

**Al Khalij Commercial Bank
(al khaliji) (Q.S.C)
Doha, Qatar**

Interim Condensed Financial Statements

**For the Three Month Period Ended
31 March 2008
Together with the independent Auditors'
Review Report**

Al Khalij Commercial Bank (al khaliji) (Q.S.C)
Doha, Qatar

Interim Condensed Financial Statements
For the three month period ended 31 March 2008

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Independent Auditor's Report

To the Shareholders
Al Khalij Commercial Bank (al khaliji) (Q.S.C)

Introduction

We have reviewed the accompanying interim condensed balance sheet of Al Khalij Commercial Bank (**al khaliji**) (Q.S.C.), as at 31 March 2008, and the related interim condensed statements of income, changes in shareholder equity and cash flows for the three month period ended 31 March 2008, and certain explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard - 34 "Interim Financial Reporting" and Qatar Central Bank regulations. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information 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 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 financial statements are not prepared, in all material respects, in accordance with International Accounting Standard - 34 "Interim Financial Reporting" and Qatar Central Bank regulations.

For Deloitte & Touche

Doha, Qatar
10 April 2008

Muhammad Bahemia
License No. 103.

Al Khalij Commercial Bank (al khaliji) (Q.S.C)
Doha, Qatar

Interim Condensed Balance Sheet
At 31 March 2008

(Amounts are expressed in thousands of Qatari Riyals, unless otherwise stated)

		<u>Reviewed</u>	<u>Audited</u>
		<u>31 March 2008</u>	<u>31 December 2007</u>
	<u>Note</u>		
<u>Assets</u>			
Cash and due from banks	4	5,921,879	4,197,734
Loans to customers	5	819,817	769,370
Fixed assets		45,848	49,553
Other assets		235,032	134,079
Total Assets		<u>7,022,576</u>	<u>5,150,736</u>
 <u>Liabilities and Shareholders' Equity</u>			
Liabilities			
Due from banks		2,401,631	500,000
Accounts payable		41,631	69,463
Other liabilities		10,996	20,011
Total Liabilities		<u>2,454,258</u>	<u>589,474</u>
 Shareholders' Equity			
Share capital	6	3,600,000	3,600,000
Statutory reserve		886,953	886,953
Retained earnings		81,365	74,309
Total Shareholders' Equity		<u>4,568,318</u>	<u>4,561,262</u>
 Total Liabilities and Shareholders' Equity		 <u>7,022,576</u>	 <u>5,150,736</u>

.....
Tariq Al-Malki
Chairman and Managing Director

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David F. Proctor
Chief Executive Officer

The attached notes 1 to 9 form an integral part of these interim condensed financial statements.

Al Khalij Commercial Bank (al khaliji) (Q.S.C)
Doha, Qatar

Interim Condensed Income Statement
For the three month period ended 31 March 2008

(Amounts are expressed in thousands of Qatari Riyals, unless otherwise stated)

	<u>Reviewed</u>	<u>Unreviewed</u>	
	For the three month period ended 31 March 2008	From the date of incorporation (9 January 2007) to 31 March 2007	From the date of incorporation (9 January 2007) to 31 March 2008
			Note
Interest income	79,943	56,991	285,542
Interest expense	(12,331)	-	(14,574)
Net interest income	67,612	56,991	270,968
Commission income	1,006	-	3,788
Net foreign exchange gains	240	-	265
Other income	-	6	24
Operating income	68,858	56,997	275,045
Personnel expenses	(31,253)	(6,897)	(83,207)
General and administration expenses	(25,131)	(37,203)	(100,859)
Realized losses from foreign exchange	(702)	-	(702)
Depreciation	(4,716)	(317)	(8,912)
Operating expenses	(61,802)	(44,417)	(193,680)
Net income for the period	7,056	12,580	81,365
Basic earnings per share	0.02	0.08	0.28
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The attached notes 1 to 9 form an integral part of these interim condensed financial statements.

