

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SAR'000	Note	31 March 2011 (Unaudited)	31 December 2010 (Audited)	31 March 2010 (Unaudited)
ASSETS				
Cash and balances with SAMA		19,334,388	23,178,560	22,153,181
Due from banks and other financial		7,248,971	4,688,754	8,044,908
Investments, net	5	38,694,672	33,822,441	32,225,514
Loans and advances, net		109,361,776	106,034,740	106,277,021
Other real estate		424,128	431,578	404,257
Property and equipment, net		1,847,921	1,862,855	1,830,432
Other assets		3,808,005	3,537,502	3,352,211
Total assets		180,719,861	173,556,430	174,287,524
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Due to banks and other financial		10,394,907	10,636,551	11,810,808
Customer deposits		133,140,255	126,945,459	128,105,034
Debt securities in issue		1,873,957	1,873,723	1,873,212
Other liabilities		6,442,809	4,867,479	4,692,033
Total liabilities		151,851,928	144,323,212	146,481,087
Shareholders' Equity				
Share capital		15,000,000	15,000,000	15,000,000
Statutory reserve		11,687,749	11,687,749	10,981,592
Other reserves		828,441	813,965	627,351
Retained earnings		1,351,743	610,504	1,197,494
Proposed dividends		-	1,121,000	-
Total shareholders' equity		28,867,933	29,233,218	27,806,437
Total liabilities and shareholders'		180,719,861	173,556,430	174,287,524

The accompanying notes 1 to 11 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, 2011 and 2010

SAR'000	2011	2010
Special commission income	1,172,553	1,208,733
Special commission expense	188,540	196,294
Net special commission income	984,013	1,012,439
Fee and commission income, net	395,695	366,958
Exchange income, net	107,343	42,298
Trading gains (losses), net	981	(1,487)
Gains on non-trading investments, net	25,167	36,933
Other operating income	13,644	12,270
Total operating income	1,526,843	1,469,411
Salaries and employee-related expenses	333,844	293,188
Rent and premises-related expenses	61,684	65,674
Depreciation	70,292	62,912
Other general and administrative expenses	154,999	164,805
Impairment charge for credit losses, net	160,308	278,986
Impairment charge for investments, net	-	(85,000)
Other operating expenses	4,477	4,386
Total operating expenses	785,604	784,951
Net Income for the period	741,239	684,460
Basic and diluted earnings per share for the period (in SAR)	0.49	0.46

The accompanying notes 1 to 11 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, 2011 and 2010

SAR'000

	<u>2011</u>	<u>2010</u>
Net income for the period	741,239	684,460
Other comprehensive income:		
<u>- Available for sale investments</u>		
Net changes in fair value	52,243	155,705
Net changes in fair value transferred to consolidated income statement	(24,814)	(120,138)
	<u>27,429</u>	<u>35,567</u>
<u>- Cash flow hedge</u>		
Net changes in fair value	(12,887)	(14,710)
Net changes in fair value transferred to consolidated income statement	(66)	676
	<u>(12,953)</u>	<u>(14,034)</u>
Other comprehensive income for the period	14,476	21,533
Total comprehensive income for the period	755,715	705,993

The accompanying notes 1 to 11 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, 2011 and 2010

SAR'000	Share capital	Statutory reserve	Other Reserves Available for sale investments	Cash flow hedges	Retained earnings	Proposed dividends	Total
<u>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	-	-	27,429	(12,953)	741,239	-	755,715
Final dividend 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>778,667</u>	<u>49,774</u>	<u>1,351,743</u>	<u>-</u>	<u>28,867,933</u>
<u>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	-	-	35,567	(14,034)	684,460	-	705,993
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>521,259</u>	<u>106,092</u>	<u>1,197,494</u>	<u>-</u>	<u>27,806,437</u>

The accompanying notes 1 to 11 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)
For the three months period ended 31 March, 2011 and 2010

