



KPMG Al Fozan & Al Sadhan



Report on Review of Interim Condensed Consolidated Financial Statements

To the Shareholders of Riyadh Bank
(a Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Riyadh Bank (“the Bank”) and its subsidiaries (collectively referred to as “the Group”) as at June 30, 2015, and the related interim condensed consolidated income statement and the interim condensed consolidated statement of comprehensive income for the three and six month periods then ended, and the interim condensed consolidated statements of changes in shareholders’ equity and cash flows and the notes from (1) to (18) for the six-month period then ended. We have neither reviewed note (19) nor the information related to “Disclosures under Basel III Framework” cross-referenced therein, which is not required to be within the scope of our review. The Bank’s management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with applicable Accounting Standards for Financial Institutions and certain capital adequacy disclosure requirements issued by the Saudi Arabian Monetary Agency (“SAMA”) and with International Accounting Standard No. 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with generally accepted standards in the Kingdom of Saudi Arabia applicable to review engagements and with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with applicable Accounting Standards for Financial Institutions issued by SAMA and with International Accounting Standard No. 34.



KPMG Al Fozan & Al Sadhan



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Other Regulatory Matters

As required by SAMA, certain capital adequacy information has been disclosed in note (17) of the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note (17) to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

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10 Shawwal 1436H
26 July 2015



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2015 SAR'000 (Unaudited)	31 December 2014 SAR'000 (Audited)	30 June 2014 SAR'000 (Unaudited)
ASSETS				
Cash and balances with SAMA		29,104,574	25,315,736	17,591,511
Due from banks and other financial institutions		4,900,649	3,914,504	3,657,225
Investments, net	5	47,285,872	46,963,269	46,309,668
Loans and advances, net	6	136,722,581	133,490,274	140,773,614
Investment in associates		501,318	468,535	441,706
Other real estate		249,091	390,802	399,780
Property and equipment, net		1,820,002	1,706,731	1,647,545
Other assets		1,899,791	2,339,442	3,171,292
Total assets		222,483,878	214,589,293	213,992,341
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Due to banks and other financial institutions		4,331,297	3,789,796	8,311,951
Customer deposits	7	166,372,156	164,079,433	160,099,873
Debt securities in issue	8	8,000,000	4,000,000	4,000,000
Other liabilities		7,221,993	7,182,959	7,776,762
Total liabilities		185,925,446	179,052,188	180,188,586
Shareholders' equity				
Share capital		30,000,000	30,000,000	30,000,000
Statutory reserve		1,088,102	1,088,102	-
Other reserves		1,010,434	1,038,937	1,442,284
Retained earnings		4,459,896	2,160,066	2,361,471
Proposed dividends		-	1,250,000	-
Total shareholders' equity		36,558,432	35,537,105	33,803,755
Total liabilities and shareholders' equity		222,483,878	214,589,293	213,992,341

The accompanying notes 1 to 19 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	
	2015	2014	2015	2014
	SAR'000	SAR'000	SAR'000	SAR'000
Special commission income	1,429,358	1,482,362	2,871,382	2,941,583
Special commission expense	135,037	225,979	294,585	455,563
Net special commission income	1,294,321	1,256,383	2,576,797	2,486,020
Fee and commission income, net	456,474	568,879	977,660	1,098,438
Exchange income, net	81,752	56,327	177,378	112,556
Trading gains/(losses), net	3,826	270	18,017	(101)
Dividend income	24,262	21,609	34,749	37,451
Gains on non-trading investments, net	12,585	155,436	113,137	227,279
Other operating income-Note 15	296,126	36,058	321,164	65,360
Total operating income	2,169,346	2,094,962	4,218,902	4,027,003
Salaries and employee-related expenses	396,627	346,677	788,923	687,634
Rent and premises-related expenses	75,004	78,020	148,953	156,105
Depreciation of property and equipment	66,838	62,444	136,337	126,775
Other general and administrative expenses	168,633	202,294	364,816	367,853
Impairment charge for credit losses, net	315,332	262,977	443,136	466,744
Impairment charge for investments, net	9,609	-	9,609	-
Other operating expenses	18,073	9,029	42,977	22,309
Total operating expenses	1,050,116	961,441	1,934,751	1,827,420
Income from operating activities	1,119,230	1,133,521	2,284,151	2,199,583
Share in earnings of associates, net	9,000	2,737	15,679	16,128
Net income for the period	1,128,230	1,136,258	2,299,830	2,215,711
Basic and diluted earnings per share for the period (in SAR)-Note 16	0.38	0.38	0.77	0.74

