



Al Khalij Commercial Bank (al khaliji) Q.S.C
Interim Condensed Consolidated Financial Statements
for the nine months ended 30 September 2010

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TABLE OF CONTENTS

Page

Independent Auditor's review report	1-2
Interim Condensed Consolidated Statement of Financial Position	3
Interim Condensed Consolidated Statement of Income	4
Interim Condensed Consolidated Statement of Comprehensive Income	5
Interim Condensed Consolidated Statement of Changes in Equity	6
Interim Condensed Consolidated Statement of Cash Flows	7
Notes to the Interim Condensed Consolidated Financial Statements	8-12

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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 September 30, 2010, and the related interim condensed consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the three and nine month periods 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 September 30, 2010 and results of operations for the three and nine month periods then ended of the subsidiary's operations were incorporated on basis of returns certified by management of the subsidiary and have not been independently reviewed. The net profit for the nine month period ended September 30, 2010 and the total assets and total liabilities of the subsidiary as at September 30, 2010 amounted to QAR 36,430,600, QAR 2,884,505,023 and QAR 2,225,566,449 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
October 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 30 September 2010

		30 September 2010 (Reviewed) QAR'000	30 September 2009 (Reviewed) QAR'000	31 December 2009 (Audited) QAR'000
	Notes			
Assets				
Cash and balances with central banks		871,163	933,334	644,362
Due from banks and financial institutions		2,278,839	2,487,591	3,582,521
Loans, advances and financing activities	3	9,928,551	8,326,892	8,585,406
Financial investments	4	6,689,923	3,543,769	3,965,085
Intangible assets		348,408	396,182	381,348
Property and equipment		125,537	121,057	131,015
Other assets		343,138	317,912	234,363
Total assets		20,585,559	16,126,737	17,524,100
Liabilities				
Due to central banks		70,000	42,411	-
Due to banks and financial institutions		6,688,596	3,150,835	3,131,489
Customer deposits		7,754,570	7,776,137	9,239,777
Subordinated debt		124,060	133,268	131,153
Other liabilities		241,893	200,321	183,339
Total liabilities		14,879,119	11,302,972	12,685,758
Unrestricted investment accounts		539,634	-	5,001
Total liabilities and unrestricted investment accounts		15,418,753	11,302,972	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		58,273	9,955	810
Foreign currency translation reserve		25,383	86,937	74,706
Retained earnings		515,825	201,754	190,500
Total shareholders' equity		5,166,806	4,823,765	4,833,341
Total liabilities, unrestricted investment accounts and shareholders' equity		20,585,559	16,126,737	17,524,100

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

Hamad Bin Faisal Bin Thani Al-Thani

Chairman and Managing Director

Robin McCall

Acting Chief Executive Officer

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 Income

For the three and nine months ended 30 September 2010

	3 months ended 30 September		9 months ended 30 September		
	2010 (Reviewed) QAR'000	2009 (Reviewed) QAR'000	2010 (Reviewed) QAR'000	2009 (Reviewed) QAR'000	
	Notes				
Interest income		217,567	149,586	568,550	442,973
Interest expense		(78,567)	(93,249)	(241,166)	(231,898)
Net interest income		139,000	56,337	327,384	211,075
Income from Islamic financing activities		28,098	15,656	78,805	47,274
Unrestricted investment account holders' share		(6,421)	-	(12,410)	-
Net Income from Islamic financing activities		21,677	15,656	66,395	47,274
Fee and commission income		27,238	26,829	79,633	93,067
Fee and commission expense		(951)	752	(3,756)	(1,682)
Net fee and commission income		26,287	27,581	75,877	91,385
Dividend income		-	-	1,666	-
Net gains from foreign currency transactions		4,863	1,334	9,053	5,654
Net gains from financial instruments at fair value		1,608	(6,509)	5,795	(6,315)
Net gains on available-for-sale investments		63,701	39,417	91,163	42,811
Other operating income		250	-	250	-
Net operating income		257,386	133,816	577,583	391,884
General and administration expenses		(73,191)	(66,569)	(221,978)	(226,357)
Depreciation of property and equipment		(6,514)	(10,893)	(23,513)	(30,416)
Amortisation of intangible assets		(10,779)	(10,489)	(32,049)	(31,338)
Impairment losses on loans, net of recoveries		54,064	(112,515)	37,098	(142,628)
Other income	6	(736)	96,957	(191)	179,618
Net profit before taxes		220,230	30,307	336,950	140,763
Income tax expense		(2,743)	(2,373)	(7,443)	(4,421)
Net profit for the period		217,487	27,934	329,507	136,342
Earnings per share					
Basic and diluted earnings per share (QAR)		0.60	0.08	0.92	0.38
Weighted average number of shares outstanding		360,000,000	360,000,000	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 and nine months ended 30 September 2010

