

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SAR'000	Note	30 September 2010 (Unaudited)	31 December 2009 (Audited)	30 September 2009 (Unaudited)
ASSETS				
Cash and balances with SAMA		18,666,021	23,419,303	18,951,234
Due from banks and other financial institutions		9,794,601	8,704,462	10,103,289
Investments, net	5	31,667,474	32,308,077	34,528,018
Loans and advances, net		105,042,286	106,514,613	106,061,902
Other real estate		397,133	407,132	503,574
Property and equipment, net		1,814,189	1,830,157	1,782,997
Other assets		4,335,231	3,215,514	3,750,380
Total assets		171,716,935	176,399,258	175,681,394
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Due to banks and other financial institutions		12,416,035	16,163,012	22,193,163
Customer deposits		124,235,936	125,278,106	119,459,458
Other liabilities		4,727,294	4,849,293	5,007,682
Debt securities in issue		1,873,636	1,873,403	1,873,016
Total liabilities		143,252,901	148,163,814	148,533,319
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		808,383	605,818	430,488
Retained earnings		1,674,059	513,034	1,493,616
Proposed dividends		-	1,135,000	-
Total shareholders' equity		28,464,034	28,235,444	27,148,075
Total liabilities and shareholders' equity		171,716,935	176,399,258	175,681,394

The accompanying notes 1 to 12 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (Unaudited)

SAR'000	For the three months ended 30 September		For the nine months ended 30 September	
	2010	2009	2010	2009
Special commission income	1,233,511	1,326,837	3,640,714	4,514,355
Special commission expense	173,801	300,145	540,911	1,227,815
Net special commission income	1,059,710	1,026,692	3,099,803	3,286,540
Fee and commission income, net	315,358	313,004	1,069,903	953,436
Exchange income, net	60,659	56,475	174,325	145,994
Trading losses, net	(1,746)	(1,315)	(4,577)	(4,464)
Gains (losses) on non-trading investments, net	52,127	(8,621)	108,693	(47,114)
Other operating income	12,053	14,599	46,685	50,211
Total operating income	1,498,161	1,400,834	4,494,832	4,384,603
Salaries and employee-related expenses	296,876	278,463	859,680	832,869
Rent and premises-related expenses	65,024	59,334	193,164	180,366
Depreciation	70,681	64,166	201,207	196,424
Other general and administrative expenses	147,619	148,157	473,962	447,000
Impairment charge for credit losses, net	299,779	153,589	774,927	433,935
Impairment charge for investments, net	-	(65,000)	(85,000)	167,843
Other operating expenses	7,421	2,737	15,867	7,720
Total operating expenses	887,400	641,446	2,433,807	2,266,157
Net Income for the period	610,761	759,388	2,061,025	2,118,446
Basic and diluted earnings per share for the period (in SAR)	0.41	0.51	1.37	1.41

The accompanying notes 1 to 12 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

SAR'000	For the three months ended 30 September		For the nine months ended 30 September	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Net income for the period	610,761	759,388	2,061,025	2,118,446
Other comprehensive income:				
<u>-Available for sale investments</u>				
Net changes in fair value	328,621	528,286	438,589	1,305,077
Transfer to consolidated statement of income	(56,092)	438	(197,746)	40,555
	<u>272,529</u>	<u>528,724</u>	<u>240,843</u>	<u>1,345,632</u>
<u>-Cash flow hedge</u>				
Net changes in fair value	(12,876)	(10,540)	(39,599)	31,761
Transfer to consolidated statement of income	790	(889)	1,321	(7,215)
	<u>(12,086)</u>	<u>(11,429)</u>	<u>(38,278)</u>	<u>24,546</u>
Total comprehensive income for the period	<u>871,204</u>	<u>1,276,683</u>	<u>2,263,590</u>	<u>3,488,624</u>

The accompanying notes 1 to 12 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)

