

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 September 2012	31 December 2011	30 September 2011
	<u>Notes</u>	<u>SAR'000</u>	<u>SAR'000</u>
		(Unaudited)	(Audited)
		<u>SAR'000</u>	<u>SAR'000</u>
		(Unaudited)	(Unaudited)
ASSETS			
Cash and balances with SAMA		14,482,456	17,623,477
Due from banks and other financial institutions		6,998,836	8,448,421
Investments, net	5	34,094,654	36,616,170
Loans and advances, net	6	115,286,635	112,972,764
Investment in associates		399,756	339,954
Other real estate		411,761	440,896
Property and equipment, net		1,749,778	1,806,833
Other assets		3,671,357	5,002,273
Total assets		<u>177,095,233</u>	<u>180,887,390</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Due to banks and other financial institutions		6,231,049	6,241,948
Customer deposits	7	134,927,590	139,822,500
Other liabilities		4,887,918	4,664,587
Total liabilities		<u>146,046,557</u>	<u>150,729,035</u>
Shareholders' equity			
Share capital		15,000,000	15,000,000
Statutory reserve		12,475,088	12,475,088
Other reserves		1,020,156	535,749
Retained earnings		2,553,432	872,518
Proposed dividends		-	1,275,000
Total shareholders' equity		<u>31,048,676</u>	<u>30,158,355</u>
Total liabilities and shareholders' equity		<u>177,095,233</u>	<u>180,887,390</u>

The accompanying notes 1 to 16 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (Unaudited)

	For the three months period ended 30 September		For the nine months period ended 30 September	
	2012 SAR'000	2011 SAR'000	2012 SAR'000	2011 SAR'000
Special commission income	1,287,551	1,227,295	3,842,418	3,637,982
Special commission expense	170,343	163,757	561,524	523,841
Net special commission income	1,117,208	1,063,538	3,280,894	3,114,141
Fee and commission income, net	412,872	382,204	1,374,835	1,170,161
Exchange income, net	58,853	68,656	183,431	240,732
Trading losses, net	(1,580)	(1,045)	(4,679)	(3,853)
Gains on non-trading investments, net	26,278	47,751	167,904	80,475
Other operating income	73,767	11,453	182,586	67,422
Total operating income	1,687,398	1,572,557	5,184,971	4,669,078
Salaries and employee-related expenses	276,970	324,796	891,101	991,781
Rent and premises-related expenses	62,364	60,523	179,561	186,887
Depreciation of property and equipment	71,554	73,640	211,451	216,336
Other general and administrative expenses	142,825	158,705	490,851	485,064
Impairment charge for credit losses, net	327,284	150,939	866,707	398,696
Impairment charge for investments, net	(40,000)	-	(130,000)	-
Other operating expenses	6,368	9,678	19,386	18,810
Total operating expenses	847,365	778,281	2,529,057	2,297,574
Net income for the period	840,033	794,276	2,655,914	2,371,504
Basic and diluted earnings per share for the period (in SAR) -Note 13	0.56	0.53	1.77	1.58

The accompanying notes 1 to 16 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 30 September		For the nine months period ended 30 September	
	2012 SAR'000	2011 SAR'000	2012 SAR'000	2011 SAR'000
Net income for the period	840,033	794,276	2,655,914	2,371,504
Other comprehensive income:				
-Available for sale investments				
Net changes in fair value	280,770	(129,040)	784,618	(13,069)
Net changes in fair value transferred to interim condensed consolidated income statement	(66,535)	(59,382)	(294,506)	(97,459)
	<u>214,235</u>	<u>(188,422)</u>	<u>490,112</u>	<u>(110,528)</u>
-Cash flow hedges				
Effective portion of net changes in fair value	(1,747)	(13,219)	(5,265)	(37,325)
Net changes in fair value transferred to interim condensed consolidated income statement	(145)	-	(440)	(2)
	<u>(1,892)</u>	<u>(13,219)</u>	<u>(5,705)</u>	<u>(37,327)</u>
Other comprehensive income for the period	212,343	(201,641)	484,407	(147,855)
Total comprehensive income for the period	<u>1,052,376</u>	<u>592,635</u>	<u>3,140,321</u>	<u>2,223,649</u>

