

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 March 2012 SAR'000 (Unaudited)	31 December 2011 SAR'000 (Audited)	31 March 2011 SAR'000 (Unaudited)
<b>ASSETS</b>				
Cash and balances with SAMA		16,199,700	17,623,477	19,334,388
Due from banks and other financial institutions		4,264,278	6,085,023	7,248,971
Investments, net	5	42,696,389	36,616,170	38,694,672
Loans and advances, net	6	113,694,917	112,972,764	109,361,776
Investment in associates		367,155	339,954	-
Other real estate		437,336	440,896	424,128
Property and equipment, net		1,790,119	1,806,833	1,847,921
Other assets		3,942,615	5,002,273	3,808,005
<b>Total assets</b>		<b>183,392,509</b>	<b>180,887,390</b>	<b>180,719,861</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Liabilities</b>				
Due to banks and other financial institutions		8,085,147	6,241,948	10,394,907
Customer deposits	7	139,535,544	139,822,500	133,140,255
Debt securities in issue	8	-	-	1,873,957
Other liabilities		5,443,799	4,664,587	6,442,809
<b>Total liabilities</b>		<b>153,064,490</b>	<b>150,729,035</b>	<b>151,851,928</b>
<b>Shareholders' equity</b>				
Share capital		15,000,000	15,000,000	15,000,000
Statutory reserve		12,475,088	12,475,088	11,687,749
Other reserves		1,078,944	535,749	828,441
Retained earnings		1,773,987	872,518	1,351,743
Proposed dividends		-	1,275,000	-
<b>Total shareholders' equity</b>		<b>30,328,019</b>	<b>30,158,355</b>	<b>28,867,933</b>
<b>Total liabilities and shareholders' equity</b>		<b>183,392,509</b>	<b>180,887,390</b>	<b>180,719,861</b>

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

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (Unaudited)

	For the three months period ended 31 March	
	2012	2011
	SAR'000	SAR'000
Special commission income	1,276,386	1,172,553
Special commission expense	207,923	188,540
<b>Net special commission income</b>	<b>1,068,463</b>	<b>984,013</b>
Fee and commission income, net	473,535	395,695
Exchange income, net	62,392	107,343
Trading (losses), gains net	(2,165)	981
Gains on Available for sale investments, net	18,667	25,167
Other operating income	50,184	13,644
<b>Total operating income</b>	<b>1,671,076</b>	<b>1,526,843</b>
Salaries and employee-related expenses	307,563	333,844
Rent and premises-related expenses	57,445	61,684
Depreciation of property and equipment	65,980	70,292
Other general and administrative expenses	178,825	154,999
Impairment charge for credit losses, net	152,870	160,308
Other operating expenses	6,924	4,477
<b>Total operating expenses</b>	<b>769,607</b>	<b>785,604</b>
<b>Net income for the period</b>	<b>901,469</b>	<b>741,239</b>
<b>Basic and diluted earnings per share for the period (in SAR)</b>	<b>0.60</b>	<b>0.49</b>

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 three months period ended 31 March	
	2012	2011
	SAR'000	SAR'000
Net income for the period	901,469	741,239
Other comprehensive income:		
-Available for sale investments		
Net changes in fair value	574,339	52,243
Net changes in fair value transferred to consolidated income statement	(18,469)	(24,814)
	<u>555,870</u>	<u>27,429</u>
-Cash flow hedges		
Effective portion of net changes in fair value	(12,675)	(12,887)
Net changes in fair value transferred to consolidated income statement	-	(66)
	<u>(12,675)</u>	<u>(12,953)</u>
Other comprehensive income for the period	<u>543,195</u>	<u>14,476</u>
Total comprehensive income for the period	<u><u>1,444,664</u></u>	<u><u>755,715</u></u>

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 three months period ended 31 March 2012 and 2011

	SAR'000						Total
	Share capital	Statutory reserve	Other reserves Available for sale investments	Cash flow hedges	Retained earnings	Proposed dividend	
<b>31 March 2012</b>							
Balance at the beginning of the period	15,000,000	12,475,088	526,651	9,098	872,518	1,275,000	30,158,355
Total comprehensive income for the period	-	-	555,870	(12,675)	901,469	-	1,444,664
Final dividends paid - 2011	-	-	-	-	-	(1,275,000)	(1,275,000)
Balance at the end of the period	15,000,000	12,475,088	1,082,521	(3,577)	1,773,987	-	30,328,019
<b>31 March 2011</b>							
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	-	-	27,429	(12,953)	741,239	-	755,715
Final dividends paid - 2010	-	-	-	-	-	(1,121,000)	(1,121,000)
Balance at the end of the period	15,000,000	11,687,749	778,667	49,774	1,351,743	-	28,867,933