SAR'000	2011	2010
<u>OPERATING ACTIVITIES</u>		
Net income for the period	741,239	684,460
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,	(8,248)	(24,903)
(Gains) on non-trading investments, net	(25,167)	(36,933)
Depreciation	70,292	62,912
Impairment charge for credit losses, net	160,308	278,986
Impairment charge for investments, net	-	(85,000)
	<u>938,424</u>	<u>879,522</u>
Net (increase)/ decrease in operating assets and liabilities:		
Statutory deposit with SAMA	(332,419)	(64,365)
Due from banks and other financial institutions maturing after three months from date of acquisition	147,644	272,790
Loans and advances	(3,487,344)	(41,394)
Other real estate	7,450	2,875
Other assets	(270,503)	(136,694)
Due to banks and other financial institutions	(241,644)	(4,352,204)
Customers' deposits	6,194,796	2,826,928
Other liabilities	1,486,190	(224,432)
Net cash from (used in) operating activities	<u>4,442,594</u>	<u>(836,974)</u>
<u>INVESTING ACTIVITIES</u>		
Proceeds from sales and maturities of non-trading investments	9,005,639	7,309,548
Purchase of non-trading investments	(13,829,745)	(7,058,809)
Purchase of property and equipment, net	(55,358)	(63,187)
Net cash (used in) from investing activities	<u>(4,879,464)</u>	<u>187,552</u>
<u>FINANCING ACTIVITIES</u>		
Dividends and Zakat paid	(1,031,860)	(1,067,829)
Net cash used in financing activities	<u>(1,031,860)</u>	<u>(1,067,829)</u>
(Decrease) increase in cash and cash equivalents	<u>(1,468,730)</u>	<u>(1,717,251)</u>
Cash and cash equivalents at beginning of the period	<u>20,837,007</u>	<u>22,445,240</u>
Cash and cash equivalents at end of the period (Note 8)	<u>19,368,277</u>	<u>20,727,989</u>
Special commission received during the period	<u>1,145,280</u>	<u>1,193,744</u>
Special commission paid during the period	<u>217,759</u>	<u>257,297</u>
Supplemental non-cash information		
Net changes in fair value and cash flow hedges and transfer to interim condensed consolidated income statement	<u>14,476</u>	<u>21,533</u>

The accompanying notes 1 to 11 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, 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 243 branches (31 March 2010: 225) 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 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 31 March 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) For the three months period ended 31 March, 2011 and 2010

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 financial report 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.

5. INVESTMENTS, NET

Investment securities are classified as follows:

	31 March 2011 (Unaudited) SAR'000	31 December 2010 (Audited) SAR'000	31 March 2010 (Unaudited) SAR'000
Investments:			
- Available for sale	14,452,956	14,288,419	12,364,006
- Held at amortised costs, other	20,941,380	18,516,547	17,392,667
- Held to maturity	3,300,336	1,017,475	2,468,841
Total	38,694,672	33,822,441	32,225,514

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 2011 was SR 3,657 million (31 March 2010 was SR 3,346 million).

Had the reclassification not occurred, the interim condensed consolidated income statement for the three months period ended 31 March 2011 would have included unrealised fair value gain on such reclassified investments amounting to SAR 95.8 million (31 March 2010: SAR 78.8 million).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) For the three months period ended 31 March, 2011 and 2010

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.

	31 March 2011 (Unaudited) SAR'000			31 December 2010 (Audited) SAR'000			31 March 2010 (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	5,297	(2,877)	4,519,778	3,201	(3,256)	854,455	2,798	(2,713)	1,786,645
Forward foreign exchange contracts	2,270,904	(385,322)	88,662,513	2,241,307	(317,957)	63,149,908	1,757,969	(86,003)	65,119,707
Currency options	381,702	(385,203)	15,390,248	350,747	(350,997)	1,218,686	11,649	(11,649)	396,006
Held as fair value hedges:									
Commission rate swaps	871	(7,648)	5,033,748	-	(9,766)	2,661,795	141	(16,380)	4,632,969
Held as cash flow hedges:									
Commission rate swaps	65,304	(334)	1,833,025	79,065	(1,209)	1,929,011	124,260	(2,293)	2,459,005
Total	2,724,078	(781,384)	115,439,312	2,674,320	(683,185)	69,813,855	1,896,817	(119,038)	74,394,332