The accompanying notes 1 to 16 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 2012 and 2011

	SAR'000						Total
	Share capital	Statutory reserve	Other reserves		Retained earnings	Proposed dividends	
			Available for sale investments	Cash flow hedges			
30 September 2012							
Balance at the beginning of the period	15,000,000	12,475,088	526,651	9,098	872,518	1,275,000	30,158,355
Total comprehensive income for the period	-	-	490,112	(5,705)	2,655,914	-	3,140,321
Final dividends paid - 2011	-	-	-	-	-	(1,275,000)	(1,275,000)
Interim dividends paid -2012	-	-	-	-	(975,000)	-	(975,000)
Balance at the end of the period	15,000,000	12,475,088	1,016,763	3,393	2,553,432	-	31,048,676
30 September 2011							
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	-	-	(110,528)	(37,327)	2,371,504	-	2,223,649
Final dividends paid - 2010	-	-	-	-	-	(1,121,000)	(1,121,000)
Interim dividends paid -2011	-	-	-	-	(825,000)	-	(825,000)
Balance at the end of the period	15,000,000	11,687,749	640,710	25,400	2,157,008	-	29,510,867

The accompanying notes 1 to 16 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 2012 and 2011

	For the nine months period ended 30 September	
	2012	2011
Notes	SAR'000	SAR'000
OPERATING ACTIVITIES		
Net income for the period	2,655,914	2,371,504
Adjustments to reconcile net income for the period to net cash from (used in) from operating activities:		
Accretion of discounts on non-trading investments, net and debt securities in issue, net	(29,451)	(40,024)
Gains on Available for sale investments, net	(167,904)	(80,475)
Depreciation of property and equipment	211,451	216,336
Impairment charge for credit losses, net	866,707	398,696
Impairment charge for investments, net	(130,000)	-
	<u>3,406,717</u>	<u>2,866,037</u>
Net (increase) decrease in operating assets:		
Statutory deposit with SAMA	100,049	(461,778)
Due from banks and other financial institutions maturing after three months from date of acquisition	1,690,669	79,085
Loans and advances	(3,180,578)	(6,503,095)
Other real estate	29,135	8,837
Other assets	1,330,916	(1,587,650)
Net increase (decrease) in operating liabilities:		
Due to banks and other financial institutions	(10,899)	1,482,044
Customer deposits	(4,894,910)	5,389,283
Other liabilities	130,240	1,524,918
	<u>(1,398,661)</u>	<u>2,797,681</u>
Net cash (used in) from operating activities	(1,398,661)	2,797,681
INVESTING ACTIVITIES		
Proceeds from sales and maturities of non-trading investments	28,941,335	26,234,864
Purchase of non-trading investments	(25,667,859)	(27,754,383)
Purchase of property and equipment, net	(154,396)	(176,351)
	<u>3,119,080</u>	<u>(1,695,870)</u>
Net cash from (used in) investing activities	3,119,080	(1,695,870)
FINANCING ACTIVITIES		
Repayment of debt securities in issue	8	-
Dividend and zakat paid	(2,156,909)	(1,931,769)
	<u>(2,156,909)</u>	<u>(3,806,819)</u>
Net cash used in financing activities	(2,156,909)	(3,806,819)
Net decrease in cash and cash equivalents	(436,490)	(2,705,008)
Cash and cash equivalents at beginning of the period	14,483,739	20,837,007
Cash and cash equivalents at end of the period	11	11
	<u>14,047,249</u>	<u>18,131,999</u>
Special commission received during the period	3,843,552	3,563,946
Special commission paid during the period	582,688	568,502
	<u>3,843,552</u>	<u>3,563,946</u>
	<u>582,688</u>	<u>568,502</u>
Supplemental non-cash information		
Net changes in fair value and transfer to interim condensed consolidated income statement	484,407	(147,855)
	<u>484,407</u>	<u>(147,855)</u>