	3 months ended		9 months ended	
	30 September		30 September	
	2010	2009	2010	2009
	(Reviewed)	(Reviewed)	(Reviewed)	(Reviewed)
	QAR'000	QAR'000	QAR'000	QAR'000
Net Profit for the period	217,487	27,934	329,507	136,342
Other comprehensive income				
Exchange difference on translating foreign operations	66,055	(15,280)	(49,323)	70,847
Net change in fair value of available-for-sale investments	127,053	61,642	148,626	113,415
Net change in fair value transferred to Statement of Income	(63,701)	(39,417)	(91,163)	(42,811)
Total other comprehensive income for the period	129,407	6,945	8,140	141,451
Total comprehensive income for the period	346,894	34,879	337,647	277,793

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 and nine months ended 30 September 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	-	-	-	70,604	70,847	136,342	277,793
Balance at 30 September 2009	3,600,000	907,669	17,450	9,955	86,937	201,754	4,823,765
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	-	-	-	57,463	(49,323)	329,507	337,647
Contribution to social and sports fund for 2009 (note 7)	-	-	-	-	-	(4,182)	(4,182)
Balance at 30 September 2010	3,600,000	924,398	42,927	58,273	25,383	515,825	5,166,806

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 Cash Flows
For the three and nine months ended 30 September 2010

	9 months ended 30 September		Year ended
	2010	2009	31 December
	(Reviewed)	(Reviewed)	(Audited)
Notes	QAR'000	QAR'000	QAR'000
Cash flows from operating activities	1,583,446	4,008,798	5,088,334
Cash flows from investing activities			
Purchase of financial investments	(6,377,742)	(4,034,279)	(5,133,513)
Proceeds from sales of financial investments	3,806,704	1,620,208	2,295,818
Purchase of intangible assets	(7,216)	(5,449)	(4,752)
Purchase of property and equipment	(19,789)	(1,782)	(25,036)
Proceeds from property and equipment	-	107	107
Net cash used in investing activities	(2,598,043)	(2,421,195)	(2,867,376)
Net (Decrease) / Increase in cash and cash equivalents	(1,014,597)	1,587,603	2,220,958
Exchange gains on foreign currency cash and cash equivalents	(169)	(2,702)	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	2,695,797	3,067,734
			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 nine months ended 30 September 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 nine months ended 30 September 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 do 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 and nine months ended 30 September 2010 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2010.

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.

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.

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

Notes to the Interim Condensed Consolidated Financial Statements

For the nine months ended 30 September 2010

3. Loans, advances and financing activities

	30 September 2010 (Reviewed) QAR'000	30 September 2009 (Reviewed) QAR'000	31 December 2009 (Audited) QAR'000
Conventional loans and advances	8,831,391	7,567,861	7,602,725
Islamic financing activities	1,291,940	924,500	1,251,140
Gross loans, advances and financing activities	10,123,331	8,492,361	8,853,865
Allowance for impairment	(194,775)	(162,289)	(237,452)
Islamic financing activities deferred profit	(5)	(3,180)	(31,007)
Net loans, advances and financing activities	9,928,551	8,326,892	8,585,406

4. Financial investments

	30 September 2010 (Reviewed) QAR'000	30 September 2009 (Reviewed) QAR'000	31 December 2009 (Audited) QAR'000
Available-for-sale financial investments	6,025,723	2,914,970	2,835,728
Held-to-maturity financial investments	623,434	589,532	1,092,101
Financial investments at fair value through profit or loss	40,766	39,267	37,256
Total financial investments	6,689,923	3,543,769	3,965,085

Debt securities with a value of QAR 4,403 million (30 September 2009: QAR 1,078 million; 31 December 2009: QAR 2,020 million) are pledged as collateral under repurchase and other borrowing agreements with banks.