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

CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

For the three months period ended 31 March 2012 and 2011

	For the three months period ended 31 March	
	2012 SAR'000	2011 SAR'000
	Notes	
<b>OPERATING ACTIVITIES</b>		
Net income for the period	901,469	741,239
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	(9,128)	(8,248)
(Gains) on Available for sale investments, net	(18,667)	(25,167)
Depreciation of property and equipment	65,980	70,292
Impairment charge for credit losses, net	152,870	160,308
	<u>1,092,524</u>	<u>938,424</u>
Net (increase) decrease in operating assets:		
Statutory deposit with SAMA	(39,866)	(332,419)
Due from banks and other financial institutions maturing after three months from date of acquisition	1,647,221	147,644
Loans and advances	(875,023)	(3,487,344)
Other real estate	3,560	7,450
Other assets	1,059,658	(270,503)
Net increase (decrease) in operating liabilities:		
Due to banks and other financial institutions	1,843,199	(241,644)
Customer deposits	(286,956)	6,194,796
Other liabilities	694,346	1,486,190
Net cash from operating activities	<u>5,138,663</u>	<u>4,442,594</u>
<b>INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of non-trading investments	10,655,926	9,005,639
Purchase of non-trading investments	(16,192,356)	(13,829,745)
Purchase of property and equipment, net	(49,265)	(55,358)
Net cash (used in) investing activities	<u>(5,585,695)</u>	<u>(4,879,464)</u>
<b>FINANCING ACTIVITIES</b>		
Dividend and zakat paid	(1,190,135)	(1,031,860)
Net cash (used in) financing activities	<u>(1,190,135)</u>	<u>(1,031,860)</u>
Net (decrease)/ increase in cash and cash equivalents	<u>(1,637,167)</u>	<u>(1,468,730)</u>
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>12,846,572</u>	<u>19,368,277</u>
Special commission received during the period	<u>1,224,036</u>	<u>1,145,280</u>
Special commission paid during the period	<u>212,093</u>	<u>217,759</u>
<b>Supplemental non-cash information</b>		
Net changes in fair value and transfer to consolidated income statement	<u>543,195</u>	<u>14,476</u>

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 three months period ended 31 March 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 (31 March 2011: 243) 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 CONSOLIDATED FINANCIAL STATEMENTS - continued  
For the three months period ended 31 March 2012 & 2011

5. INVESTMENTS, NET

Investment securities are classified as follows:

SAR 000'	31 March 2012 (Unaudited)	31 December 2011 (Audited)	31 March 2011 (Unaudited)
Investments:			
- Available for sale	15,992,473	15,209,735	14,452,956
- Other investments held at amortised costs,	14,652,453	14,397,624	20,941,380
- Held to maturity	12,051,463	7,008,811	3,300,336
Total	<u>42,696,389</u>	<u>36,616,170</u>	<u>38,694,672</u>

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

The carrying and fair value of these reclassified investments as at 31 March 2012 was SR 3,765 million (31 December 2011: SAR 3,625 million).

Had the reclassification not occurred, the interim condensed consolidated income statement for the three months period ended 31 March 2012 would have included unrealised fair value gains on such reclassified investments amounting to SAR 134.8 million (31 December 2011: SAR 80.3 million).

6. LOANS AND ADVANCES, NET

Loans and advances are comprised of the following:

SAR 000'	31 March 2012 (Unaudited)	31 December 2011 (Audited)	31 March 2011 (Unaudited)
Consumer Loans	26,982,641	25,549,643	21,965,296
Commercial loans and overdrafts	85,955,373	86,796,826	87,107,571
Credit Cards	723,864	745,616	771,792
Performing Loans and Advances	<u>113,661,878</u>	<u>113,092,085</u>	<u>109,844,659</u>
Non performing loans and advances	2,024,184	1,879,223	1,861,119
Gross loans and advances	<u>115,686,062</u>	<u>114,971,308</u>	<u>111,705,778</u>
Allowance for impairment	(1,991,145)	(1,998,544)	(2,344,002)
Loans and advances, net	<u>113,694,917</u>	<u>112,972,764</u>	<u>109,361,776</u>

7. CUSTOMER DEPOSITS

Customer deposits are comprised of the following:

SAR 000'	31 March 2012 (Unaudited)	31 December 2011 (Audited)	31 March 2011 (Unaudited)
Demand	58,001,510	58,123,709	53,563,487
Saving	309,223	305,148	295,773
Time	75,392,052	75,615,429	74,379,280
Other	5,832,759	5,778,214	4,901,715
Total	<u>139,535,544</u>	<u>139,822,500</u>	<u>133,140,255</u>

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 CONSOLIDATED FINANCIAL STATEMENTS - continued  
For the three months period ended 31 March 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.