Al Khalij Commercial Bank (al khaliji) (Q.S.C)
Doha, Qatar

Interim Condensed Statement of Changes in Shareholders' Equity
For the three month period ended 31 March 2008

(Amounts are expressed in thousands of Qatari Riyals, unless otherwise stated)

	Share Capital	Statutory Reserve	Retained Earnings	Total
Balance at 9 January 2007 (Date of incorporation)	-	-	-	-
Capital contributions	1,560,000	-	-	1,560,000
Excess of establishment fees received over establishment	-	78,000	-	78,000
Net income for the three month period ended 31 March	-	-	12,580	12,580
<u>Balance at 31 March 2007 (Unreviewed)</u>	<u>1,560,000</u>	<u>78,000</u>	<u>12,580</u>	<u>1,650,580</u>
Balance at 9 January 2007 (Date of incorporation)	-	-	-	-
Capital contributions	3,600,000	-	-	3,600,000
Excess of establishment fees received over establishment	-	166,953	-	166,953
Private placement premium received	-	720,000	-	720,000
Net income for the period	-	-	74,309	74,309
<u>Balance at 31 December 2007 (Audited)</u>	<u>3,600,000</u>	<u>886,953</u>	<u>74,309</u>	<u>4,561,262</u>
Net income for the three month period ended 31 March 2008	-	-	7,056	7,056
<u>Balance as at 31 March 2008 (Reviewed)</u>	<u>3,600,000</u>	<u>886,953</u>	<u>81,365</u>	<u>4,568,318</u>

***In accordance with al khaliji's memorandum and articles of association, shareholders contributed QR180,000,000 (QR 0.25 per share) towards an establishment reserve for costs to establish al khaliji. An amount of QR13,047,000 (comprising pre-incorporation income of QR32,186,000 less establishment expenses of QR45,233,000) was written off against the reserve. The remaining balance of QR166,953,000 is reflected under the statutory reserve in shareholders' equity.

The attached notes 1 to 9 form an integral part of these interim condensed financial statements.

Al Khalij Commercial Bank (al khaliji) (Q.S.C)
Doha, Qatar

Interim Condensed Cash Flow Statement
For the three month period ended 31 March 2008

(Amounts are expressed in thousands of Qatari Riyals, unless otherwise stated)

	<u>Reviewed</u>	<u>Unreviewed</u>
	For the three month period ended 31 March 2008	For the period from 9 January 2007 (date of incorporation) to 31 March 2007
<u>Note</u>		
<u>Cash Flows from Operating Activities</u>		
Net income for the period	7,056	12,580
Adjustments to reconcile net income to net cash income from operations		
Depreciation	4,716	317
Finance charges	12,331	-
Net cash income from operations	24,103	12,897
Changes in net operating assets		
Due from banks	(253,990)	-
Loans to customers	(50,447)	-
Other assets	(4,826)	(23,112)
Due from banks	1,889,300	-
Accounts payable	(27,832)	1,795
Other liabilities	(9,015)	46,991
Net cash flow from changes in net operating assets	1,543,190	25,674
Net Cash Flow Generated from Operating Activities	1,567,293	38,571
<u>Cash Flows from Investing Activities</u>		
Acquisition of fixed assets	(1,011)	(4,855)
Capital work in progress	(96,127)	-
Net Cash Flow Generated from (Used in) Investing Activities	(97,138)	(4,855)
<u>Cash Flows from Financing Activities</u>		
Net proceeds from issue of share capital	-	1,638,000
Net Cash Flow Generated from Financing Activities	-	1,638,000
Cash and Cash Equivalents at beginning of the period	4,197,734	-
Cash and Cash Equivalents as at 31 March 2008	5,667,889	1,671,716

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The attached notes 1 to 9 form an integral part of these interim condensed financial statements.

Al Khalij Commercial Bank (al khaliji) (Q.S.C)
Doha, Qatar
Notes to the Condensed Financial Statements
For the three month period ended 31 March 2008

(Amounts are expressed in thousands of Qatari Riyals, unless otherwise stated)

1. Incorporation and Principal Activities

Al Khalij Commercial Bank (Q.S.C.) ("al khaliji") was incorporated as a Qatari Shareholding Company under Commercial Registration No. 34548 on 9 January 2007, with its registered office in Doha. **al khaliji** is listed on the Doha Securities Market.

al khaliji is engaged in commercial banking activities in accordance with its memorandum and articles of incorporation and operates from its head office in Doha.

al khaliji is establishing branches in Qatar and negotiating to acquire the branches of a banking operation in the United Arab Emirates.