5. Contingent liabilities and other commitments

5.1 Contingent liabilities

	30 September 2010 (Reviewed) QAR'000	30 September 2009 (Reviewed) QAR'000	31 December 2009 (Audited) QAR'000
Guarantees	3,049,153	3,205,030	3,940,546
Unutilised credit facilities	4,058,521	2,957,157	2,942,374
Letters of credit and acceptances	771,293	515,197	661,948
Total contingent liabilities	7,878,967	6,677,384	7,544,868

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

Notes to the Interim Condensed Consolidated Financial Statements

For the nine months ended 30 September 2010

5.2 Other commitments

	30 September 2010 (Reviewed) QAR'000	30 September 2009 (Reviewed) QAR'000	31 December 2009 (Audited) QAR'000
Operating lease commitment	49,204	62,675	58,177
Capital commitments	9,954	43,574	38,565
Foreign exchange contracts	439,008	750,736	988,487
Interest rate swaps	1,723,813	1,058,500	1,328,600
Total other commitments	2,221,979	1,915,485	2,413,829

6. Other income

In the previous year, the Group received an amount of QAR 291 million within the Qatari government plan to support national banks, of which QAR 179.6 million was recognised as income during the nine months ended 30 September 2009. No such amounts were received during the same period ended 30 September 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 annual net profits to the state social and sports fund. The clarification relating to law no. 13 requires the payable amount to be recognised as a distribution of income. During the nine months ended 30 September 2010, the group appropriated an amount of QAR 4.2 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	Total QAR'000
30 September 2010 (Reviewed)				
Net operating income	420,520	66,395	90,668	577,583
Net profit for the period	231,445	61,632	36,430	329,507
Total assets	15,768,644	1,932,411	2,884,504	20,585,559
Total liabilities	12,321,082	872,105	2,225,566	15,418,753
30 September 2009 (Reviewed)				
Net operating income	275,348	47,274	69,262	391,884
Net profit for the period	73,175	42,895	20,272	136,342
Total assets	11,917,183	972,740	3,236,814	16,126,737
Total liabilities	7,960,103	757,733	2,585,136	11,302,972

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

Notes to the Interim Condensed Consolidated Financial Statements

For the nine months ended 30 September 2010

9. Related party transactions

9.1 Statement of financial position items

	30 September 2010 (Reviewed) QAR'000	30 September 2009 (Reviewed) QAR'000	31 December 2009 (Audited) QAR'000
Key management			
Loans and advances	3,495	2,186	4,225
Customer deposits	1,238	1,236	848
Unrestricted investment accounts	39,634	-	-
Others			
Loans and advances	1,729,000	1,840,850	1,585,133
Customer deposits	2,181,730	1,893,508	3,234,656
Subordinated debt	124,060	133,268	131,153
Contingent liabilities	59,316	-	113,681

9.2 Statement of Income items

	9 months ended 30 September	
	2010 (Reviewed) QAR'000	2009 (Reviewed) QAR'000
Key management		
Interest income	183	100
Interest expense	21	19
Unrestricted investment account holders' share	1,113	-
Others		
Interest income	41,549	29,411
Interest expense	32,694	22,446
Commission income	3,686	47,274
Income from Islamic financing activities	40,969	992
Other income	-	179,618

9.3 Compensation of key management personnel

	9 months ended 30 September	
	2010 (Reviewed) QAR'000	2009 (Reviewed) QAR'000
Salaries and allowances and other benefits	19,806	22,998
End of service benefit	771	817
Total compensation of key management personnel	20,577	23,815

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

Notes to the Interim Condensed Consolidated Financial Statements

For the nine months ended 30 September 2010

10. Cash and cash equivalents

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

	30 September 2010 (Reviewed) QAR'000	30 September 2009 (Reviewed) QAR'000	31 December 2009 (Audited) QAR'000
Cash and deposits with central banks	416,958	580,144	214,987
Due from banks maturing within 3 months	2,278,839	2,487,590	3,495,576
Balance as at the end of the period	2,695,797	3,067,734	3,710,563

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