



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 31 March 2016, and the related interim condensed consolidated income statement and the interim condensed consolidated statements of comprehensive income, changes in shareholders’ equity and cash flows for the three-month period then ended and the notes from (1) to (16) which form an integral part of the interim condensed consolidated financial statements. We have neither reviewed note (17) 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 issued by the Saudi Arabian Monetary Agency (“SAMA”) and with International Accounting Standard No. 34 “IAS 34”. 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 IAS 34.



Other Regulatory Matters

As required by SAMA, certain capital adequacy information has been disclosed in note (17) to 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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25 April 2016



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 March 2016 (Unaudited)	31 December 2015 (Audited)	31 March 2015 (Unaudited)
	SAR'000	SAR'000	SAR'000
	Notes		
ASSETS			
Cash and balances with SAMA	18,177,347	20,569,929	21,197,627
Due from banks and other financial institutions	8,438,199	9,269,501	6,288,048
Investments, net	5 43,399,070	44,765,404	46,843,408
Loans and advances, net	6 152,563,848	145,066,191	138,037,948
Investment in associates	526,852	525,131	469,523
Other real estate	247,205	258,411	339,988
Property and equipment, net	1,882,780	1,894,701	1,762,718
Other assets	1,765,706	966,607	1,593,911
Total assets	227,001,007	223,315,875	216,533,171
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Due to banks and other financial institutions	8,595,708	4,499,693	3,988,455
Customer deposits	7 165,195,522	167,286,398	165,024,899
Debt securities in issue	8,043,041	8,011,313	4,008,173
Other liabilities	7,465,841	6,973,359	6,762,915
Total liabilities	189,300,112	186,770,763	179,784,442
Shareholders' equity			
Share capital	30,000,000	30,000,000	30,000,000
Statutory reserve	2,100,471	2,100,471	1,088,102
Other reserves	279,534	297,467	1,078,961
Retained earnings	4,020,890	2,847,174	3,331,666
Proposed dividends	1,300,000	1,300,000	1,250,000
Total shareholders' equity	37,700,895	36,545,112	36,748,729
Total liabilities and shareholders' equity	227,001,007	223,315,875	216,533,171

The accompanying notes 1 to 17 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (Unaudited)

	Notes	For the three months period ended 31 March	
		2016 SAR'000	2015 SAR'000
Special commission income		1,674,600	1,442,024
Special commission expense		417,256	160,289
Net special commission income		1,257,344	1,281,735
Fee and commission income, net		408,293	520,176
Exchange income, net		92,565	95,626
Trading gains, net		10,515	14,191
Dividend income		9,420	10,487
(Losses) gains on non-trading investments, net		(22,362)	100,552
Other operating income	14	221,419	25,038
Total operating income, net		1,977,194	2,047,805
Salaries and employee-related expenses		375,185	392,296
Rent and premises-related expenses		79,224	73,949
Depreciation of property and equipment		69,453	69,499
Other general and administrative expenses		169,130	198,505
Impairment charge for credit losses, net		104,816	127,804
Other operating expenses		11,169	20,831
Total operating expenses, net		808,977	882,884
Net operating income		1,168,217	1,164,921
Share in earnings of associates, net		5,499	6,679
Net income for the period		1,173,716	1,171,600
Basic and diluted earnings per share (in SAR)	13	0.39	0.39

The accompanying notes 1 to 17 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	
	2016 <u>SAR'000</u>	2015 <u>SAR'000</u>
Net income for the period	1,173,716	1,171,600
Other comprehensive income:		
Items that may be recycled back to interim condensed consolidated income statement in subsequent periods		
- Available for sale investments		
Net change in fair value	(38,426)	140,992
Net amounts transferred to interim condensed consolidated income statement	20,493	(100,968)
Other comprehensive income for the period	<u>(17,933)</u>	<u>40,024</u>
Total comprehensive income for the period	<u><u>1,155,783</u></u>	<u><u>1,211,624</u></u>

The accompanying notes 1 to 17 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 2016 & 2015

