



Al Khalij Commercial Bank (al khaliji) Q.S.C
Interim Condensed Consolidated Financial Statements
for the three months ended 31 March 2010

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

To The Board of Directors

Al Khalij Commercial Bank Q.S.C.

Doha – Qatar

We have reviewed the accompanying interim condensed consolidated financial statements of Al Khalij Commercial Bank Q.S.C, comprising the interim condensed consolidated statement of financial position as at March 31, 2010, and the related interim condensed consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the three months 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 at March 31, 2010 and results of operations for the three months period then ended of the subsidiary have been incorporated on basis of returns certified by management of the subsidiary and have not been independently reviewed. The net profit for the three months period ended March 31, 2010 and the total assets and total liabilities of the subsidiaries as at March 31, 2010 amounted to QAR 11,780,401, QAR 2,843,226,835 and QAR 2,217,430,314 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, 2010

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 2010

		31 March 2010	31 March 2009 (Restated)	31 December 2009
	Notes	(Reviewed) QAR'000	(Reviewed) QAR'000	(Audited) QAR'000
Assets				
Cash and balances with central banks		1,024,235	786,559	644,362
Due from banks and financial institutions		2,104,607	3,567,725	3,582,521
Loans, advances and financing activities	3	9,033,937	8,026,987	8,585,406
Financial investments	4	4,990,278	1,014,699	3,965,085
Intangible assets		361,393	407,190	381,348
Property and equipment		134,110	142,199	131,015
Other assets		247,185	150,661	234,363
Total assets		17,895,745	14,096,020	17,524,100
Liabilities				
Due to central banks		64,858	292,612	-
Due to banks and financial institutions		4,870,622	4,056,919	3,131,489
Customer deposits		7,467,007	4,816,617	9,239,777
Subordinated debt		122,717	121,230	131,153
Other liabilities		164,485	205,185	183,339
Total liabilities		12,689,689	9,492,563	12,685,758
Unrestricted investment accounts		345,001	-	5,001
Total liabilities and unrestricted investment accounts		13,034,690	9,492,563	12,690,759
Shareholders' equity				
Share capital		3,600,000	3,600,000	3,600,000
Statutory reserves		924,398	907,669	924,398
Risk reserve		42,927	17,450	42,927
Fair value reserve		22,770	(65,300)	810
Foreign currency translation reserve		25,758	26,477	74,706
Retained earnings		245,202	117,161	190,500
Total shareholders' equity		4,861,055	4,603,457	4,833,341
Total liabilities, unrestricted investment accounts and shareholders' equity		17,895,745	14,096,020	17,524,100

These interim condensed consolidated financial statements have been approved by the Board of Directors on 19 April 2010, and signed on its behalf by:

Hamad Bin Faisal Bin Thani Al-Thani

Chairman and Managing Director

Abdulla Bin Nasser Al-Misnad

Deputy 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 2010

	Notes	3 month ended 31 March	
		2010 (Reviewed) QAR'000	2009 (Reviewed) QAR'000
Interest income		165,852	133,103
Interest expense		(87,621)	(54,390)
Net interest income		78,231	78,713
Income from Islamic financing and investment activities		24,937	-
Unrestricted investment account holders' share in profits		(2,314)	-
Net Income from Islamic financing and investment activities		22,623	-
Fee and commission income		31,649	24,659
Fee and commission expense		(1,573)	(628)
Net fee and commission income		30,076	24,031
Dividend income		1,205	-
Net gains from foreign currency transactions		2,483	2,734
Net gains from financial instruments at fair value		1,753	-
Net profit on sale of available-for-sale investments		28,749	-
Other operating income		-	15,809
Net operating income		165,120	121,287
General and administration expenses		(70,813)	(83,667)
Depreciation of property and equipment		(9,993)	(8,644)
Amortisation of intangible assets		(10,606)	(10,388)
Impairment losses on loans, net of recoveries		(14,529)	(338)
Other income	6	1,263	34,391
Net profit before taxes		60,442	52,641
Income tax expense		(2,304)	(892)
Net profit after tax		58,138	51,749
Earnings per share			
Basic and diluted earnings per share (QAR)		0.16	0.14
Weighted average number of shares outstanding		360,000,000	360,000,000

The accompanying notes 1 to 10 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 2010

	3 month ended 31 March	
	2010	2009
	(Reviewed)	(Reviewed)
	QAR'000	QAR'000
Net Profit for the period	58,138	51,749
Other comprehensive income		
Foreign currency translation difference for foreign operations	(48,948)	10,387
Net change in fair value of available-for-sale investments	50,709	(4,651)
Net change in fair value transferred to profit and loss	(28,749)	-
Total other comprehensive income for the period	(26,988)	5,736
Total comprehensive income for the period	31,150	57,485

