



**Al Khalij Commercial Bank (al khaliji) (Q.S.C.)**  
**Interim Condensed Consolidated Financial Statements**  
for the three months ended 31 March 2009

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**Interim Condensed Consolidated Financial Statements**

For the three month ended 31 March 2009

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**Report on Review of Interim Condensed Consolidated Financial Statements**

**To The Board of Directors**

**Al Khalij Commercial Bank “Al khaliji” Q.S.C**

**Doha – Qatar.**

We have reviewed the accompanying interim condensed consolidated statement of financial position of Al Khalij Commercial Bank (Q.S.C.) “Al khaliji”, as at March 31, 2009, and the related interim condensed consolidated statements of income, comprehensive income, changes in shareholders’ equity and cash flows for the three month period then ended, and certain explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated 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 consolidated financial statements based on our review.

Except as discussed in the following paragraph below, 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 the 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.

The financial position as of March 31, 2009 and results of operations for the three month period then ended of the subsidiary companies have been incorporated on basis of accounts certified by management of the companies and have not been independently reviewed. The net profit for the three month period ended March 31, 2009 and the total assets and total liabilities of the subsidiary companies as at March 31, 2009 amounted to QR 2,893,000, QR 2,915,043,000 and QR 2,366,141,000 respectively.

Except for the above, 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 **International Accounting Standard - 34 “Interim Financial Reporting”** and Qatar Central Bank regulations.

For **Deloitte & Touche**

**Doha – Qatar**  
**April 19, 2009**

**Muhammad Bahemia**  
**License No. 103**

**Al Khalij Commercial Bank (al khaliji) (Q.S.C)**  
**Interim Condensed Consolidated Statement of Financial Position**

As at 31 March 2009

	Notes	31 March 2009 QAR'000	31 December 2008 QAR'000
<b>Assets</b>			
Cash and balances at central banks		786,559	1,029,622
Due from banks and financial institutions		3,567,725	2,200,708
Loans and advances to customers	3	8,026,987	6,980,053
Available-for-sale financial investments	4	1,014,699	1,016,283
Intangible assets		953,190	951,616
Property and equipment		142,199	147,407
Other assets		150,661	174,826
<b>Total assets</b>		<b>14,642,020</b>	12,500,515
<b>Liabilities</b>			
Due to central banks		292,612	42,837
Due to banks and financial institutions		4,056,919	2,391,626
Customer deposits		4,816,617	4,673,858
Subordinated debt		121,230	127,555
Other liabilities		751,185	718,667
<b>Total liabilities</b>		<b>10,038,563</b>	7,954,543
<b>Shareholders' equity</b>			
Share capital		3,600,000	3,600,000
Statutory reserves		907,669	907,669
Risk reserve		17,450	17,450
Fair value reserve	5	(65,300)	(60,649)
Foreign currency translation reserve		26,477	16,090
Retained earnings		117,161	65,412
<b>Total shareholders' equity</b>		<b>4,603,457</b>	4,545,972
<b>Total liabilities and shareholders' equity</b>		<b>14,642,020</b>	12,500,515

The Interim condensed consolidated financial statements have been approved by the Board of Directors on 16 April 2009, and signed on its behalf by:

\_\_\_\_\_  
Hamad Bin Faisal Bin Thani Al-Thani  
Chairman and Managing Director

\_\_\_\_\_  
Abdullah Bin Nasser Al-Misnad  
Vice Chairman

The accompanying notes 1 to 11 set out on pages 8 to 12 form an integral part of the interim condensed consolidated financial statements.

**Al Khalij Commercial Bank (al khaliji) (Q.S.C)**  
**Interim Condensed Consolidated Statement of Income**

For the three months ended 31 March 2009

	Notes	3 months ended 31 March	
		2009 QAR'000	2008 QAR'000
Interest income		133,103	79,942
Interest expense		(54,390)	(12,331)
<b>Net interest income</b>		<b>78,713</b>	<b>67,611</b>
Fee and commission income		24,659	1,006
Fee and commission expense		(628)	-
<b>Net fee and commission income</b>		<b>24,031</b>	<b>1,006</b>
Net income from foreign currency transactions		2,734	(461)
Other operating income		15,809	-
<b>Net operating income</b>		<b>121,287</b>	<b>68,156</b>
Administration and general expenses		(83,667)	(56,383)
Depreciation of property and equipment		(8,644)	(4,717)
Amortisation of intangible assets		(10,388)	-
Provisions for impairment of loans and advances		(338)	-
Other income	6	34,391	-
Net profit before taxes		<b>52,641</b>	7,056
Income tax expense		(892)	-
Net profit for the period		<b>51,749</b>	<b>7,056</b>
<b>Earnings per share</b>			
Basic and diluted earnings per share (QAR)		0.07	0.01
Weighted average number of shares outstanding (shares)		720,000,000	720,000,000

