

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SAR'000	Note	31 March 2010 (Unaudited)	31 December 2009 (Audited)	31 March 2009 (Unaudited)
ASSETS				
Cash and balances with SAMA		22,153,181	23,419,303	10,890,540
Due from banks and other financial institutions		8,044,908	8,704,462	14,205,690
Investments, net	5	32,225,514	32,308,077	37,237,910
Loans and advances, net		106,277,021	106,514,613	100,172,030
Other real estate		404,257	407,132	509,574
Property and equipment, net		1,830,432	1,830,157	1,652,812
Other assets		3,352,211	3,215,514	2,548,784
Total assets		174,287,524	176,399,258	167,217,340
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Due to banks and other financial institutions		11,810,808	16,163,012	16,058,508
Customer deposits		128,105,034	125,278,106	119,202,568
Other liabilities		4,692,033	4,849,293	4,736,206
Debt securities in issue		1,873,212	1,873,403	1,872,717
Total liabilities		146,481,087	148,163,814	141,869,999
Shareholders' Equity				
Share capital		15,000,000	15,000,000	15,000,000
Statutory reserve		10,981,592	10,981,592	10,223,971
Other reserves		627,351	605,818	(592,859)
Retained earnings		1,197,494	513,034	716,229
Proposed dividends		-	1,135,000	-
Total shareholders' equity		27,806,437	28,235,444	25,347,341
Total liabilities and shareholders' equity		174,287,524	176,399,258	167,217,340

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (Unaudited)
For the three months period ended 31 March, 2010 and 2009

SAR'000	2010	2009
Special commission income	1,208,733	1,657,618
Special commission expense	196,294	545,494
Net special commission income	1,012,439	1,112,124
Fee and commission income, net	366,958	309,310
Exchange income, net	42,298	35,765
Trading losses, net	(1,487)	(1,661)
Gains (losses) on non-trading investments, net	36,933	(8,102)
Other operating income	12,270	11,924
Total operating income	1,469,411	1,459,360
Salaries and employee-related expenses	293,188	276,335
Rent and premises-related expenses	65,674	59,685
Depreciation	62,912	66,575
Other general and administrative expenses	164,805	143,948
Impairment charge for credit losses, net	278,986	184,837
Impairment charge for investments, net	(85,000)	282,843
Other operating expenses	4,386	4,078
Total operating expenses	784,951	1,018,301
Net Income for the period	684,460	441,059
Basic and diluted earnings per share for the period (in SAR)	0.46	0.29

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, 2010 and 2009**

SAR'000	<u>2010</u>	<u>2009</u>
Net income for the period	684,460	441,059
Other comprehensive income:		
-Available for sale investments		
Net changes in fair value	155,705	297,600
Transfer to consolidated income statement	(120,138)	6,937
	<u>35,567</u>	<u>304,537</u>
-Cash flow hedge		
Net changes in fair value	(14,710)	47,890
Transfer to consolidated income statement	676	(5,596)
	<u>(14,034)</u>	<u>42,294</u>
Total comprehensive income for the period	<u>705,993</u>	<u>787,890</u>

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, 2010 and 2009

SAR'000	Share capital	Statutory reserve	Other Reserves		Retained earnings	Proposed dividends	Total
			Available for sale investments	Cash flow hedge			
2010							
Balance at the beginning of the period	15,000,000	10,981,592	485,692	120,126	513,034	1,135,000	28,235,444
Total comprehensive income for the period	-	-	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>
2009							
Balance at the beginning of the period	15,000,000	10,223,971	(1,053,400)	113,710	275,170	1,131,000	25,690,451
Total comprehensive income for the period	-	-	304,537	42,294	441,059	-	787,890
Final dividend paid - 2008	-	-	-	-	-	(1,131,000)	(1,131,000)
Balance at the end of the period	<u>15,000,000</u>	<u>10,223,971</u>	<u>(748,863)</u>	<u>156,004</u>	<u>716,229</u>	<u>-</u>	<u>25,347,341</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, 2010 and 2009