	31 March 2012 (Unaudited)			31 December 2011 (Audited)			31 March 2011 (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>									
Special commission rate swaps and futures	1,188	(1,084)	1,305,831	2,544	(1,690)	1,360,162	5,297	(2,877)	4,519,778
Forward foreign exchange contracts	2,492,227	(162,939)	105,412,905	2,886,658	(89,222)	93,510,641	2,270,904	(385,322)	88,662,513
Currency options	181,506	(181,326)	36,844,023	27,978	(27,331)	15,805,052	381,702	(385,203)	15,390,248
Commodity options	-	-	-	17,301	(17,301)	80,160	-	-	-
<b>Held as fair value hedges:</b>									
Special commission rate	-	(2,004)	500,000	-	(3,871)	500,000	871	(7,648)	5,033,748
<b>Held as cash flow hedges:</b>									
Special commission rate	11,714	-	1,098,000	24,389	-	1,098,000	65,304	(334)	1,833,025
<b>Total</b>	<b>2,686,635</b>	<b>(347,353)</b>	<b>145,160,759</b>	<b>2,958,870</b>	<b>(139,415)</b>	<b>112,354,015</b>	<b>2,724,078</b>	<b>(781,384)</b>	<b>115,439,312</b>

10. CREDIT RELATED COMMITMENTS AND CONTINGENCIES AND OTHERS

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

	31 March 2012 (Unaudited)	31 December 2011 (Audited)	31 March 2011 (Unaudited)
SAR 000'			
Letters of credit	16,892,031	15,548,618	13,194,166
Letters of guarantee	53,930,297	55,418,199	52,655,770
Acceptances	2,447,917	2,350,751	2,429,217
Irrevocable commitments to extend credit	8,926,275	9,225,937	10,406,320
<b>Total</b>	<b>82,196,520</b>	<b>82,543,505</b>	<b>78,685,473</b>

b) Others

During the period ended 31 March 2012, there has been no change in the status of the Bank's Zakat assessments. The Bank's position with respect to stance on these assessments, have remained same as disclosed in the annual consolidated financial statements for the year ended 31 December 2011.

11. CASH AND CASH EQUIVALENTS

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

	31 March 2012 (Unaudited)	31 December 2011 (Audited)	31 March 2011 (Unaudited)
SAR 000'			
Cash and balances with SAMA excluding statutory deposit	9,196,247	10,659,890	12,864,534
Due from banks and other financial institutions maturing within three months from date of acquisition	3,650,325	3,823,849	6,503,743
<b>Total</b>	<b>12,846,572</b>	<b>14,483,739</b>	<b>19,368,277</b>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

For the three months period ended 31 March 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.

Certain prior period figures have been reclassified to conform to the current period presentation. The Group's total assets and liabilities at 31 March 2012 and 2011 and its total operating income, total operating expenses and net income for the three months periods then ended, by operating segments, are as follows:

31 March 2012 SAR'000	Retail	Investment banking and brokerage	Corporate	Treasury and investment	Other	Total
Total assets	28,253,842	10,243	86,430,710	65,422,670	3,275,044	183,392,509
Total liabilities	46,853,761	52,452	93,612,894	10,387,106	2,158,277	153,064,490
Total operating income	509,009	109,102	679,042	230,747	143,176	1,671,076
Fee and commission income, net	125,463	106,306	247,013	(5,247)	-	473,535
Total operating expenses	259,917	31,445	157,609	16,415	304,221	769,607
Depreciation and amortization	30,654	-	833	154	34,339	65,980
Capital expenditure	14,993	-	761	47	31,182	46,983
Impairment charge for credit losses, net	43,718	-	109,152	-	-	152,870
Net income	249,092	77,657	521,433	214,332	(161,045)	901,469

31 March 2011 SAR'000	Retail	Investment banking and brokerage	Corporate	Treasury and investment	Other	Total
Total assets	23,013,190	3,341	87,305,146	67,396,585	3,001,599	180,719,861
Total liabilities	39,416,210	41,171	94,618,756	14,927,172	2,848,619	151,851,928
Total operating income	467,248	74,816	659,414	308,012	17,353	1,526,843
Fee and commission income, net	92,292	70,995	236,087	(3,679)	-	395,695
Total operating expenses	294,778	29,975	132,601	12,655	315,595	785,604
Depreciation and amortization	36,177	-	862	164	33,089	70,292
Capital expenditure	16,229	-	260	32	38,585	55,106
Impairment charge for credit losses, net	69,960	-	90,348	-	-	160,308
Net income	172,470	44,841	526,813	295,357	(298,242)	741,239

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**For the three months period ended 31 March 2012 & 2011**

**13. CAPITAL ADEQUACY**

The Bank'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	31 March 2012	31 December 2011	31 March 2011
<b>Risk weighted assets</b>			
Credit Risk	169,818	167,887	159,816
Operational Risk	10,850	10,791	10,480
Market Risk	878	2,374	636
Total Pillar-I risk weighted assets	<u>181,546</u>	<u>181,052</u>	<u>170,932</u>
<b>Eligible capital</b>			
Tier I Capital	29,240	26,836	27,967
Tier II Capital	1,786	4,048	1,654
Total Tier I & II Capital	<u>31,026</u>	<u>30,884</u>	<u>29,621</u>
Tier 1 Capital Adequacy Ratio %	16.1%	14.8%	16.4%
Total Capital Adequacy Ratio %	17.1%	17.1%	17.3%