	SAR'000					Total
	Share capital	Statutory reserve	Other reserves Available for sale investments	Retained earnings	Proposed dividends	
31 March 2016						
Balance at the beginning of the period	30,000,000	2,100,471	297,467	2,847,174	1,300,000	36,545,112
Net change in fair value	-	-	(38,426)	-	-	(38,426)
Net amounts transferred to interim condensed consolidated income statement	-	-	20,493	-	-	20,493
Net income for the period	-	-	-	1,173,716	-	1,173,716
Balance at the end of the period	<u>30,000,000</u>	<u>2,100,471</u>	<u>279,534</u>	<u>4,020,890</u>	<u>1,300,000</u>	<u>37,700,895</u>
31 March 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
Net change in fair value	-	-	140,992	-	-	140,992
Net amounts transferred to interim condensed consolidated income statement	-	-	(100,968)	-	-	(100,968)
Net income for the period	-	-	-	1,171,600	-	1,171,600
Balance at the end of the period	<u>30,000,000</u>	<u>1,088,102</u>	<u>1,078,961</u>	<u>3,331,666</u>	<u>1,250,000</u>	<u>36,748,729</u>

The accompanying notes 1 to 17 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 2016 & 2015

	Note	For the three months period ended 31 March	
		2016 SAR'000	2015 SAR'000
OPERATING ACTIVITIES			
Net income for the period		1,173,716	1,171,600
Adjustments to reconcile net income for the period to net cash from (used in) operating activities:			
Accretion of discounts and amortisation of premium, net on non-trading investments, net		(9,304)	(26,483)
Losses (gains) on non-trading investments, net		22,362	(100,552)
Depreciation of property and equipment		69,453	69,499
Share in earnings of associates, net		(5,499)	(6,679)
Impairment charge for credit losses, net		104,816	127,804
		<u>1,355,544</u>	<u>1,235,189</u>
Net (increase) decrease in operating assets:			
Statutory deposit with SAMA		545,942	(355,162)
Due from banks and other financial institutions maturing after three months from date of		-	(54,545)
Loans and advances		(7,602,473)	(4,346,041)
Other real estate		11,206	50,814
Other assets		(799,099)	230,923
Net increase (decrease) in operating liabilities:			
Due to banks and other financial institutions		4,096,015	197,910
Customer deposits		(2,090,876)	717,097
Other liabilities		493,308	(181,062)
		<u>(3,990,433)</u>	<u>(2,504,877)</u>
Net cash used in operating activities			
INVESTING ACTIVITIES			
Proceeds from sales and maturities of non-trading investments		7,884,026	5,702,888
Purchase of non-trading investments		(6,544,905)	(5,225,977)
Purchase of property and equipment, net		(57,532)	(125,486)
		<u>1,281,589</u>	<u>351,425</u>
Net cash from investing activities			
FINANCING ACTIVITIES			
Proceeds from issuance of debt securities in issue		31,728	(773)
Dividend and Zakat paid		(826)	(918)
		<u>30,902</u>	<u>(1,691)</u>
Net cash from (used in) financing activities			
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of the period		21,041,852	20,773,782
Cash and cash equivalents at end of the period	10	<u>18,363,910</u>	<u>18,618,639</u>
Special commission received during the period		<u>1,560,193</u>	<u>1,343,276</u>
Special commission paid during the period		<u>311,006</u>	<u>196,547</u>
Supplemental non-cash information			
Net changes in fair value and transfer to interim condensed consolidated income statement		<u>(17,933)</u>	<u>40,024</u>

The accompanying notes 1 to 17 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 2016 & 2015**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 (31 March 2015: 334) 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
King Abdulaziz Road – Al-Murabba District
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 financial statements of Riyad Bank and its wholly owned subsidiaries, incorporated in the Kingdom of Saudi Arabia; a) Riyad Capital (engaged in investment services and asset management activities related to dealing, managing, arranging, advising and custody of securities regulated by the Capital Market Authority), b) Ithra Al-Riyad Real Estate Company (with the objective to hold, manage, sell and purchase real estate assets for owners or third parties for financing activities); and c) Riyad Company for Insurance Agency (which acts as an agent for selling insurance products owned and managed by another principal insurance company), and are 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 2015.

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 2015.

These interim condensed consolidated financial statements are expressed in Saudi Arabian Riyals (SAR), which is the Bank's functional currency, and are rounded off to the nearest thousand except as otherwise indicated.