The accompanying notes 1 to 11 set out on pages 8 to 12 form an integral part of the interim condensed consolidated financial statements.

**Al Khalij Commercial Bank (al khaliji) (Q.S.C)****Interim Condensed Consolidated Statement of Comprehensive Income**

For the three months ended 31 March 2009

	<b>3 months ended 31 March</b>	
	<b>2009</b>	<b>2008</b>
	<b>QAR'000</b>	<b>QAR'000</b>
Net Profit for the period	<b>51,749</b>	7,056
Other comprehensive income		
Foreign currency translation differences for foreign operations	10,387	-
Net change in fair value of available-for-sale financial investments	(4,651)	-
<b>Total other comprehensive income for the period</b>	<b>5,736</b>	-
<b>Total comprehensive income for the period</b>	<b>57,485</b>	<b>7,056</b>

The accompanying notes 1 to 11 set out on pages 8 to 12 form an integral part of the interim condensed consolidated financial statements.

**Al Khalij Commercial Bank (al khaliji) (Q.S.C)**  
**Interim Condensed Consolidated Statement of Changes in Equity**  
For the three months ended 31 March 2009

	Share Capital QAR'000	Statutory Reserve QAR'000	Risk Reserve QAR'000	Fair Value Reserve QAR'000	Foreign Currency Translation Reserve QAR'000	Retained Earnings QAR'000	Total QAR'000
Balance as at 1 January 2008	3,600,000	886,953	-	-	-	74,309	4,561,262
Total comprehensive income for the period	-	-	-	-	-	7,056	7,056
Balance at 31 March 2008	3,600,000	886,953	-	-	-	81,365	4,568,318
<b>Balance at 1 January 2009</b>	3,600,000	907,669	17,450	(60,649)	16,090	65,412	4,545,972
Total comprehensive income for the period	-	-	-	(4,651)	10,387	51,749	57,485
<b>Balance at 31 March 2009</b>	<b>3,600,000</b>	<b>907,669</b>	<b>17,450</b>	<b>(65,300)</b>	<b>26,477</b>	117,161	<b>4,603,457</b>

The accompanying notes 1 to 11 set out on pages 8 to 12 form an integral part of the interim condensed consolidated financial statements.

**Al Khalij Commercial Bank (al khaliji) (Q.S.C)**  
**Interim Condensed Consolidated Statement of Cash Flows**

For the three months ended 31 March 2009

	Notes	3 months ended 31 March	
		2009 QAR'000	2008 QAR'000
<b>Cash flows from operating activities</b>		<b>2,641,083</b>	1,567,293
<b>Cash flows from investing activities</b>			
Purchase of intangible assets		(561)	(87,691)
Purchase of property and equipment		(3,807)	(9,447)
<b>Net cash used in investing activities</b>		<b>(4,368)</b>	(97,138)
<b>Net increase in cash and cash equivalents</b>		2,636,715	1,470,155
Exchange gains on foreign currency cash and cash equivalents		(6,368)	-
Cash and cash equivalents at beginning of period		1,482,833	4,197,734
<b>Cash and cash equivalents at end of period</b>	7	<b>4,113,180</b>	5,667,889

The accompanying notes 1 to 11 set out on pages 8 to 12 form an integral part of the interim condensed consolidated financial statements.

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

## **Notes to the Interim Condensed Consolidated Statements**

For the three months ended 31 March 2009

### **1. Incorporation and Principal Activities**

Al Khalij Commercial Bank (Q.S.C.) (“**al khaliji**”) was incorporated on 9 January 2007 as a Qatari Shareholding Company under Commercial Registration No. 34548, with its registered head office in Doha.