The accompanying notes 1 to 10 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 2010

	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 at 1 January 2009	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
Balance at 31 March 2009	3,600,000	907,669	17,450	(65,300)	26,477	117,161	4,603,457
Balance at 1 January 2010	3,600,000	924,398	42,927	810	74,706	190,500	4,833,341
Total comprehensive income for the period	-	-	-	21,960	(48,948)	58,138	31,150
Contribution to social and sports fund for 2009 (note 7)	-	-	-	-	-	(3,436)	(3,436)
Balance at 31 March 2010	3,600,000	924,398	42,927	22,770	25,758	245,202	4,861,055

The accompanying notes 11 to 10 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 2010

	3 month ended 31 March		Year ended
	2010	2009	31 December
	(Reviewed)	(Reviewed)	(Audited)
	QAR'000	QAR'000	
Notes			
Cash flows (used in) / from operating activities	42,309	2,641,083	5,088,334
Cash flows from investing activities			
Purchase of financial investments	(3,269,717)	-	(5,133,513)
Proceeds from sales of financial investments	2,309,119	-	2,295,818
Purchase of intangible assets	(769)	(561)	(4,752)
Purchase of property and equipment	(13,091)	(3,807)	(25,036)
Proceeds from property and equipment	-	-	107
Net cash used in investing activities	(974,458)	(4,368)	(2,867,376)
Net (Decrease) / increase in cash and cash equivalents	(932,149)	2,636,715	2,220,958
Exchange gains on foreign currency cash and cash equivalents	99	(6,368)	6,772
Cash and cash equivalents at beginning of period	3,710,563	1,482,833	1,482,833
Cash and cash equivalents at end of period	10	2,778,513	4,113,180
			3,710,563

The accompanying notes 1 to 10 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 Financial Statements

For the three months ended 31 March 2010

1. Incorporation and Principal Activities

Al Khalij Commercial Bank (al khaliji) Q.S.C was incorporated on 9 January 2007 as a Qatari Shareholding Company under Commercial Registration No. 34548, with its registered head office in Doha. The shares of al khaliji are listed on the Qatar Exchange.

al khaliji and its subsidiaries (the “Group”) are engaged in commercial and Islamic banking activities. The Group operates from its head office and three branches in Qatar, one branch in 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 2010 have been prepared in accordance with IAS 34 – Interim financial reporting and are presented in Qatari Riyals (QAR) thousands except where otherwise stated.

Islamic financing activities are conducted in accordance with the Islamic Sharia, as determined by the Sharia Control Board. Islamic banking accounts are prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) and Qatar Central Bank regulations. For the purpose of Islamic banking activities, capital is provided separately. The statements of income and financial position for Islamic activities are ultimately combined with the records to produce the overall Group’s results.

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 year ended 31 December 2009. The results of the three months ended 31 March 2010 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2010.

2.1.1 Comparative figures

During 2009 the Group finalized the purchase price of its subsidiary al khaliji - France which was acquired during the 2008. This resulted in a decrease in the purchase price of the subsidiary from QAR 910 millions to QAR 364 millions. All fair values of the identifiable assets and liabilities at date of acquisition remain unchanged. Accordingly, this decrease in price resulted in a decrease of the amount recognised as goodwill on acquisition from QAR 682 millions to QAR 136 millions. The comparative figures of the financial position as at 31 March 2009 were restated to reflect the above.

In addition to the above, certain comparative figures were reclassified, where necessary to conform to the current period’s presentation.

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 year ended 31 December 2009, except for certain new and revised standards and interpretations, that became effective in the current period, these changes have had no material effect on the reported results or financial position of the group.

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

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended 31 March 2010

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 2009.

3. Loans, advances and financing activities

	31 March 2010 (Reviewed) QAR'000	31 March 2009 (Reviewed) QAR'000	31 December 2009 (Audited) QAR'000
Conventional loans and advances	8,023,354	8,058,021	7,602,725
Islamic financing activities	1,271,540	-	1,251,140
Gross loans, advances and financing activities	9,294,894	8,058,021	8,853,865
Allowance for impairment	(246,882)	(31,034)	(237,452)
Islamic financing activities deferred profit	(14,075)	-	(31,007)
Net loans, advances and financing activities	9,033,937	8,026,987	8,585,406

4. Financial investments

	31 March 2010 (Reviewed) QAR'000	31 March 2009 (Reviewed) QAR'000	31 December 2009 (Audited) QAR'000
Available-for-sale financial investments	4,356,972	1,014,699	2,835,728
Held-to-maturity financial investments	594,297	-	1,092,101
Financial investments at fair value through profit or loss	39,009	-	37,256
Total financial investments	4,990,278	1,014,699	3,965,085

Debt securities with a value of QAR 3,525 million (31 March 2009: QAR 773 million; 31 December 2009: QAR 2,020 million) are pledged as collateral under repurchase agreements with other banks.