SAR'000	2010	2009
OPERATING ACTIVITIES		
Net income for the period	684,460	441,059
Adjustments to reconcile net income to net cash from (used in) operating activities:		
Accretion of discounts and amortization of premiums on non-trading investments and debt securities in issue, net	(24,903)	(125,625)
Losses (gains) on non-trading investments, net	(36,933)	8,102
Depreciation	62,912	66,575
Impairment charge for credit losses, net	278,986	184,837
Impairment charge for investments, net	(85,000)	282,843
	879,522	857,791
Net (increase)/ decrease in operating assets and liabilities:		
Statutory deposit with SAMA	(64,365)	(334,761)
Due from banks and other financial institutions maturing after three months from date of acquisition	272,790	(2,651,026)
Loans and advances	(41,394)	(3,927,021)
Other real estate	2,875	4,000
Other assets	(136,694)	865,879
Due to banks and other financial institutions	(4,352,204)	(5,154,686)
Customers' deposits	2,826,928	14,147,022
Other liabilities	(224,432)	(1,235,796)
Net cash (used in) from operating activities	(836,974)	2,571,402
INVESTING ACTIVITIES		
Proceeds from sales and maturities of non-trading investments	7,309,548	30,883,908
Purchase of non-trading investments	(7,058,809)	(27,612,468)
Purchase of property and equipment, net	(63,187)	(89,081)
Net cash from investing activities	187,552	3,182,359
FINANCING ACTIVITIES		
Dividends and Zakat paid	(1,067,829)	(978,400)
Net cash used in financing activities	(1,067,829)	(978,400)
(Decrease) increase in cash and cash equivalents	(1,717,251)	4,775,361
Cash and cash equivalents at beginning of the period	22,445,240	9,676,382
Cash and cash equivalents at end of the period (Note 8)	20,727,989	14,451,743
Special commission received during the period	1,193,744	1,911,345
Special commission paid during the period	257,297	824,868
Supplemental non-cash information		
Net changes in fair value and cash flow hedges and transfer to consolidated income statement	21,533	346,831

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, 2010 and 2009

1. GENERAL

Riyad Bank (the "Bank") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia, formed pursuant to the Royal Decree and the Council of Ministers' Resolution No. 91 dated 1 Jumad Al-Awal 1377H (corresponding to 23 November 1957G). The Bank operates under commercial registration No. 1010001054 dated 25 Rabi Al-Thani 1377H (corresponding to 18 November 1957G) through its 225 branches (31 March 2009: 201) in the Kingdom of Saudi Arabia, a branch in London, United Kingdom, an agency in Houston, United States, and a representative office in Singapore. The Bank's Head Office is located at the following address:

Riyad Bank
P.O. Box 22622
Riyadh 11416
Kingdom of Saudi Arabia

The objective of the Bank is to provide a full range of banking services. The Bank also provides to its customers non-interest based banking products which are approved and supervised by an independent Shariah Board established by the Bank.

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements are prepared in accordance with the Accounting Standards for Financial Institutions promulgated by the Saudi Arabian Monetary Agency (SAMA) and IAS34 – Interim Financial Reporting. The Bank also prepares its interim condensed consolidated financial statements to comply with the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia. The interim condensed consolidated financial statements do not include all information and disclosure required in the annual consolidated financial statements, and should be read in conjunction with the annual financial statements for the year ended 31 December 2009.

These interim condensed consolidated financial statements are expressed in Saudi Arabian Riyals (SAR) and are rounded off to the nearest thousands.

3. BASIS OF CONSOLIDATION

The interim condensed consolidated financial statements comprise the interim condensed financial statements of Riyad Bank and its subsidiaries, Riyad Capital and Ithra Riyad Real Estate Company (collectively referred to as "the Group"). The financial statements of the subsidiaries are prepared for the same reporting year as that of the Bank, using consistent accounting policies.

Subsidiaries are all entities controlled by the Bank. Control exists when the Bank has the power to govern the financial and operating policies, so as to obtain benefits from its activities, generally accompanying an ownership interest of more than one half of the voting rights.

Subsidiaries are consolidated from the date on which control is transferred to the Bank and cease to be consolidated from the date on which the control is transferred from the Bank.

Non controlling interests represent the portion of net income and net assets attributable to interests, which are not owned, directly or indirectly, by the Bank in its subsidiary. As at 31 March 2010 and 2009, non-controlling interest is less than 1% of the Bank's subsidiaries' net assets and is owned by representative shareholders and hence, it is not presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position.

Balances between the Bank and its subsidiaries, and any income and expenses arising from intra-group transactions, are eliminated in preparing the interim condensed consolidated financial statements. Losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the three months period ended 31 March, 2010 and 2009**

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those used for the year ended December 31, 2009, except for the adoption of amendments to the existing standards, as mentioned below.

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

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

5. INVESTMENTS, NET

Investment securities are classified as follows:

	31 March 2010 (Unaudited) SAR'000	31 December 2009 (Audited) SAR'000	31 March 2009 (Unaudited) SAR'000
Investments:			
- Available for sale	12,364,006	13,018,686	14,586,407
- Held at amortised costs, other	17,392,667	17,276,431	21,165,994
- Held to maturity	2,468,841	2,012,960	1,485,509
Total	32,225,514	32,308,077	37,237,910

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

The carrying and fair value of these reclassified investments as at 31 March 2010 was SR 3,346 million (31 March 2009: SAR 2,719 million).

Had the reclassification not occurred, the interim condensed consolidated statement of income for the three months period ended 31 March 2010 would have included unrealised fair value gain on such reclassified investments amounting to SAR 78.8 million (31 March 2009: SAR 12 million).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) For the three months period ended 31 March, 2010 and 2009

6. DERIVATIVES

The table below sets out the positive and negative fair values of derivative financial instruments, together with their notional amounts. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the end of the period, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Group's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor to market risk.