7. CREDIT RELATED COMMITMENTS AND CONTINGENCIES

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

	31 March 2011 (Unaudited) SAR'000	31 December 2010 (Audited) SAR'000	31 March 2010 (Unaudited) SAR'000
Letters of credit	13,194,166	11,287,109	9,615,439
Letters of guarantee	52,655,770	51,189,303	44,705,500
Acceptances	2,429,217	2,334,095	2,131,608
Irrevocable commitments to extend credit	10,406,320	8,630,416	6,854,556
Total	78,685,473	73,440,923	63,307,103

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the three months period ended 31 March, 2011 and 2010**

8. CASH AND CASH EQUIVALENTS

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

	31 March 2011 (Unaudited) SAR'000	31 December 2010 (Audited) SAR'000	31 March 2010 (Unaudited) SAR'000
Cash and balances with SAMA excluding statutory deposit	12,864,534	17,041,125	15,996,028
Due from banks and other financial institutions maturing within three months from date of acquisition	6,503,743	3,795,882	4,731,961
Total	19,368,277	20,837,007	20,727,989

9. SEGMENTS INFORMATION

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. 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 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 three months period ended 31 March, 2011 and 2010

9. SEGMENTS INFORMATION (continued)

The Group's total assets and liabilities at 31 March 2011 and 2010 and its total operating income, total operating expenses and net income for the three months periods then ended, by operating segments, are as follows:

SAR' 000's	31 March 2011					Total
	Retail banking	Investment banking and brokerage	Corporate banking	Treasury and investment	Other	
Total assets	22,702,996	3,341	87,789,178	68,179,954	2,044,392	180,719,861
Total liabilities	40,331,318	41,171	94,941,548	14,938,488	1,599,403	151,851,928
Total operating income	454,295	70,625	666,582	64,919	270,422	1,526,843
Total operating expenses	292,813	29,975	128,087	12,743	321,986	785,604
Net income (loss) for the period	161,482	40,650	538,495	52,176	(51,564)	741,239
Depreciation	33,176	-	928	127	36,061	70,292
Fee and commission income, net	94,107	70,953	234,292	(3,657)	-	395,695
Trading losses, net	-	-	-	981	-	981
Capital expenditures	16,229	-	260	32	38,585	55,106
Impairment charge for credit losses, net	69,960	-	90,348	-	-	160,308
Impairment charge for investments, net	-	-	-	-	-	-

SAR' 000's	31 March 2010					Total
	Retail banking	Investment banking and brokerage	Corporate banking	Treasury and investment	Other	
Total assets	19,061,066	1,584	88,196,754	65,047,423	1,980,697	174,287,524
Total liabilities	35,104,777	38,697	94,948,274	14,871,943	1,517,396	146,481,087
Total operating income	396,763	52,705	645,794	152,933	221,216	1,469,411
Total operating expenses	295,531	31,037	246,000	(76,122)	288,505	784,951
Net income (loss) for the period	101,232	21,668	399,794	229,055	(67,289)	684,460
Depreciation	24,496	-	887	95	37,434	62,912
Fee and commission income, net	67,797	53,929	247,231	(1,999)	-	366,958
Trading losses, net	-	-	-	(1,487)	-	(1,487)
Capital expenditures	15,084	-	243	37	45,831	61,195
Impairment charge for credit losses, net	62,926	-	216,060	-	-	278,986
Impairment charge for investments, net	-	-	-	(85,000)	-	(85,000)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the three months period ended 31 March, 2011 and 2010

10. 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)	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
Top consolidated level	17.3%	18.0%	16.4%	16.9%

11. COMPARATIVE FIGURES

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