**al khaliji** and its subsidiaries (the “Group”) are engaged in commercial banking activities and consulting services. The Group operates from its head office and two branches in Doha, Qatar, one branch in Paris, France and four branches in the United Arab Emirates.

### **2. Accounting policies**

#### **2.1 Basis of preparation**

The interim condensed consolidated financial statements for the three months ended 31 March 2009 have been prepared in accordance with IAS 34 – Interim financial reporting and is presented in Qatari Riyals (QAR) thousands except when otherwise stated.

The interim condensed consolidated financial statements does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s consolidated financial statements for the period ended 31 December 2008. The results of the three months ended 31 March 2009 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2009.

#### **2.2 Accounting policies**

The accounting policies used in preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the Group’s financial statements for the period ended 31 December 2008 except as follows:

- **IAS 1 – Presentation of financial statements (revised) – effective 1 January 2009:** Adoption of revised IAS 1 resulted in the requirement to present the total comprehensive income. Total comprehensive income includes statement of income items in addition to items that are recognized directly in equity. Items recognized directly in equity are presented under the heading “other comprehensive income”. Revised IAS 1 permits the presentation of total comprehensive income in a single “statement of comprehensive income” or in a statement of income and a separate statement for comprehensive income. The Group elected to present total comprehensive income in a separate statement. The adoption of revised IAS 1 did not have any effect of the financial position or performance of the Group.
- **IFRS 8 - Operating Segments - effective 1 January 2009:** IFRS 8 is a disclosure standard that has resulted in a re-designation of the Group’s reportable segments (see note 8), but has had no impact on the reported results or financial position of the Group.

Adoption of other new or amended accounting standards effective on 1 January 2009 does not have any effect on the financial position or performance of the Group.

#### **2.3 Estimates**

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 expense. 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 were the same as those applied to the consolidated financial statements as at and for the period ended 31 December 2008 in addition to estimates made during the period in note 6.

**Al Khalij Commercial Bank (al khaliji) (Q.S.C)**  
**Notes to the Interim Condensed Consolidated Statements**

For the three months ended 31 March 2009

**3. Loans and advances to customers**

	<b>31 March 2009 QAR'000</b>	31 December 2008 QAR'000
Loans	7,412,805	6,469,789
Overdrafts	550,304	473,609
Bills discounted	94,912	67,236
<b>Gross loans and advances to customers</b>	<b>8,058,021</b>	<b>7,010,634</b>
Allowance for impairment	(31,034)	(30,581)
<b>Net loans and advances to customers</b>	<b>8,026,987</b>	<b>6,980,053</b>

**4. Available-for-Sale financial investments**

	<b>31 March 2009 QAR'000</b>	31 December 2008 QAR'000
<i>Other floating-rate bonds:</i>		
Listed	881,823	883,338
Unlisted	132,876	132,945
<b>Total financial investments</b>	<b>1,014,699</b>	<b>1,016,283</b>

**5. Fair value reserve**

	<b>31 March 2009 QAR'000</b>	31 March 2008 QAR'000
Balance at beginning of the period	(60,649)	-
Net movement in fair value	(4,651)	-
Realised in profit and loss during the period	-	-
<b>Balance as at the end of the period</b>	<b>(65,300)</b>	<b>-</b>

**6. Other income**

An amount of QAR 78,939,019 was received by the Group during the period within the Qatari government plan to support national banks. The Group recognised an amount of QAR 34,391,251 as income during the 3 months ended 31 March 2009 and an amount of QAR 44,547,768 was deferred to be recognized as income as the related costs are incurred.

The Group recognizes government assistance as income over the periods necessary to match them with the related costs which they are intended to compensate according to the conditions of the assistance provided that there is reasonable assurance that the assistance will be received and the group will comply with the attached conditions.

**Al Khalij Commercial Bank (al khaliji) (Q.S.C)**  
**Notes to the Interim Condensed Consolidated Statements**

For the three months ended 31 March 2009

In absence of conditions, recognition is based on the Group's management estimate of incurrence of related costs. The Group estimates that costs warranting recognition of income from the above mentioned government assistance is represented in the difference between the actually achieved margins during stressed market conditions and the margins that would have been achieved under normal market conditions.

