

Al Khalij Commercial Bank (Q.S.C)

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# interim condensed financial statements

30 June 2008  
(Unaudited)

# Contents

Auditor's review report .....	1 - 2
Balance Sheet .....	3
Income Statement .....	4
Statement of Changes in Shareholders' Equity .....	5
Statement of Cash flows .....	6
Notes to the Interim Condensed Financial Statements .....	7 - 10

QR. 21523

## Report on Review of Interim Condensed Financial Statements

**To The Shareholders**  
**Al Khaliji Commercial Bank (Al Khaliji) (Q.S.C.)**  
**Doha – Qatar**

### *Introduction*

We have reviewed the accompanying interim condensed financial statements of **Al Khalij Commercial Bank (Al Khaliji) (Q.S.C.)**, which comprise the interim balance sheet of as at 30 June 2008, and the related interim statements of income, changes in shareholder equity and cash flows for the six month period ended 30 June 2008, and selected explanatory notes. Management is responsible for the preparation and fair 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*

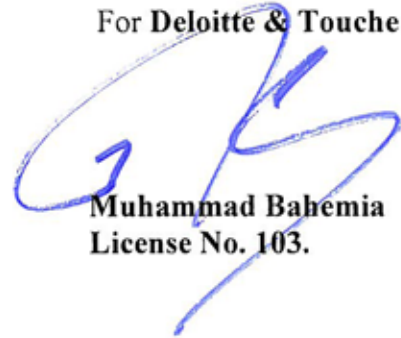
We conducted our review in accordance with **International Standard on Review Engagements 2410**, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for 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.

**Doha – Qatar  
July 21, 2008**

**For Deloitte & Touche**



**Muhammad Bahemia  
License No. 103.**

**Interim Balance Sheet**

At 30 June 2008

	Note	30 June 2008	31 December 2007
<b>ASSETS</b>			
Cash and balances with Central Bank		12,809	-
Due from banks and financial institutions		3,260,549	4,197,734
Loans and advances to customers		1,225,263	769,370
Available for sale investment		126,857	-
Held to maturity investments		1,032,000	-
Intangible assets	7	229,608	37,770
Furniture and equipment	8	103,217	81,476
Other assets		43,170	64,386
<b>TOTAL ASSETS</b>		<b>6,033,473</b>	<b>5,150,736</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Liabilities</b>			
Due to banks and financial institutions		1,266,665	500,000
Deposits from customers		25,929	-
Other liabilities		166,964	89,474
<b>Total liabilities</b>		<b>1,459,558</b>	<b>589,474</b>
<b>Shareholders' Equity</b>			
Share capital	9	3,600,000	3,600,000
Legal reserve	10	886,953	886,953
Retained earnings		86,962	74,309
<b>Total Shareholders' Equity</b>		<b>4,573,915</b>	<b>4,561,262</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>6,033,473</b>	<b>5,150,736</b>

The interim condensed financial statements were approved for issue by the Board of Directors and signed on their behalf on 20 July 2008 by:

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

**David Proctor**  
Chief Executive Officer

**Interim Income Statement**

For the six month ended 30 June 2008

	Three months ended		Six months ended	From date of incorporation (9 January 2007) to	
	30 June 2008	30 June 2007	30 June 2008	30 June 2007	30 June 2008
	<b>Note</b>				
Interest income	77,227	33,650	157,558	90,641	363,156
Interest expense	(15,957)	-	(28,288)	-	(30,526)
Net interest income	61,270	33,650	129,270	90,641	332,630
Net fee and commission income	6,324	-	7,329	-	10,108
<b>Net operating income</b>	<b>67,594</b>	<b>33,650</b>	<b>136,599</b>	<b>90,641</b>	<b>342,738</b>
Other operating income	-	-	-	-	24
Gain/(loss) on foreign exchange	329	-	(132)	-	(108)
Personnel expenses	(44,502)	(6,274)	(76,974)	(13,219)	(128,928)
Depreciation	(4,888)	(584)	(8,787)	(709)	(12,982)
General and administrative expenses	(13,313)	(17,668)	(38,053)	(54,882)	(113,782)
<b>Operating expenses</b>	<b>(62,374)</b>	<b>(24,526)</b>	<b>(123,946)</b>	<b>(68,810)</b>	<b>(255,776)</b>
<b>Net income for the period</b>	<b>5,220</b>	<b>9,124</b>	<b>12,653</b>	<b>21,831</b>	<b>86,962</b>
Basic and diluted earnings per share (QAR)	<b>0.007</b>	<b>0.023</b>	<b>0.018</b>	<b>0.061</b>	<b>0.150</b>