For the nine months period ended 30 September, 2010 and 2009

SAR'000	Share capital	Statutory reserve	Other Reserves Available for sale investments	Cash flow hedges	Retained earnings	Proposed dividends	Total
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	-	-	240,843	(38,278)	2,061,025	-	2,263,590
Final dividend paid - 2009	-	-	-	-	-	(1,135,000)	(1,135,000)
Interim dividends -2010	-	-	-	-	(900,000)	-	(900,000)
Balance at the end of the period	15,000,000	10,981,592	726,535	81,848	1,674,059	-	28,464,034
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	-	-	1,345,632	24,546	2,118,446	-	3,488,624
Final dividend paid - 2008	-	-	-	-	-	(1,131,000)	(1,131,000)
Interim dividends -2009	-	-	-	-	(900,000)	-	(900,000)
Balance at the end of the period	15,000,000	10,223,971	292,232	138,256	1,493,616	-	27,148,075

The accompanying notes 1 to 12 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)
For the nine months period ended 30 September, 2010 and 2009

SAR'000	2010	2009
<u>OPERATING ACTIVITIES</u>		
Net income for the period	2,061,025	2,118,446
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	(68,122)	(312,464)
(Gains)/ losses on non-trading investments, net	(108,693)	47,114
Depreciation	201,207	196,424
Impairment charge for credit losses, net	774,927	433,935
Impairment charge for investments, net	(85,000)	167,843
	2,775,344	2,651,298
Net (increase)/ decrease in operating assets and liabilities:		
Statutory deposit with SAMA	450,379	(707,400)
Due from banks and other financial institutions maturing after three months from date of acquisition	2,008,960	(2,277,299)
Loans and advances	697,400	(10,065,991)
Other real estate	9,999	10,000
Other assets	(1,119,717)	(335,717)
Due to banks and other financial institutions	(3,746,977)	979,969
Customers' deposits	(1,042,170)	14,403,912
Other liabilities	(99,155)	(829,042)
Net cash (used in) from operating activities	(65,937)	3,829,730
<u>INVESTING ACTIVITIES</u>		
Proceeds from sales and maturities of non-trading investments	19,600,311	22,930,604
Purchase of non-trading investments	(18,495,095)	(15,662,799)
Purchase of property and equipment, net	(185,239)	(349,115)
Net cash from investing activities	919,977	6,918,690
<u>FINANCING ACTIVITIES</u>		
Dividends and Zakat paid	(2,057,844)	(2,013,678)
Net cash used in financing activities	(2,057,844)	(2,013,678)
(Decrease) increase in cash and cash equivalents	(1,203,804)	8,734,742
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)	21,241,436	18,411,124
Special commission received during the period	3,615,453	4,986,307
Special commission paid during the period	613,860	1,435,159
Supplemental non-cash information		
Net changes in fair value and cash flow hedges and transfer to consolidated statement of income	202,565	1,370,178

The accompanying notes 1 to 12 form an integral part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the nine months period ended 30 September, 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 237 branches (30 September 2009: 208) 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 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 30 September 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 gains, but only to the extent that there is no evidence of impairment.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) For the nine months period ended 30 September, 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 in the preparation of the annual consolidated financial statements for the year ended 31 December 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:

	30 September 2010 (Unaudited) SAR'000	31 December 2009 (Audited) SAR'000	30 September 2009 (Unaudited) SAR'000
Investments:			
- Available for sale	13,706,920	13,018,686	13,262,758
- Held at amortised costs, other	16,926,425	17,276,431	18,061,626
- Held to maturity	1,034,129	2,012,960	3,203,634
Total	31,667,474	32,308,077	34,528,018

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 30 September 2010 was SR 3,466 million (31 December 2009: SAR 3,278 million).

Had the reclassification not occurred, the interim condensed consolidated statement of income for the three and nine months period ended 30 September 2010 would have included unrealised fair value gain on such reclassified investments amounting to SAR 104.4 million and SAR 199.4 million (31 December 2009: SAR 576.1 million).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the nine months period ended 30 September, 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.

	30 September 2010 (Unaudited) SAR'000			31 December 2009 (Audited) SAR'000			30 September 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	1,146	(1,501)	1,277,498	3,976	(3,780)	1,187,680	1,023	(708)	1,428,202
Forward foreign exchange contracts	2,055,229	(621,042)	64,915,942	1,665,124	(243,843)	52,694,695	1,653,418	(254,120)	63,792,162
Currency options	361,148	(361,263)	1,331,208	8,422	(8,422)	162,662	15,449	(15,449)	331,662
Held as fair value hedges:									
Commission rate swaps	27	(12,227)	1,827,938	917	(12,593)	2,508,083	28,323	(21,453)	811,989
Held as cash flow hedges:									
Commission rate swaps	98,861	(1,782)	1,929,040	138,801	(2,124)	2,459,075	137,648	(1,052)	2,459,030
Total	2,516,411	(997,815)	71,281,626	1,817,240	(270,762)	59,012,195	1,835,861	(292,782)	68,823,045