The accompanying notes 1 to 16 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 2012 & 2011****1. GENERAL**

Riyad Bank (the "Bank") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia, formed pursuant to the Royal Decree and the Council of Ministers' Resolution No. 91 dated 1 Jumad Al-Awal 1377H (corresponding to 23 November 1957G). The Bank operates under commercial registration No. 1010001054 dated 25 Rabi Al-Thani 1377H (corresponding to 18 November 1957G) through its 252 branches (30 September 2011: 245) in the Kingdom of Saudi Arabia, a branch in London, United Kingdom, an agency in Houston, United States, and a representative office in Singapore. The Bank's Head Office is located at the following address:

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

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

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements are prepared in accordance with the Accounting Standards for Financial Institutions promulgated by the Saudi Arabian Monetary Agency (SAMA) and IAS 34 – Interim Financial Reporting. The Bank also prepares its interim condensed consolidated financial statements to comply with the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia. The interim condensed consolidated financial statements do not include all information and disclosures required for the annual consolidated financial statements, and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2011.

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

3. BASIS OF CONSOLIDATION

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2011 except for the adoption of amendment to IAS 12: Deferred Tax: Recovery of underlying assets, which has had no material financial impact on the interim condensed consolidated financial statements of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the nine months period ended 30 September 2012 & 2011

5. INVESTMENTS, NET

Investment securities are classified as follows:

SAR 000'	30 September 2012 (Unaudited)	31 December 2011 (Audited)	30 September 2011 (Unaudited)
Investments:			
- Available for sale	16,603,896	15,209,735	15,064,583
- Other investments held at amortised cost	14,312,357	14,397,624	15,202,418
- Held to maturity	3,178,401	7,008,811	5,048,930
Total	<u>34,094,654</u>	<u>36,616,170</u>	<u>35,315,931</u>

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

The carrying and fair value of these reclassified investments as at 30 September 2012 was SR 3,721 million (30 September 2011 was SR 3,428 million).

Had the reclassification not occurred, the interim condensed consolidated income statement for the three and nine months period ended 30 September 2012 would have included unrealised fair value gain on such reclassified investments amounting to SAR 95.1 million (30 September 2011: SAR 113.9 million) and SAR 250.8 million (30 September 2011: SAR 28.4 million).

6. LOANS AND ADVANCES, NET

Loans and advances are comprised of the following:

SAR 000'	30 September 2012 (Unaudited)	31 December 2011 (Audited)	30 September 2011 (Unaudited)
Consumer Loans	29,038,542	25,549,643	24,382,684
Commercial loans and overdrafts	85,877,097	86,796,826	87,532,324
Credit Cards	786,119	745,616	791,201
Performing Loans and Advances	<u>115,701,758</u>	<u>113,092,085</u>	<u>112,706,209</u>
Non performing loans and advances	2,005,709	1,879,223	1,811,245
Gross loans and advances	<u>117,707,467</u>	<u>114,971,308</u>	<u>114,517,454</u>
Allowance for impairment	(2,420,832)	(1,998,544)	(2,378,315)
Loans and advances, net	<u>115,286,635</u>	<u>112,972,764</u>	<u>112,139,139</u>

7. CUSTOMER DEPOSITS

Customer deposits are comprised of the following:

SAR 000'	30 September 2012 (Unaudited)	31 December 2011 (Audited)	30 September 2011 (Unaudited)
Demand	57,014,109	58,123,709	54,995,126
Saving	303,100	305,148	306,610
Time	70,671,418	75,615,429	72,346,870
Other	6,938,963	5,778,214	4,686,136
Total	<u>134,927,590</u>	<u>139,822,500</u>	<u>132,334,742</u>