5. Contingent liabilities and other commitments

5.1 Contingent liabilities

	31 March 2010 (Reviewed) QAR'000	31 March 2009 (Reviewed) QAR'000	31 December 2009 (Audited) QAR'000
Guarantees	3,667,038	3,697,899	3,940,546
Unutilised credit facilities	3,071,421	2,983,361	2,942,374
Letters of credit and acceptances	930,457	152,544	661,948
Total contingent liabilities	7,668,916	6,833,804	7,544,868

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

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended 31 March 2010

5.2 Other commitments

	31 March 2010 (Reviewed) QAR'000	31 March 2009 (Reviewed) QAR'000	31 December 2009 (Audited) QAR'000
Operating lease commitment	55,186	68,297	58,177
Capital commitments	33,832	39,453	38,565
Foreign exchange contracts	638,506	853,885	988,487
Interest rate swaps	1,929,200	-	1,328,600
Total other commitments	2,656,724	961,635	2,413,829

6. Other income

During the 3 month ended 31 March 2009 the Group received an amount of QAR 78.9 million within the Qatari government plan to support national banks, of which QAR 34.4 million was recognised as income. No such amounts were received during the same period ended 31 March 2010.

7. Contribution to social and sports fund

According to Qatari law no. 13 for the year 2008 and the related clarifications issued in January 2010, the group is required to contribute 2.5% of its qualifying annual net profits to the state social and sports fund. The clarification relating to law no. 13 require the payable amount to be recognised as a distribution of income. During the three months ended 31 March 2010, the group appropriated an amount of QAR 3.4 million representing the contribution payable for the year ended 31 December 2009.

8. Segment information

The group is organised into three main operating segments for management purposes, conventional banking, Islamic and subsidiaries. Following are segment information as reviewed regularly by the Group's management:

	Conventional Banking QAR'000	Islamic Banking QAR'000	al khaliji France QAR'000	Unallocated QAR'000	Total QAR'000
31 March 2010 (Reviewed)					
Net operating income	113,883	22,623	28,439	175	165,120
Net profit for the period	79,748	21,295	11,780	(54,685)	58,138
Total assets	13,093,949	1,679,406	2,843,227	279,163	17,895,745
Total liabilities	8,654,429	1,400,396	2,217,427	762,438	13,034,690
31 March 2009 (Reviewed)					
Net operating income	101,792	-	19,495		121,287
Net profit for the period	80,541	-	2,947	(31,739)	51,749
Total assets	11,588,207	-	2,914,826	138,987	14,642,020
Total liabilities	7,098,681	-	2,335,889	603,993	10,038,563

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

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended 31 March 2010

9. Related party transactions

9.1 Statement of financial position items

	31 March 2010 (Reviewed) QAR'000	31 March 2009 (Reviewed) QAR'000	31 December 2009 (Audited) QAR'000
Key management			
Loans and advances	4,185	109,688	4,225
Customer deposits	733	48,935	848
Others			
Loans and advances	1,237,464	1,557,172	1,585,133
Customer deposits	1,686,101	912,984	3,234,656
Subordinated debt	122,717	121,230	131,153

9.2 Statement of Income items

	3 month ended 31 March	
	2010 (Reviewed) QAR'000	2009 (Reviewed) QAR'000
Key management		
Interest income	75	264
Interest expense	2	103
Others		
Interest income	7,508	8,349
Interest expense	4,348	1,269
Commission income	-	500
Income from Islamic financing activities	6,660	-
Other income	-	34,391

9.3 Compensation of key management personnel

	3 month ended 31 March	
	2010 (Reviewed) QAR'000	2009 (Reviewed) QAR'000
Salaries and allowances and other benefits	6,049	9,513
End of service benefit	134	303
Total compensation of key management personnel	6,183	9,816

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

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended 31 March 2010

10. Cash and cash equivalents

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

	31 March 2010 (Reviewed) QAR'000	31 March 2009 (Reviewed) QAR'000	31 December 2009 (Audited) QAR'000
Cash and deposits with central banks	622,059	545,455	214,987
Due from banks maturing within 3 month	2,156,454	3,567,725	3,495,576
Balance as at the end of the period	2,778,513	4,113,180	3,710,563

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