311,267	(605,768)	77,577,186	1,817,240	(270,762)	59,012,195	1,511,999	(363,058)	71,533,849

7. CREDIT RELATED COMMITMENTS AND CONTINGENCIES

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

	30 June 2010 (Unaudited) SAR'000	31 December 2009 (Audited) SAR'000	30 June 2009 (Unaudited) SAR'000
Letters of credit	12,177,110	10,466,217	10,858,339
Letters of guarantee	44,490,936	44,741,590	39,206,731
Acceptances	1,934,189	1,726,837	1,895,624
Irrevocable commitments to extend credit	7,385,512	5,584,845	7,291,882
Total	65,987,747	62,519,489	59,252,576

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the six months period ended 30 June, 2010 and 2009

8. CASH AND CASH EQUIVALENTS

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

	30 June 2010	31 December	
	(Unaudited)	2009	30 June 2009
	SAR'000	(Audited)	(Unaudited)
		SAR'000	SAR'000
Cash and balances with SAMA excluding statutory deposit	11,266,001	17,326,515	9,336,778
Due from banks and other financial institutions maturing within three months from date of acquisition	4,824,426	5,118,725	5,007,893
Total	16,090,427	22,445,240	14,344,671

9. SEGMENTS INFORMATION

Operating segments are identified on the basis of internal reports about components of the Bank that are regularly reviewed by the chief decision maker in order to allocate resources to the segments and to assess its performance. All operating segments used by the Group meet the definition of reportable segments under IFRS 8.

The Group's primary business is conducted in 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. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balance.

For management purposes, the Group is organized into the following reportable segments:

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.

Treasury and investment

Principally providing money market trading and treasury services as well as the management of the Bank's investment portfolios and derivative products.

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 results for the Group's primary segments are based on its internal financial reporting systems and are consistent with those followed in the preparation of the annual consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the six months period ended 30 June, 2010 and 2009

9. SEGMENTS INFORMATION (continued)

The Group's total assets and liabilities at 30 June 2010 and 2009 and its total operating income, total operating expenses and net income for the six months periods then ended, for each business segment, which represent the primary segment of the Group are as follows:

	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
Total operating expenses	583,063	62,628	409,471	(66,294)	557,539	1,546,407
Net income (loss) for the period	255,452	60,185	832,576	433,222	(131,171)	1,450,264
Depreciation	51,916	-	1,815	273	76,522	130,526
Fee and commission income, net	178,624	125,157	455,114	(4,350)	-	754,545
Trading losses, net	-	-	-	(2,831)	-	(2,831)
Capital expenditures	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)

	Retail banking	Investment banking and brokerage	Corporate banking	Treasury and investment	Other	Total
Total assets	17,759,643	7,527	88,992,268	64,912,855	1,094,920	172,767,213
Total liabilities	31,724,770	23,183	91,917,509	20,960,283	1,370,076	145,995,821
Total operating income	846,980	109,850	1,205,088	165,963	655,888	2,983,769
Total operating expenses	529,818	66,118	202,639	251,409	574,727	1,624,711
Net income (loss) for the period	317,162	43,732	1,002,449	(85,446)	81,161	1,359,058
Depreciation	27,600	-	1,722	281	102,655	132,258
Fee and commission income, net	110,569	112,520	424,403	(7,060)	-	640,432
Trading losses, net	-	-	-	(3,149)	-	(3,149)
Capital expenditures	101,434	-	1,904	187	134,924	238,449
Impairment charge for credit losses, net	135,741	-	144,605	-	-	280,346
Impairment charge for investments, net	-	-	-	232,843	-	232,843

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the six months period ended 30 June, 2010 and 2009

10. INTERIM DIVIDENDS

The Board of Directors initially approved interim dividends of SAR 900 million (2009: SAR 900 million), which was finally ratified and announced on 10 July 2010, resulting in dividends of SAR 0.60 per share (2009: SAR 0.60 per share) to the shareholders. Zakat will be determined and deducted from the shareholders' dividends at year-end.

11. 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 2010	30 June 2009	30 June 2010	30 June 2009
Top consolidated level	18.4%	17.4%	16.9%	15.9%

12. COMPARATIVE FIGURES

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

13. 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, 2010 as required by SAMA. Such disclosures are not subject to review/audit by the external auditors of the Bank.