8. DEBT SECURITIES IN ISSUE

During April 2006, the Bank issued USD 500 million (SAR 1,875 million) Floating Euro Medium Term Note (EMTN), as the first tranche of the Notes issuance programme amounting to USD 1,600 million. These matured on April 26, 2011.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the nine months period ended 30 September 2012 & 2011

9. DERIVATIVES

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

	30 September 2012 (Unaudited)			31 December 2011 (Audited)			30 September 2011 (Unaudited)		
	Positive fair value	Negative fair value	Notional amount total	Positive fair value	Negative fair value	Notional amount total	Positive fair value	Negative fair value	Notional amount total
SAR 000'									
Held for trading:									
Special commission rate swaps and futures	637	(839)	673,608	2,544	(1,690)	1,360,162	2,607	(2,748)	937,066
Forward foreign exchange contracts	2,312,482	(168,891)	75,352,696	2,886,658	(89,222)	93,510,641	2,871,878	(310,034)	95,827,008
Currency options	31,909	(31,949)	36,990,110	27,978	(27,331)	15,805,052	129,138	(129,844)	20,024,395
Commodity options	-	-	-	17,301	(17,301)	80,160	12,027	(12,027)	169,831
Held as fair value hedges:									
Special commission rate swaps	-	-	-	-	(3,871)	500,000	-	(6,052)	500,000
Held as cash flow hedges:									
Special commission rate swaps	2,660	-	100,000	24,389	-	1,098,000	40,531	-	1,368,000
Total	2,347,688	(201,679)	113,116,414	2,958,870	(139,415)	112,354,015	3,056,181	(460,705)	118,826,300

10. CREDIT RELATED COMMITMENTS AND CONTINGENCIES AND OTHERS

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

	30 September 2012 (Unaudited)	31 December 2011 (Audited)	30 September 2011 (Unaudited)
SAR 000'			
Letters of credit	13,914,161	15,548,618	14,178,846
Letters of guarantee	54,806,795	55,418,199	55,240,814
Acceptances	2,745,615	2,350,751	2,332,569
Irrevocable commitments to extend credit	12,689,697	9,225,937	9,330,035
Total	84,156,268	82,543,505	81,082,264

b) Others

During the period ended 30 September 2012, the Bank has received notices from the Department of Zakat and Income Tax (DZIT) requiring revision in Zakat returns for years 2010 and 2011 applying the same basis used by DZIT in their assessments issued for 2008 and 2009. As at September 30, 2012, the Bank's position with respect to its stance on 2008 and 2009 assessments and consequently on the above mentioned notices from DZIT, remained the same as disclosed in the Bank's annual consolidated financial statements for the year ended 31 December 2011.

11. CASH AND CASH EQUIVALENTS

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

	30 September 2012 (Unaudited)	31 December 2011 (Audited)	30 September 2011 (Unaudited)
SAR 000'			
Cash and balances with SAMA excluding statutory deposit	7,618,918	10,659,890	10,497,365
Due from banks and other financial institutions maturing within three months from date of acquisition	6,428,331	3,823,849	7,634,634
Total	14,047,249	14,483,739	18,131,999

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the nine months period ended 30 September 2012 & 2011

12. OPERATING SEGMENTS

The Bank determines and presents operating segments based on the information that is provided internally to the chief operating decision maker in order to allocate resources to the segments and to assess its performance. The operating segments are managed separately based on the Group's management and internal reporting structure. The Group's primary business is conducted in Saudi Arabia with one international branch, a representative office and an agency. However, the total assets, liabilities, commitments and results of operations of this branch, representative office and agency are not material to the Group's overall consolidated financial statements and as a result have not been separately disclosed. There are no other material items of income or expense between the operating segments.