3. BASIS OF CONSOLIDATION

The interim condensed consolidated financial statements also 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 three months period ended 31 March 2016 & 2015**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 2015 except for the adoption of the following new standard and other 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:

a) New Standard:

IFRS 14 - Regulatory Deferral Accounts: The aim of this Standard is to enhance the comparability of financial reporting by entities that are engaged in rate-regulated activities. Many countries have industry sectors that are subject to rate regulation, whereby governments regulate the supply and pricing of particular types of activity by private entities. This can include utilities such as gas, electricity and water. Rate regulation can have a significant impact on the timing and amount of an entity's revenue.

b) Amendments to existing Standards:

- Amendments to IFRS 10 - "Consolidated Financial Statements", and IAS 28-"Investments in Associates", - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture: The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3 Business Combinations, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.
- Amendments to IAS 1 - Disclosure Initiative: The amendments to IAS 1, "Presentation of Financial Statements" clarify, rather than significantly change, existing IAS 1 requirements. These amendments are intended to assist entities in applying judgement when meeting the presentation and disclosure requirements in IFRS, and do not affect recognition and measurement.
- Amendments to IAS 16 and IAS 38 - Clarification of acceptable methods of depreciation and amortization: The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.
- Amendments to IAS 27 - Equity Method in Separate Financial Statements: The objective of this narrow-scope project is to restore the option to use the equity method of accounting in separate financial statements.

c) Annual improvements to IFRS 2012-2014 cycle applicable for annual periods beginning on or after 1 January 2016. A summary of the amendments is as follows:

- IFRS 7 – "Financial Instruments: Disclosures" has been amended to clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. The nature of the fee and the arrangement should be assessed in order to consider whether the disclosures are required under IFRS 7 and the assessment must be done retrospectively. IFRS 7 has been further amended to clarify that the offsetting disclosure requirements do not apply to interim condensed financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report.

IAS 19 – "Employee Benefits" – amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

IAS 34 – "Interim Financial Reporting" – amendment clarifies that the required interim disclosures must be either in the interim condensed financial statements or incorporated by cross-referencing to the interim condensed financial report (e.g., in the management commentary or risk report). However, the other information within the interim financial report must be available to users on the same terms as the interim condensed financial statements and at the same time

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the three months period ended 31 March 2016 & 2015

5. INVESTMENTS, NET

Investment securities are classified as follows:

	31 March 2016 (Unaudited) SAR'000	31 December 2015 (Audited) SAR'000	31 March 2015 (Unaudited) SAR'000
Investments:			
- Available for sale	15,719,621	15,722,465	17,089,434
- Other investments held at amortised cost	27,650,035	28,998,063	29,542,004
- Held to maturity	29,414	44,876	211,970
Total	43,399,070	44,765,404	46,843,408

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 2016 was SAR 3,200 million (31 March 2015: SAR 3,266 million).

Had the reclassification not occurred, the interim condensed consolidated income statement for the three months period ended 31 March 2016 would have unrealised fair value gains on such reclassified investments amounting to SAR 27.8 million (31 March 2015: unrealised gain of SAR 100.9 million).

6. LOANS AND ADVANCES, NET

Loans and advances held at amortised cost comprise the following:

	31 March 2016 (Unaudited) SAR'000	31 December 2015 (Audited) SAR'000	31 March 2015 (Unaudited) SAR'000
Consumer loans	38,154,678	37,902,224	38,382,548
Commercial loans and overdrafts	114,195,973	106,870,566	99,548,869
Credit cards	824,556	833,405	948,123
Performing loans and advances	153,175,207	145,606,195	138,879,540
Non-performing loans and advances	1,385,153	1,358,743	1,215,323
Gross loans and advances	154,560,360	146,964,938	140,094,863
Allowance for impairment	(1,996,512)	(1,898,747)	(2,056,915)
Total	152,563,848	145,066,191	138,037,948

7. CUSTOMER DEPOSITS

Customer deposits comprise the following:

	31 March 2016 (Unaudited) SAR'000	31 December 2015 (Audited) SAR'000	31 March 2015 (Unaudited) SAR'000
Demand	72,813,420	72,139,543	86,673,046
Saving	271,142	291,283	299,450
Time	78,011,587	85,688,654	68,165,244
Other	14,099,373	9,166,918	9,887,159
Total	165,195,522	167,286,398	165,024,899

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the three months period ended 31 March 2016 & 2015