	31 March 2010 (Unaudited) SAR'000			31 December 2009 (Audited) SAR'000			31 March 2009 (Unaudited) SAR'000		
	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value	Notional amount
Held for trading:									
Commission rate swaps and futures	2,798	(2,713)	1,786,645	3,976	(3,780)	1,187,680	1,549	(995)	939,539
Forward foreign exchange contracts	1,757,969	(86,003)	65,119,707	1,665,124	(243,843)	52,694,695	459,692	(251,091)	51,882,419
Currency options	11,649	(11,649)	396,006	8,422	(8,422)	162,662	794,953	(794,953)	5,055,573
Held as fair value hedges:									
Commission rate swaps	141	(16,380)	4,632,969	917	(12,593)	2,508,083	21,094	(21,453)	3,594,537
Held as cash flow hedges:									
Commission rate swaps	124,260	(2,293)	2,459,005	138,801	(2,124)	2,459,075	152,724	-	2,084,000
Total	1,896,817	(119,038)	74,394,332	1,817,240	(270,762)	59,012,195	1,430,012	(1,068,492)	63,556,068

7. CREDIT RELATED COMMITMENTS AND CONTINGENCIES

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

	31 March 2010 (Unaudited) SAR'000	31 December 2009 (Audited) SAR'000	31 March 2009 (Unaudited) SAR'000
Letters of credit	9,615,439	10,466,217	9,291,969
Letters of guarantee	44,705,500	44,741,590	35,928,004
Acceptances	1,821,414	1,726,837	1,836,140
Irrevocable commitments to extend credit	6,854,556	5,584,845	7,277,082
Total	62,996,909	62,519,489	54,333,195

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the three months period ended 31 March, 2010 and 2009**

8. CASH AND CASH EQUIVALENTS

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

	31 March 2010 (Unaudited) SAR'000	31 December 2009 (Audited) SAR'000	31 March 2009 (Unaudited) SAR'000
Cash and balances with SAMA excluding statutory deposit	15,996,028	17,326,515	5,827,183
Due from banks and other financial institutions maturing within three months from date of acquisition	4,731,961	5,118,725	8,624,560
Total	20,727,989	22,445,240	14,451,743

9. SEGMENTS INFORMATION

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

The Group's primary business is conducted in Saudi Arabia with one international branch. However, the total assets, liabilities, commitments and results of operations of this branch are not material to the Group's overall consolidated financial statements and as a result have not been separately disclosed. Transactions between the operating segments are on normal commercial terms. Funds are ordinarily reallocated between segments resulting in funding cost transfers. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balance.

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

Retail banking

Deposit, credit and investment products for individuals and small to medium sized businesses.

Investment banking and brokerage

Investment management services and asset management activities related to dealing, managing, arranging, advising and custody of securities.

Corporate banking

Principally handling corporate customers' current accounts, deposits and providing loans, overdrafts and other credit facilities.

Treasury and investment

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

Other

Includes income on capital and unallocated costs pertaining to head office, finance division, human resources, technology services and other support departments and unallocated assets and liabilities.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the three months period ended 31 March, 2010 and 2009

9. SEGMENTS INFORMATION (continued)

The Group's total assets and liabilities at 31 March 2010 and 2009 and its total operating income, total operating expenses and net income for the three months periods then ended, for each operating segment, which represent the primary segment of the Group are as follows:

2010
SAR'000

	Retail banking	Investment banking and brokerage	Corporate banking	Treasury and investment	Other	Total
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)

2009
SAR'000

	Retail banking	Investment banking and brokerage	Corporate banking	Treasury and investment	Other	Total
Total assets	16,451,704	457,540	84,810,836	63,352,073	2,145,187	167,217,340
Total liabilities	29,277,445	222,096	91,618,718	19,339,338	1,412,402	141,869,999
Total operating income	404,678	45,180	543,459	112,808	353,235	1,459,360
Total operating expenses	266,033	32,256	137,425	292,136	290,451	1,018,301
Net income (loss) for the period	138,645	12,924	406,034	(179,328)	62,784	441,059
Depreciation	14,382	-	835	144	51,214	66,575
Fee and commission income, net	53,260	46,581	212,144	(2,675)	-	309,310
Trading losses, net	-	-	-	(1,661)	-	(1,661)
Capital expenditures	20,354	-	783	-	67,944	89,081
Impairment charge for credit losses, net	75,182	-	109,655	-	-	184,837
Impairment charge for investments, net	-	-	-	282,843	-	282,843

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the three months period ended 31 March, 2010 and 2009

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 2010	31 March 2009	31 March 2010	31 March 2009
Top consolidated level	18.0%	17.5%	16.9%	16.5%

11. COMPARATIVE FIGURES

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