**7. Cash and cash equivalents**

For the purpose of the statement of cash flow, cash and cash equivalents comprise the following:

	<b>31 March 2009 QAR'000</b>	31 March 2008 QAR'000
Cash and deposits with central banks*	545,455	41
Due from banks maturing within 3 months	3,567,725	5,667,848
<b>Balance as at the end of the period</b>	<b>4,113,180</b>	<b>5,667,889</b>

\*Cash and balances with central banks do not include obligatory cash reserves with central banks.

**8. Contingent liabilities and other commitments**

**8.1 Contingent liabilities**

	<b>31 March 2009 QAR'000</b>	31 December 2008 QAR'000
Guarantees	3,697,899	2,884,525
Unutilised credit facilities	2,983,361	1,687,706
Letters of Credit and acceptances	152,544	152,215
<b>Total contingent liabilities</b>	<b>6,833,804</b>	<b>4,724,446</b>

**8.2 Other commitments**

	<b>31 March 2009 QAR'000</b>	31 December 2008 QAR'000
Operating lease commitment	68,297	71,669
Capital commitments	39,453	54,650
Foreign exchange contracts and derivatives	853,885	486,455
<b>Total other commitments</b>	<b>961,635</b>	<b>612,774</b>

**Al Khalij Commercial Bank (al khaliji) (Q.S.C)**  
**Notes to the Interim Condensed Consolidated Statements**

For the three months ended 31 March 2009

**9. Segment information**

The group is organised into three main business segments, Wholesale banking, consumer banking and head office. Following are segment information as reviewed regularly by the Group's management:

	<b>Consumer Banking</b>	<b>Wholesale Banking</b>	<b>Head office</b>	<b>Total</b>
<b>31 March 2009</b>				
Net operating income	40,817	80,470	34,391	<b>155,678</b>
Net profit for the period	13,817	74,571	(36,639)	<b>51,749</b>
Total assets	3,999,152	9,571,973	1,070,895	<b>14,642,020</b>
Total liabilities	2,791,882	6,677,038	569,643	<b>10,038,563</b>
<b>31 March 2008</b>				
Net operating income	-	68,156	-	68,156
Net profit for the period	-	7,056	-	7,056
Total assets	-	6,741,696	280,880	7,022,576
Total liabilities	-	2,401,631	52,527	2,454,158

**10. Related party transactions**

**10.1 Statement of financial position items**

	<b>Key management QAR '000</b>	<b>Affiliate companies QAR '000</b>	<b>Total QAR '000</b>
<b>31 March 2009</b>			
Loans and advances	109,688	1,557,172	<b>1,666,860</b>
Customer deposits	48,935	121,230	<b>170,165</b>
Subordinated debt	-	121,230	<b>121,230</b>
<b>31 December 2008</b>			
Loans and advances	5,310	1,183,359	1,188,669
Customer deposits	28,845	208,301	237,146
Subordinated debt	-	127,555	127,555

**Al Khalij Commercial Bank (al khaliji) (Q.S.C)**  
**Notes to the Interim Condensed Consolidated Statements**

For the three months ended 31 March 2009

**10.2 Statement of Income**

	Key management QAR '000	Affiliate companies QAR '000	Total QAR '000
<b>3 months ended 31 March 2009</b>			
Interest income	264	8,349	<b>8,613</b>
Interest expense	103	1,269	<b>1,372</b>
Commission income	-	500	<b>500</b>
Other operating income	-	15,809	<b>15,809</b>
Other income	-	34,391	<b>34,391</b>
<b>3 months ended 31 March 2008</b>			
Interest income	-	1,747	1,747
Interest expense	-	-	-
Commission income	-	-	-

**10.3 Compensation of key management personnel**

	<b>3 months ended 31 March</b>	
	<b>2009</b>	2008
	<b>QAR '000</b>	QAR '000
Salaries and allowances and other benefits	9,513	12,042
End of service benefit	303	184
<b>Total compensation of key management personnel</b>	<b>9,816</b>	12,226

**11. Subsequent events**

On 15 April 2009, an extra ordinary Shareholders' meeting approved the following:

- Amend Article 69, paragraph 1 of the Article of Association by changing the annual legal reserve transfer from 20% of net profits to 10%, pursuant to the provisions of the Commercial Companies Law No. 5 of 2002; and
- Delegate the Board of Directors to take any required action towards restructuring the bank's capital by capping the paid-up capital and not calling the unpaid portion of the share capital, subject to the approval of the Ministry of Trade and Business.