8. 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 2016 (Unaudited)			31 December 2015 (Audited)			31 March 2015 (Unaudited)		
	Positive fair value SAR'000	Negative fair value SAR'000	Notional amount SAR'000	Positive fair value SAR'000	Negative fair value SAR'000	Notional amount SAR'000	Positive fair value SAR'000	Negative fair value SAR'000	Notional amount SAR'000
Held for trading:									
Special commission rate swaps	323,611	(285,861)	8,891,959	45,071	(15,052)	5,283,833	24,291	(9,235)	2,546,008
Forward foreign exchange contracts	155,098	(131,542)	26,015,351	78,572	(96,544)	38,044,211	495,877	(483,126)	72,640,533
Currency options	59,462	(59,462)	9,026,148	73,399	(73,399)	8,483,383	60,596	(60,596)	5,796,023
Commodity options	-	-	-	497	(497)	1,696	887	(887)	16,191
Held as fair value hedges:									
Special commission rate swaps	-	(1,284)	230,474	-	(1,637)	230,474	-	-	-
Total	538,171	(478,149)	44,163,932	197,539	(187,129)	52,043,597	581,651	(553,844)	80,998,755

9. CREDIT RELATED COMMITMENTS AND CONTINGENCIES AND OTHERS

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

	31 March 2016 (Unaudited) SAR'000	31 December 2015 (Audited) SAR'000	31 March 2015 (Unaudited) SAR'000
Letters of credit	9,256,616	9,410,329	12,042,734
Letters of guarantee	80,188,573	81,560,721	81,235,790
Acceptances	3,205,806	3,634,022	2,576,084
Irrevocable commitments to extend credit	9,377,312	11,233,086	10,074,749
Total	102,028,307	105,838,158	105,929,357

b) Others

During the period ended 31 March 2016, 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 2015.

10. CASH AND CASH EQUIVALENTS

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

	31 March 2016 (Unaudited) SAR'000	31 December 2015 (Audited) SAR'000	31 March 2015 (Unaudited) SAR'000
Cash and balances with SAMA excluding statutory deposit	9,925,711	11,772,351	12,572,712
Due from banks and other financial institutions maturing within three months from date of acquisition	8,438,199	9,269,501	6,045,927
Total	18,363,910	21,041,852	18,618,639

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the three months period ended 31 March 2016 & 2015

11. FAIR VALUES 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 Group 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

31 March 2016

SAR'000 (Unaudited)

	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments	-	538,171	-	538,171
Special commission rate swaps	-	323,611	-	323,611
Forward foreign exchange contracts	-	155,098	-	155,098
Currency and commodity options	-	59,462	-	59,462
Available for sale investments	14,621,882	843,656	254,083	15,719,621
Fixed rate securities	11,315,743	-	-	11,315,743
Floating rate securities	1,759,432	-	-	1,759,432
Mutual funds	549,266	843,656	-	1,392,922
Equities	997,441	-	254,083	1,251,524
Financial liabilities				
Derivative financial instruments	-	478,149	-	478,149
Special commission rate swaps	-	287,145	-	287,145
Forward foreign exchange contracts	-	131,542	-	131,542
Currency options	-	59,462	-	59,462

31 March 2015

SAR'000 (Unaudited)

	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments	-	581,651	-	581,651
Special commission rate swaps	-	24,291	-	24,291
Forward foreign exchange contracts	-	495,877	-	495,877
Currency and commodity options	-	61,483	-	61,483
Available for sale investments	16,010,744	933,977	144,713	17,089,434
Fixed rate securities	12,379,323	33,379	-	12,412,702
Floating rate securities	1,818,617	-	-	1,818,617
Mutual funds	585,442	900,598	2,190	1,488,230
Equities	1,227,362	-	142,523	1,369,885
Financial liabilities				
Derivative financial instruments	-	553,844	-	553,844
Special commission rate swaps	-	9,235	-	9,235
Forward foreign exchange contracts	-	483,126	-	483,126
Currency and Commodity options	-	61,483	-	61,483

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the three months period ended 31 March 2016 & 2015

11. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (Continued)

	31 March 2016	31 March 2015
	SAR'000	SAR'000
Reconciliation of movement in Level 3 (Unaudited)		
Opening balance	253,006	147,714
Total gains or losses		
- recognised in interim condensed consolidated income statement	438	(1,205)
- recognised in other comprehensive income	639	(1,796)
Closing balance	254,083	144,713

There were no transfers between the fair value hierarchy levels.

The fair values of on-statement of financial position financial instruments, except for loans and advances, other investments held at amortised costs and held-to-maturity investments which are carried at amortised cost are not significantly different from the carrying values included in the financial statements. The fair values of, special commission bearing customers' deposits, debt securities in issue, due from and due to banks which are carried at amortised cost, are not significantly different from the carrying values included in the financial statements, since the current market special 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. The management uses discounted cash flow method using the current yield curve to arrive at the fair value of loans and advances. The estimated fair values of loans and advances was SAR 158.3 billion at 31 March 2016 (31 December 2015: SAR 149.8 billion).