These interim condensed financial statements of **al Khalij Commercial Bank (al khaliji) (Q.S.C.)** are authorized by management for issue on 21 April 2008.

2. Basis of preparation

The financial statements are prepared on the historical cost basis, except for financial instruments that are measured at fair value. The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), related interpretations, and Qatar Central Bank regulations.

The financial statements are presented in Qatari Riyals (QR) and all values are rounded to the nearest QR thousand except when otherwise indicated.

al khaliji was listed on the Doha securities market during August 2007 and its first interim financial statements were for the period 9 January 2007 to 30 September 2007.

3. Accounting Policies

These interim condensed financial statements of **al khaliji** are prepared in accordance with International Accounting Standard - 34, Interim Financial Reporting. The accounting policies used in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the audited financial statements for the period 31 December 2007, except for the adoption of certain revised/new standards and interpretations which are effective as of 1 January 2008. Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Bank. These interim condensed financial statements should be read in conjunction with the 2007 audited financial statements and the notes attached thereto.

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards. In addition, results for the three month period ended 31 March 2008 are not necessarily indicative of the results that may be expected for the financial period ending 31 December 2008.

4. <u>Cash and Due from Banks</u>	<u>Reviewed</u> <u>31 March 2008</u>	<u>Audited</u> <u>31 December 2007</u>
Cash on hand	41	53
Current accounts	2,778	2,143
Call accounts	36,117	28,234
Fixed term deposits	5,882,943	4,167,304
Total cash and due from banks	<u>5,921,879</u>	<u>4,197,734</u>
Due from banks maturing after 3 months	(253,990)	(239,991)
Net cash and cash equivalents as per the cash flow statement	<u>5,667,889</u>	<u>3,957,743</u>

5. Loans to Customers

By sector

Telecommunication	418,600	464,100
Commercial	397,243	301,110
Others	3,974	4,160
Total loans to customers	<u>819,817</u>	<u>769,370</u>

Al Khalij Commercial Bank (al khaliji) (Q.S.C)

Notes to the Condensed Financial Statements
For the three month period ended 31 March 2008

	Reviewed	Audited
	31 March 2008	31 December 2007
6. <u>Share Capital</u>		
Authorised	<u>7,200,000</u>	<u>7,200,000</u>
720,000,000 shares of QR 10 each		
Issued and paid up	<u>3,600,000</u>	<u>3,600,000</u>
720,000,000 share of QR 5 each		

7. Contingent Liabilities and Commitments

To meet the financial needs of customers, the Bank issues irrevocable commitments and contingent liabilities. Even though these obligations may not be recognized on the balance sheet, they do contain credit risk and are therefore part of the overall risk of the Bank. In many instances, the amount recognised on the balance sheet for incurred obligations does not represent the full loss potential of the arrangements.

The total outstanding commitments and contingent liabilities are as follows:

(a) Contingent liabilities

Letter of guarantee	<u>411,400</u>	<u>244,000</u>
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Letters of guarantee commit the Bank to make payments on behalf of customers contingent upon the failure of the customer to perform under terms of contract. Guarantees and standby letters of credit carry the same risk as loans. Credit guarantees can be in the form of irrevocable letters of credit, advance payment guarantees and endorsement liabilities from bills rediscounted.

(b) Other commitments

Capital commitments *	28,852	24,720
Undrawn credit commitments **	<u>537,837</u>	<u>-</u>

* Capital commitments represent commitments for the completion of the Bank's operating assets and infrastructure.

** Undrawn credit commitments include commitments to extend credit, standby letters of credit and guarantees which are designed to meet the requirements of the bank's customers.

8. Related Parties

Compensation of key management personnel and directors of the Bank

Salaries and other term benefits	12,042	10,889
End of service and retirement benefits	184	418
For service as directors	-	1,000
Total	<u>12,226</u>	<u>12,307</u>

9. Earnings per Share

Net income for the period	12,580	7,056	74,309
Weighted average number of shares in issue during the period	156,000,000	360,000,000	267,001,555
Earnings per share	0.08*	0.02	0.28

* The earning per share is for the period from 9 January 2007 (date of incorporation) to 31 March 2007.