The Group's reportable segments under IFRS 8 are as follows:

Retail banking

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

Investment banking and brokerage

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

Corporate banking

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

Treasury and investment

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

Other

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

The Group's total assets and liabilities at 30 September 2012 and 2011 and its total operating income, total operating expenses and net income for the nine months periods then ended, by operating segments, are as follows:

30 September 2012 SAR'000 (Unaudited)	Retail	Investment banking and brokerage	Corporate	Treasury and investment	Other	Total
Total assets	30,777,421	50,150	85,496,850	57,407,608	3,363,204	177,095,233
Total liabilities	47,470,114	61,811	88,521,894	7,815,626	2,177,112	146,046,557
Total operating income	1,489,551	279,291	2,216,914	909,643	289,572	5,184,971
Net special commission income	1,149,007	1,457	1,566,839	563,591	-	3,280,894
Fee and commission income, net	348,700	269,981	770,253	(14,099)	-	1,374,835
Total operating expenses	786,115	91,663	895,788	(103,738)	859,229	2,529,057
Depreciation and amortization	95,158	-	2,774	1,058	112,461	211,451
Capital expenditure	41,840	-	1,802	436	107,455	151,533
Impairment charge for credit losses, net	148,846	-	717,861	-	-	866,707
Impairment charge for investments, net	-	-	-	(130,000)	-	(130,000)
Net income	703,436	187,628	1,321,126	1,013,381	(569,657)	2,655,914

30 September 2011 SAR'000 (Unaudited)	Retail	Investment banking and brokerage	Corporate	Treasury and investment	Other	Total
Total assets	25,612,744	3,307	87,450,951	64,188,999	3,114,831	180,370,832
Total liabilities	43,221,022	48,666	90,458,521	15,166,125	1,965,631	150,859,965
Total operating income	1,415,342	220,702	2,132,624	807,405	93,005	4,669,078
Net special commission income	1,098,254	814	1,598,579	416,494	-	3,114,141
Fee and commission income, net	275,784	212,538	693,481	(11,642)	-	1,170,161
Total operating expenses	894,688	96,049	346,596	27,300	932,941	2,297,574
Depreciation and amortization	108,159	-	2,689	281	105,207	216,336
Capital expenditure	50,459	-	1,532	33	120,848	172,872
Impairment charge for credit losses, net	201,299	-	197,397	-	-	398,696
Impairment charge for investments, net	-	-	-	-	-	-
Net income	520,654	124,653	1,786,028	780,105	(839,936)	2,371,504

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the nine months period ended 30 September 2012 & 2011

13. EARNINGS PER SHARE

Basic and diluted earnings per share for the period ended 30 September, 2012 and 2011 is calculated by dividing the net income for the period by 1,500 million outstanding shares.

14. INTERIM DIVIDENDS

The Board of Directors initially approved interim dividends of SAR 975 million (2011: SAR 825 million), which was finally ratified and announced on 1 July 2012, resulting in dividends of SAR 0.65 per share (2011: SAR 0.55 per share) to the shareholders. Zakat will be determined and deducted from the shareholders' dividends at year-end.

15. CAPITAL ADEQUACY

The Group's objectives when managing capital are, to comply with the capital requirements set by SAMA; to safeguard the Bank's ability to continue as a going concern; and to maintain a strong capital base.

The Group monitors the adequacy of its capital using ratios established by SAMA. The following table summarizes the Bank's Pillar-I Risk Weighted Assets, Tier I and Tier II Capital and Capital Adequacy Ratios at top consolidated level.

SAR Millions	30 September 2012	31 December 2011	30 September 2011
Risk weighted assets	(Unaudited)	(Audited)	(Unaudited)
Credit Risk	170,800	167,887	166,815
Operational Risk	11,013	10,791	10,845
Market Risk	1,667	2,374	844
Total Pillar-I risk weighted assets	<u>183,480</u>	<u>181,052</u>	<u>178,504</u>
Eligible capital			
Tier I Capital	28,189	26,836	26,980
Tier II Capital	3,525	4,048	3,284
Total Tier I & II Capital	<u>31,714</u>	<u>30,884</u>	<u>30,264</u>
Tier 1 Capital Adequacy Ratio %	15.4%	14.8%	15.1%
Total Capital Adequacy Ratio %	17.3%	17.1%	17.0%

16. COMPARATIVE FIGURES

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