The accompanying notes 1 to 19 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	
	2015 SAR'000	2014 SAR'000	2015 SAR'000	2014 SAR'000
Net income for the period	1,128,230	1,136,258	2,299,830	2,215,711
Other comprehensive income:				
- Available for sale investments				
Net changes in fair value	(69,782)	199,993	71,210	475,096
Net changes in fair value transferred to interim condensed consolidated income statement	1,255	(155,640)	(99,713)	(217,376)
	<u>(68,527)</u>	<u>44,353</u>	<u>(28,503)</u>	<u>257,720</u>
- Cash flow hedges				
Effective portion of net changes in fair value	-	-	-	-
Net changes in fair value transferred to interim condensed consolidated income statement	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other comprehensive income for the period	<u>(68,527)</u>	<u>44,353</u>	<u>(28,503)</u>	<u>257,720</u>
Total comprehensive income for the period	<u>1,059,703</u>	<u>1,180,611</u>	<u>2,271,327</u>	<u>2,473,431</u>

The accompanying notes 1 to 19 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 2015 & 2014

	SAR'000						
	Share capital	Statutory reserve	Other reserves		Retained earnings	Proposed dividends	Total
			Available for sale investments	Cash flow hedges			
30 June 2015							
Balance at the beginning of the period	30,000,000	1,088,102	1,038,937	-	2,160,066	1,250,000	35,537,105
Final dividend paid - 2014	-	-	-	-	-	(1,250,000)	(1,250,000)
Total comprehensive income for the period	-	-	(28,503)	-	2,299,830	-	2,271,327
Balance at the end of the period	<u>30,000,000</u>	<u>1,088,102</u>	<u>1,010,434</u>	<u>-</u>	<u>4,459,896</u>	<u>-</u>	<u>36,558,432</u>
30 June 2014							
Balance at the beginning of the period	15,000,000	14,328,376	1,184,564	-	1,957,384	1,400,000	33,870,324
Final dividends paid - 2013	-	-	-	-	-	(1,400,000)	(1,400,000)
Transfer to retained earnings	-	671,624	-	-	(671,624)	-	-
Issue of bonus shares	15,000,000	(15,000,000)	-	-	-	-	-
Total comprehensive income for the period	-	-	257,720	-	2,215,711	-	2,473,431
Interim dividends - 2014 (Note 14)	-	-	-	-	(1,140,000)	-	(1,140,000)
Balance at the end of the period	<u>30,000,000</u>	<u>-</u>	<u>1,442,284</u>	<u>-</u>	<u>2,361,471</u>	<u>-</u>	<u>33,803,755</u>

The accompanying notes 1 to 19 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 2015 & 2014