The estimated fair value of held-to-maturity investments and other investments held at amortised cost are based on quoted market prices when available or pricing models when used in the case of certain fixed rate bonds (respectively). The estimated fair values of these investments was SAR 27.7 billion at 31 March 2016 (31 December 2015: SAR 29.3 billion).

12. 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the three months period ended 31 March 2016 & 2015

12. OPERATING SEGMENTS (continued)

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 Group'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 31 March 2016 and 2015 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 2016

SAR'000 (Unaudited)	Investment					Total
	Retail	banking and brokerage	Corporate	Treasury and investment	Other	
Total assets	39,842,495	88,677	113,137,293	70,804,403	3,128,139	227,001,007
Total liabilities	55,740,100	56,465	109,590,824	20,221,879	3,690,844	189,300,112
Total operating income	640,327	71,644	781,336	173,866	310,021	1,977,194
Net special commission income	540,253	14,419	521,415	92,375	88,882	1,257,344
Fee and commission income, net	94,237	57,512	258,582	(2,038)	-	408,293
Inter segment revenues	33,030	12,615	(50,077)	(84,456)	88,888	-
Total operating expenses	252,833	37,618	157,782	10,587	350,157	808,977
Depreciation and amortisation	27,048	-	1,374	2,149	38,882	69,453
Impairment charge for credit losses, net	32,144	-	72,672	-	-	104,816
Share in earnings of associates, net	-	-	-	-	5,499	5,499
Net income (loss)	387,494	34,026	623,554	163,279	(34,637)	1,173,716

31 March 2015

SAR'000 (Unaudited)	Investment					Total
	Retail	banking and brokerage	Corporate	Treasury and investment	Other	
Total assets	40,184,610	96,056	98,562,119	74,556,162	3,134,224	216,533,171
Total liabilities	57,526,206	80,759	107,316,525	11,815,620	3,045,332	179,784,442
Total operating income	652,580	92,893	939,862	326,347	36,123	2,047,805
Net special commission income	513,668	10,161	622,520	124,973	10,413	1,281,735
Fee and commission income, net	125,058	82,667	315,431	(2,980)	-	520,176
Inter segment revenues	27,457	9,468	12,762	(60,100)	10,413	-
Total operating expenses	295,556	39,748	110,180	11,253	426,147	882,884
Depreciation and amortisation	21,273	-	1,070	533	46,623	69,499
Impairment charge for credit losses, net	83,560	-	44,244	-	-	127,804
Share in earnings of associates, net	-	-	-	-	6,679	6,679
Net income (loss)	357,024	53,145	829,682	315,094	(383,345)	1,171,600

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the three months period ended 31 March 2016 & 2015

13. EARNINGS PER SHARE

Basic and diluted earnings per share for the period ended 31 March 2016 and 2015 are calculated by dividing the net income for the period by 3,000 million outstanding shares.

14. OTHER OPERATING INCOME

During the period ended 31 March 2016, the Bank disposed off land having a book value of SAR 1.4 million. This land was initially acquired in settlement of certain loans and advances.

The gain on sale of this land amounting to SAR 201 million is included in other operating income.

15. 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 also complies with requirements with respect to the various capital buffers which are applicable in a phased manner starting from 1 January 2016.

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.

Accordingly, the Group's consolidated Risk Weighted Assets (RWA), total eligible capital and capital adequacy ratios on a consolidated group basis, calculated under the Basel III framework, are as follows:

	31 March 2016 (Unaudited) SAR Millions	31 December (Audited) SAR Millions	31 March 2015 (Unaudited) SAR Millions
Risk weighted assets			
Credit	218,434	211,468	202,623
Operational	13,760	13,510	12,994
Market	2,769	1,034	443
Total Pillar-I Risk Weighted Assets	<u>234,963</u>	<u>226,012</u>	<u>216,060</u>
Eligible capital			
Tier I Capital	37,701	36,545	36,749
Tier II Capital	5,072	5,072	1,072
Total Tier I & II Capital	<u>42,773</u>	<u>41,617</u>	<u>37,821</u>
Tier I Capital Adequacy Ratio %	16.0%	16.2%	17.0%
Total Capital Adequacy Ratio %	18.2%	18.4%	17.5%

16. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform with the current period presentation

17. 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.