7. CREDIT RELATED COMMITMENTS AND CONTINGENCIES

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

	30 September 2010 (Unaudited) SAR'000	31 December 2009 (Audited) SAR'000	30 September 2009 (Unaudited) SAR'000
Letters of credit	10,744,437	10,466,217	8,099,302
Letters of guarantee	45,771,282	44,741,590	41,338,724
Acceptances	1,990,714	1,726,837	1,938,256
Irrevocable commitments to extend credit	10,892,471	5,584,845	6,995,944
Total	69,398,904	62,519,489	58,372,226

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the nine months period ended 30 September, 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:

	30 September 2010 (Unaudited) SAR'000	31 December 2009 (Audited) SAR'000	30 September 2009 (Unaudited) SAR'000
Cash and balances with SAMA excluding statutory deposit	13,023,612	17,326,515	13,515,238
Due from banks and other financial institutions maturing within three months from date of acquisition	8,217,824	5,118,725	4,895,886
Total	21,241,436	22,445,240	18,411,124

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 nine months period ended 30 September, 2010 and 2009

9. SEGMENTS INFORMATION (continued)

The Group's total assets and liabilities at 30 September 2010 and 2009 and its total operating income, total operating expenses and net income for the nine months periods then ended, for each business segment, which represent the primary segment of the Group are as follows:

SAR' 000's	30 September 2010					Total
	Retail banking	Investment banking and brokerage	Corporate banking	Treasury and investment	Other	
Total assets	21,090,993	3,337	86,027,080	63,589,435	1,006,090	171,716,935
Total liabilities	36,101,923	34,774	89,723,542	15,839,636	1,553,026	143,252,901
Total operating income	1,273,946	170,924	1,819,022	628,144	602,796	4,494,832
Total operating expenses	883,304	94,766	664,996	(56,465)	847,206	2,433,807
Net income (loss) for the period	390,642	76,158	1,154,026	684,609	(244,410)	2,061,025
Depreciation	78,490	-	2,971	557	119,189	201,207
Fee and commission income, net	292,883	174,368	609,559	(6,907)	-	1,069,903
Trading losses, net	-	-	-	(4,577)	-	(4,577)
Capital expenditures	58,651	-	1,504	176	120,894	181,225
Impairment charge for credit losses, net	211,444	-	563,483	-	-	774,927
Impairment charge for investments, net	-	-	-	(85,000)	-	(85,000)

SAR' 000's	30 September 2009					Total
	Retail banking	Investment banking and brokerage	Corporate banking	Treasury and investment	Other	
Total assets	18,618,167	3,996	89,813,865	66,299,500	945,866	175,681,394
Total liabilities	30,746,174	27,618	90,096,246	26,219,344	1,443,937	148,533,319
Total operating income	1,236,810	156,181	1,861,014	165,714	964,884	4,384,603
Total operating expenses	844,536	98,409	316,696	195,864	810,652	2,266,157
Net income (loss) for the period	392,274	57,772	1,544,318	(30,150)	154,232	2,118,446
Depreciation	78,464	-	2,615	418	114,927	196,424
Fee and commission income, net	169,373	159,925	625,684	(1,546)	-	953,436
Trading losses, net	-	-	-	(4,464)	-	(4,464)
Capital expenditures	93,907	-	1,478	187	247,796	343,368
Impairment charge for credit losses, net	208,675	-	225,260	-	-	433,935
Impairment charge for investments, net	-	-	-	167,843	-	167,843

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the nine months period ended 30 September, 2010 and 2009

10. INTERIM DIVIDENDS

On 10 July 2010, the Board of Directors ratified and announced interim dividends of SAR 900 million (2009: SAR 900 million) resulting in dividends of SAR 0.6 per share (2009: SAR 0.6 per share) to the shareholders. Zakat will be determined and deducted from the shareholders' dividends at year-end.

11. 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)	
	30 September 2010	30 September 2009	30 September 2010	30 September 2009
Top consolidated level	17.8%	17.5%	16.0%	15.6%

12. COMPARATIVE FIGURES

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