	For the six months period ended		
	2015	2014	
	Notes	SAR'000	SAR'000
OPERATING ACTIVITIES			
Net income for the period		2,299,830	2,215,711
Adjustments to reconcile net income for the period to net cash from/(used in) operating activities:			
Amortisation of premium/(accretion of discounts) on non-trading investments, net		(48,764)	(63,785)
Gain on non-trading investments, net		(113,137)	(227,279)
Depreciation of property and equipment		136,337	126,775
Impairment charge for credit losses, net		443,136	466,744
Impairment charge for investments, net		9,609	-
Share in earnings of associates, net		(15,679)	(16,128)
		<u>2,711,332</u>	<u>2,502,038</u>
Net (increase)/decrease in operating assets:			
Statutory deposit with SAMA		(908,253)	(301,946)
Due from banks and other financial institutions maturing after three months from date of acquisition		74,511	760,577
Loans and advances		(3,675,443)	(10,049,801)
Other real estate		141,711	37,588
Other assets		439,651	(562,981)
Net increase/(decrease) in operating liabilities:			
Due to banks and other financial institutions		541,501	733,971
Customer deposits		2,292,723	6,899,993
Other liabilities		(113,905)	(59,638)
		<u>1,503,828</u>	<u>(40,199)</u>
Net cash from/(used in) operating activities			
INVESTING ACTIVITIES			
Proceeds from sales and maturities of non-trading investments		11,055,572	11,464,651
Purchase of non-trading investments		(11,271,490)	(13,670,725)
Purchase of property and equipment, net		(249,608)	(111,670)
		<u>(465,526)</u>	<u>(2,317,744)</u>
Net cash used in investing activities			
FINANCING ACTIVITIES			
Debt securities issued	8	4,000,000	-
Dividend and zakat paid		(1,097,061)	(1,301,895)
		<u>2,902,939</u>	<u>(1,301,895)</u>
Net cash from/(used in) financing activities			
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		20,772,910	16,008,972
Cash and cash equivalents at the end of the period	11	<u><u>24,714,151</u></u>	<u><u>12,349,134</u></u>
Special commission received during the period		<u>2,817,040</u>	<u>2,905,277</u>
Special commission paid during the period		<u>345,003</u>	<u>509,231</u>
Supplemental non-cash information			
Net changes in fair value and transfer to interim condensed consolidated income statement		<u>(28,503)</u>	<u>257,720</u>

The accompanying notes 1 to 19 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 2015 & 2014****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 334 branches (30 June 2014: 305) 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, Ithra Al-Riyad Real Estate Company and Riyad Company for Insurance Agency (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 International Accounting Standard (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 2014.

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 expenses. 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 for the year ended 31 December 2014.

These interim condensed consolidated financial statements are expressed in Saudi Arabian Riyals (SAR) and are rounded off to the nearest thousand except as otherwise indicated.

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 unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the interim condensed consolidated financial statements. Unrealised 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 2015 & 2014****3. BASIS OF CONSOLIDATION (continued)**

The Group acts as a Fund Manager to a number of investment funds. Determining whether the Group controls such an investment fund usually focuses on the assessment of the aggregate economic interests of the Group in the Fund (comprising any carried interests and expected management fees) and the investors rights to remove the Fund Manager. As a result the Group has concluded that it acts as an agent for the investors in all cases, and therefore has not consolidated these funds.

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, 2014 except for the adoption of the following amendments to existing standards mentioned below which have had no significant financial impact on the interim condensed consolidated financial statements of the Group on the current period or prior period and is expected to have no significant effect in future periods:

Amendments to IAS 19 applicable for annual periods beginning on or after 1 July 2014 is applicable to defined benefit plans involving contribution from employees and / or third parties. This provides relief, based on meeting certain criteria, from the requirements proposed in the amendments of 2011 for attributing employee / third party contributions to periods of service under the plan benefit formula or on a straight line basis. The current amendment gives an option, if conditions are satisfied, to reduce service cost in period in which the related service is rendered.