8

**Interim Statement of Changes in Shareholders' Equity**

For the six month ended 30 June 2008

	Share capital	Legal reserve	Retained earnings	Total
Balance at 9 January 2007	-	-	-	-
Capital contribution by founder members	1,560,000	78,000	-	1,638,000
Capital contribution (placements from 9 January 2007 to 30 June 2007)	1,339,700	436,835	-	1,776,535
Net income for the period	-	-	21,831	21,831
Balance at 30 June 2007	<u>2,899,700</u>	<u>514,835</u>	<u>21,831</u>	<u>3,436,366</u>
Balance at 1 January 2008	3,600,000	886,953 <sup>1</sup>	74,309	4,561,262
Net income for the period	-	-	12,653	12,653
<b>Balance at 30 June 2008</b>	<b><u>3,600,000</u></b>	<b><u>886,953</u></b>	<b><u>86,962</u></b>	<b><u>4,573,915</u></b>

Note 10

**Interim Condensed Statement of Cash Flows**

For the six month ended 30 June 2008

	Six months ended	From date of incorporation (9 January 2007) to	
	<b>30 June 2008</b>	30 June 2007	30 June 2008
Cash flows from operating activities – net	431,265	(4,559)	265,106
Cash flows from investing activities – net	(1,355,641)	(12,702)	(1,478,701)
Cash flows from financing activities – net	-	3,831,357	4,486,953
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(924,376)</b>	<b>3,814,096</b>	<b>3,273,358</b>
Cash and cash equivalents at beginning of the period	4,197,734	-	-
<b>Cash and cash equivalents at end of the period</b>	<b>3,273,358</b>	<b>3,814,096</b>	<b>3,273,358</b>

## Notes to the Interim Condensed Financial Statements

For the six month ended 30 June 2008

### 1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Al Khalij Commercial Bank (“**al khaliji**”) (Q.S.C.) was incorporated in Qatar as a Qatari Shareholding Company under commercial registration no. 34548 on 9 January 2007. The shares of **al khaliji** are listed on the Doha Securities Market and trading of the shares commenced on 9 August 2007.

**al khaliji**'s principal activities are commercial banking, Islamic banking, financing, and investing services. Currently, **al khaliji** is engaged in commercial banking activities and operates from its registered head office located at Asia Street 60, West Bay, Doha, Qatar.

**al khaliji** has established one branch in June 2008 and plans to have more branches in Qatar in the course of the year.

### 2. COMPARATIVE FIGURES

**al khaliji**'s memorandum and articles of association states that the first financial period of **al khaliji** will extend from the date of incorporation on 9 January 2007 to 31 December 2008. Accordingly, comparative figures for the period from 9 January 2007 to 30 June 2008 are presented in these interim condensed financial statements where considered appropriate.

Comparative figures were reclassified where necessary to preserve consistency with the current period presentation. These reclassifications did not have any effect on net income or total shareholders' equity of the comparative period.

### 3. BASIS OF PREPARATION

These interim condensed financial statements were prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*, and in conformity with the applicable provisions of Qatar Central Bank instructions and regulations.

The interim condensed financial statements do not include all of the information and disclosures required for a full set of annual financial statements prepared in accordance with International Financial Reporting Standards. The interim condensed financial statements should be read in conjunction with **al khaliji**'s audited annual financial statements for the year ended 31 December 2007. The results of a six month period are not necessarily indicative of the results that may be expected for a full year.

The preparation of interim condensed financial information in accordance with IAS 34 requires management to make judgments, estimates and assumptions that might affect the application of policies and the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the balance sheet dates, and revenues and expenses for the reported periods. If in the future such estimates and assumptions, based on management's best knowledge at the date of this condensed interim financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change.

### 4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by **al khaliji** in these interim condensed financial statements are consistent with those applied by **al khaliji** in its financial statements for the period ended 31 December 2007.

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

al khaliji's management assessed the impact of new international accounting standards, amendments to standards and interpretations on the interim condensed financial statements and concluded that these new standards, amendments to standards and interpretations do not have material impact on the interim condensed financial statements for the six months ended 30 June 2008.

al khaliji considers its core banking software and business applications major sources of generating future economic benefits. Accordingly, these software and business applications are carried as intangible assets in the balance sheet.

Core banking software and business applications acquired by al khaliji are stated at cost. Amortisation of core banking software and business applications costs will be recognised in the income statement on a straight-line basis over its estimated useful life from the date the software is ready for its intended use.

Cost includes software purchase price and all costs incurred to develop and implement the core banking software and business applications.

**5. FLUCTUATIONS OF INCOME**

al khaliji is being established to provide a range of banking products and services to target customer segments through various distribution channels.

Revenue and expenses of al khaliji are subject to fluctuations, especially during its formative phase. Various business and functional activities commenced at different stages and grow at different rates.