Annual improvements to IFRS 2010-2012 and 2011-2013 cycle applicable for annual periods beginning on or after 1 July 2014. A summary of the amendments is contained as under:

- IFRS 2 – Amended to clarify the definition of ‘vesting condition’ by separately defining ‘performance condition’ and ‘service condition’.
- IFRS 3 – “Business combinations” amended to clarify the classification and measurement of contingent consideration in a business combination. It has been further amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in IFRS 11.
- IFRS 8 – “Operating segments” has been amended to explicitly require disclosure of judgments made by management in applying aggregation criteria.
- IFRS 13 – Amended to clarify measurement of special commission rate free, short term receivables and payables at their invoiced amount without discounting, if the effect of discounting is immaterial. It has been further amended to clarify that the portfolio exception potentially applies to contracts in the scope of IAS 39 and IFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under IAS 32.
- IAS 16 – “Property plant and equipment” and IAS 38 – “Intangible assets”: – the amendments clarify the requirements of revaluation model recognizing that the restatement of accumulated depreciation (amortisation) is not always proportionate to the change in the gross carrying amount of the asset.
- IAS 24 – “Related party disclosures”– the definition of a related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or indirectly.
- IAS 40 – “Investment property” clarifies that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition constitutes a business combination.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the six months period ended 30 June 2015 & 2014

5. INVESTMENTS, NET

Investment securities are classified as follows:

SAR 000'	30 June 2015 (Unaudited)	31 December 2014 (Audited)	30 June 2014 (Unaudited)
Investments:			
- Available for sale	17,457,455	16,928,130	17,841,869
- Other investments held at amortised cost	29,765,029	29,809,057	28,055,570
- Held to maturity	63,388	226,082	412,229
Total	47,285,872	46,963,269	46,309,668

On 1 September, 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 2015 was SAR 3,281 million (30 June 2014: SAR 3,776 million).

Had the reclassification not occurred, the interim condensed consolidated income statement for the three and six months period ended 30 June 2015 would have included unrealised fair value gain on such reclassified investments amounting to SAR 10.3 million and SAR 111.3 million respectively (30 June 2014: unrealised fair value gain of SAR 97.3 million and SAR 142.4 million).

6. LOANS AND ADVANCES, NET

Loans and advances held at amortised cost comprise the following:

SAR 000'	30 June 2015 (Unaudited)	31 December 2014 (Audited)	30 June 2014 (Unaudited)
Consumer loans	38,120,917	38,430,973	37,070,591
Commercial loans and overdrafts	98,543,961	95,016,515	103,630,337
Credit cards	836,503	979,453	1,000,031
Performing loans and advances	137,501,381	134,426,941	141,700,959
Non performing loans and advances	1,164,753	1,049,927	1,328,079
Gross loans and advances	138,666,134	135,476,868	143,029,038
Allowance for impairment	(1,943,553)	(1,986,594)	(2,255,424)
Total	136,722,581	133,490,274	140,773,614

7. CUSTOMER DEPOSITS

Customer deposits are comprised of the following:

SAR 000'	30 June 2015 (Unaudited)	31 December 2014 (Audited)	30 June 2014 (Unaudited)
Demand	93,234,335	71,589,238	68,397,587
Saving	304,071	289,033	283,249
Time	62,801,705	82,186,503	82,281,179
Other	10,032,045	10,014,659	9,137,858
Total	166,372,156	164,079,433	160,099,873

8. DEBT SECURITIES IN ISSUE

During June 2015, the Bank issued SAR 4,000 million subordinated debt (Sukuk). These are SAR denominated and have a maturity date of 24 June 2025 and are callable after 5 years, subject to the terms and conditions of the agreement. The notes carry 6-month SAIBOR plus 115 basis points.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the six months period ended 30 June 2015 & 2014

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 2015 (Unaudited)			31 December 2014 (Audited)			30 June 2014 (Unaudited)		
	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value	Notional amount
SAR 000'									
Held for trading:									
Special commission rate swaps	22,721	(4,643)	2,604,562	1,992	(1,996)	1,351,794	2,796	(2,794)	1,209,677
Forward foreign exchange contracts	140,435	(210,549)	71,802,363	401,348	(353,073)	60,955,155	219,019	(80,930)	63,360,554
Currency options	16,153	(16,153)	5,079,635	14,794	(14,794)	3,103,235	5,440	(5,440)	2,538,062
Commodity options	956	(956)	9,679	978	(978)	18,499	103	(103)	22,894
Total	180,265	(232,301)	79,496,239	419,112	(370,841)	65,428,683	227,358	(89,267)	67,131,187