**6. SEGMENT INFORMATION**

al khaliji has five business segments and details of each segments are as follows:

	Premium and Business Banking	Corporate and institutional Banking	Retail Banking	Treasury and Debt Capital Markets	Head Office	Total
<b>Six months ended</b>						
<b>30 June 2008</b>						
Net operating income	1,496	27,225	3	107,875	-	136,599
Net income /(loss)	(3,443)	22,868	(7,807)	103,518	(102,483)	12,653
Net assets	4,506	1,099,284	803	3,291,219	178,103	4,573,915
<b>From 9 January 2007 to</b>						
<b>30 June 2007</b>						
Net operating income	-	-	-	90,641	-	90,641
Net income/(loss)	-	-	-	90,641	(68,810)	21,831
Net assets	-	-	-	3,814,096	(377,730)	3,436,366
<b>From 9 January 2007 to</b>						
<b>30 June 2008</b>						
Net operating income	1,496	41,703	3	299,536	-	342,738
Net income	(3,443)	37,344	(7,807)	295,178	(234,310)	86,962
Net assets	4,506	1,099,284	803	3,291,219	178,103	4,573,915

**7. INTANGIBLE ASSETS**

Details of movement of intangible assets are as follows:

**Six months ended 30 June 2008**

Net book value at 1 January 2008	37,770
Additions	191,838
Amortization	-
Net book value at 30 June 2008	<b>229,608</b>

**8. FURNITURE AND EQUIPMENT****Period from 9 January 2007 to 30 June 2007**

Net book value at 9 January 2007	-
Additions	13,299
Depreciation	(709)
Net book value at 30 June 2007	<b>12,590</b>

**Six months ended 30 June 2008**

Net book value at 1 January 2008	81,476
Adjustments	(6,680)
Additions	37,208
Depreciation	(8,787)
Net book value at 30 June 2008	<b>103,217</b>

**9. SHARE CAPITAL**

**al khaliji's** authorised share capital is 720 million shares of QAR 10 each (720 million shares at QAR 10 each: 2007). Issued and paid up capital at 50% of its value are 720 million shares of QAR 5 each (720 million shares at QAR 5 each: 2007)

According to memorandum and articles of association of **al khaliji**, the call for capital not paid up (50%) shall be made within the period starting from 2 years after incorporation and ending 5 years after the incorporation date.

**10. LEGAL RESERVE**

In accordance with the Memorandum and Articles of Association of **al khaliji** 20% of net income for the year is required to be transferred to the legal reserve until the reserve equals of the paid up capital. This reserve is not available for distribution except in circumstances specified in the Qatar Commercial Companies Law No. 5 of 2002 and after Qatar Central Bank approval. Transfer to legal reserve will be made at 31 December 2008 based on the year end results.

Share premium of QAR 720 million was transferred to legal reserve in accordance with **al khaliji's** Memorandum and Articles of Association and Qatar Commercial Companies' Law No. 5 of 2002 for amounts paid in excess of the share value. Shares of founders and initial public offering (432 million shares) were exempted from payment of the share premium.

**10. LEGAL RESERVE (continued)**

In accordance with the Memorandum and Articles of Association of **al khaliji**, shareholders contributed QAR 180 million (QAR 0.25 per share) towards an establishment reserve for costs to establish **al khaliji**. An amount of QAR 13 million (comprising pre-incorporation income of QAR 32 million less establishment expense of QAR 45 million) was written off against that reserve. The remaining balance of QAR 166 million is reflected under legal reserve in shareholders' equity.

**11. OFF BALANCE SHEET ITEMS****a) Deferred or contingent liabilities**

	<b>30 June 2008</b>	31 December 2007
Letters of guarantee	709,457	244,000
Undrawn commitments	748,536	244,790
	<b>1,457,993</b>	<b>488,790</b>

**b) Other commitments and undertakings:**

	<b>30 June 2008</b>	31 December 2007
Capital commitments	16,417	24,720
Commitment under operating lease	78,887	86,105
	<b>95,304</b>	<b>110,825</b>

**12. TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL****a) Balance sheet items**

	<b>30 June 2008</b>	31 December 2007
Advances	652	552

**b) Income Statement items**

	Three months ended		Six months ended	From date of incorporation (9 January 2007) to	
	<b>30 June 2008</b>	30 June 2007	<b>30 June 2008</b>	30 June 2007	30 June 2008
Salaries and other benefits	11,784	2,345	23,827	3,490	32,878
End of service benefits	903	86	1,088	119	1,505
	<b>12,687</b>	<b>2,431</b>	<b>24,915</b>	<b>3,609</b>	<b>34,383</b>

**13. SUBSEQUENT EVENTS**

Subsequent to the balance sheet date, **al khaliji** set up a wholly owned subsidiary, Al khaliji Services Limited, with a paid up capital of USD 50,000 at the Dubai International Financial Centre. The principle activity of the subsidiary is to provide various strategic consulting services to **al khaliji**.



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

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