10. CREDIT RELATED COMMITMENTS AND CONTINGENCIES AND OTHERS

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

	30 June 2015 (Unaudited)	31 December 2014 (Audited)	30 June 2014 (Unaudited)
SAR 000'			
Letters of credit	11,363,151	12,426,803	16,468,773
Letters of guarantee	83,715,107	81,459,813	74,135,342
Acceptances	2,973,401	2,627,641	3,174,284
Irrevocable commitments to extend credit	13,344,503	9,631,086	12,354,299
Total	111,396,162	106,145,343	106,132,698

b) Others

During the period ended 30 June 2015, there has been no change in the status of the Group's Zakat assessments. The Group's position with respect to stance on these assessments, has remained same as disclosed in the annual consolidated financial statements for the year ended 31 December 2014.

11. CASH AND CASH EQUIVALENTS

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

	30 June 2015 (Unaudited)	31 December 2014 (Audited)	30 June 2014 (Unaudited)
SAR 000'			
Cash and balances with SAMA excluding statutory deposit	19,926,568	17,045,983	9,715,766
Due from banks and other financial institutions maturing within three months from date of acquisition	4,787,583	3,726,927	2,633,368
Total	24,714,151	20,772,910	12,349,134

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the six months period ended 30 June 2015 & 2014

12. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction takes place either:

- In the accessible principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous accessible market for the asset or liability

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 2015

SAR' 000 (Unaudited)

	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments	-	180,265	-	180,265
Financial investments available for sale	16,342,662	5,157	1,109,636	17,457,455
Financial liabilities				
Derivative financial instruments	-	232,301	-	232,301

30 June 2014

SAR' 000 (Unaudited)

	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments	-	227,358	-	227,358
Financial investments available for sale	15,665,792	614,557	1,561,520	17,841,869
Financial liabilities				
Derivative financial instruments	-	89,267	-	89,267

Reconciliation of movement in Level 3 (Unaudited)

	30 June 2015 SAR' 000	30 June 2014 SAR' 000
Opening balance	1,406,117	1,506,670
Total gains or losses		
- recognised in consolidated income statement	(85,679)	(542)
- recognised in other comprehensive income	81,833	55,392
Purchases	-	-
Redemptions	(292,635)	-
Closing balance	1,109,636	1,561,520

There were no transfers between the fair value hierarchy levels.

The fair values of financial instruments, except for other investments held at amortised cost and held to maturity investments which are carried at amortised cost, are not significantly different from the carrying values included in the interim condensed consolidated financial statements. The fair values of loans and advances, commission bearing customers' deposits, debt securities in issue, due from and due to banks and other financial institutions which are carried at amortized cost, are not significantly different from the carrying values included in the financial statements, since the current market commission rates for similar financial instruments are not significantly different from the contracted rates, and for the short duration of due from and due to banks and other financial institutions. An active market for these instruments is not available and the Bank intends to realize the carrying value of these financial instruments through settlement with the counter party at the time of their respective maturities.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the six months period ended 30 June 2015 & 2014

13. OPERATING SEGMENTS

The Group 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 the Kingdom of 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. The transactions between the Bank's operating segments are recorded as per the Bank's transfer pricing system. There are no other material items of income or expenses between the operating segments.

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

Retail banking

Deposits, 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 2015 & 2014 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 2015		Investment banking and brokerage	Corporate	Treasury and investment	Other	Total
SAR'000 (Unaudited)	Retail					
Total assets	41,454,934	103,184	96,106,485	81,081,322	3,737,953	222,483,878
Total liabilities	61,592,916	51,564	101,309,595	19,291,640	3,679,731	185,925,446
Total operating income	1,290,745	196,761	1,846,985	578,168	306,243	4,218,902
Net special commission income	1,055,428	23,949	1,253,391	259,640	(15,611)	2,576,797
Fee and commission income, net	219,583	172,761	591,070	(5,754)	-	977,660
Total operating expenses	979,642	81,094	67,987	30,735	775,293	1,934,751
Depreciation and amortization	41,550	-	2,176	1,072	91,539	136,337
Impairment charge for credit losses, net	517,629	-	(74,412)	-	(81)	443,136
Impairment charge for investments, net	-	-	-	9,609	-	9,609
Share in earnings of associates, net	-	-	-	-	15,679	15,679
Net income/(loss)	311,103	115,667	1,778,998	547,433	(453,371)	2,299,830

30 June 2014		Investment banking and brokerage	Corporate	Treasury and investment	Other	Total
SAR'000 (Unaudited)	Retail					
Total assets	39,739,708	86,108	102,656,255	67,525,364	3,984,906	213,992,341
Total liabilities	56,202,342	72,562	97,958,424	22,175,161	3,780,097	180,188,586
Total operating income	1,269,806	205,516	1,813,113	604,074	134,494	4,027,003
Net special commission income	1,010,609	19,078	1,140,567	242,009	73,757	2,486,020
Fee and commission income, net	258,259	185,128	657,719	(2,668)	-	1,098,438
Total operating expenses	633,900	78,674	445,473	19,876	649,497	1,827,420
Depreciation and amortization	45,942	-	1,990	1,082	77,761	126,775
Impairment charge for credit losses, net	158,962	-	307,782	-	-	466,744
Impairment charge for investments, net	-	-	-	-	-	-
Share in earnings of associates, net	-	-	-	-	16,128	16,128
Net income/(loss)	635,906	126,842	1,367,640	584,198	(498,875)	2,215,711

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the six months period ended 30 June 2015 & 2014

14. INTERIM DIVIDEND

The Board of Directors initially approved interim dividend of SAR 1,050 million (2014: SAR 1,140 million), which was finally ratified and announced on 5 July 2015, resulting in dividends of SAR 0.35 per share (2014: SAR 0.38 per share) to the shareholders. Zakat will be determined and deducted from the shareholders' dividends at year-end.

15. OTHER OPERATING INCOME

During the current quarter, the Bank sold lands with a book value of approximately SAR 80.9 million. The sold properties were initially acquired in settlement of certain loans and advances.

The gain on sale of land amounting to SAR 266.6 million is included in Other operating income.

16. EARNINGS PER SHARE

Basic and diluted earnings per share for the period ended 30 June 2015 and 2014 are calculated by dividing the net income for the period by 3,000 million outstanding shares.

17. 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 the Group's business plans along with economic conditions which directly and indirectly affects its business environment.

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:

SAR Millions	30 June 2015 (Unaudited)	31 December 2014 (Audited)	30 June 2014 (Unaudited)
Risk weighted assets			
Credit Risk	204,919	197,423	205,349
Operational Risk	13,324	12,816	12,006
Market Risk	963	978	577
Total Pillar 1 risk weighted assets	<u>219,206</u>	<u>211,217</u>	<u>217,932</u>
Eligible capital			
Tier I Capital	36,558	35,537	33,804
Tier II Capital	5,072	1,072	1,072
Total Tier I & II Capital	<u>41,630</u>	<u>36,609</u>	<u>34,876</u>
Tier 1 Capital Adequacy Ratio %	16.7%	16.8%	15.5%
Total Capital Adequacy Ratio %	19.0%	17.3%	16.0%

18. COMPARATIVE FIGURES

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

19. DISCLOSURES UNDER BASEL III FRAMEWORK

Certain additional disclosures are required under the Basel III framework. These disclosures will be made available on the Bank's website www.riyadbank.com within prescribed time as required by SAMA. Such disclosures are not subject to review by the external auditors of the Bank.