



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

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

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

QR. 99-8

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 June 30, 2010, and the related interim condensed consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the three and six 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 June 30, 2010 and results of operations for the three and six month periods then ended of the subsidiary's operations in France have been incorporated on basis of returns certified by management of the subsidiary and have not been independently reviewed. The net profit for the six month period ended June 30, 2010 and the total assets and total liabilities of the French operations as at June 30, 2010 amounted to QAR 2,889,033, QAR 1,654,879,070 and QAR 1,082,984,279 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
July 20, 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 June 2010

		30 June 2010	30 June 2009	31 December 2009
		(Reviewed)	(Restated)	(Audited)
	Notes	QAR'000	QAR'000	QAR'000
Assets				
Cash and balances with central banks		1,522,930	976,424	644,362
Due from banks and financial institutions		2,486,279	2,964,968	3,582,521
Loans, advances and financing activities	3	9,183,997	8,150,580	8,585,406
Financial investments	4	6,222,177	2,812,101	3,965,085
Intangible assets		340,384	442,321	381,348
Property and equipment		128,914	130,449	131,015
Other assets		278,018	196,032	234,363
Total assets		20,162,699	15,672,875	17,524,100
Liabilities				
Due to central banks		570,049	21,932	-
Due to banks and financial institutions		5,245,500	2,879,911	3,131,489
Customer deposits		9,097,929	7,664,140	9,239,777
Subordinated debt		111,482	128,559	131,153
Other liabilities		230,080	189,447	183,339
Total liabilities		15,255,040	10,883,989	12,685,758
Unrestricted investment accounts		87,001	-	5,001
Total liabilities and unrestricted investment accounts		15,342,041	10,883,989	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		(5,079)	(12,270)	810
Foreign currency translation reserve		(40,672)	102,217	74,706
Retained earnings		299,084	173,820	190,500
Total shareholders' equity		4,820,658	4,788,886	4,833,341
Total liabilities, unrestricted investment accounts and shareholders' equity		20,162,699	15,672,875	17,524,100

These interim condensed consolidated financial statements have been approved by the Board of Directors on 20 July 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 six months ended 30 June 2010

	3 months ended 30 June		6 months ended 30 June		
	Notes	2010 (Reviewed) QAR'000	2009 (Reviewed) QAR'000	2010 (Reviewed) QAR'000	2009 (Reviewed) QAR'000
Interest income		185,131	160,067	350,983	293,388
Interest expense		(74,978)	(84,041)	(162,599)	(138,649)
Net interest income		110,153	76,026	188,384	154,739
Income from Islamic financing activities		25,770	15,809	50,707	31,618
Unrestricted investment account holders' share		(3,675)	-	(5,989)	-
Net Income from Islamic financing activities		22,095	15,809	44,718	31,618
Fee and commission income		20,746	41,579	52,395	66,238
Fee and commission expense		(1,232)	(1,806)	(2,805)	(2,434)
Net fee and commission income		19,514	39,773	49,590	63,804
Dividend income		461	-	1,666	-
Net gains from foreign currency transactions		1,707	1,585	4,190	4,319
Net gains from financial instruments at fair value		2,434	194	4,187	194
Net gains on available-for-sale investments		(1,287)	3,394	27,462	3,394
Net operating income		155,077	136,781	320,197	258,068
General and administration expenses		(77,974)	(76,121)	(148,787)	(159,788)
Depreciation of property and equipment		(7,006)	(10,907)	(16,999)	(19,551)
Amortisation of intangible assets		(10,664)	(10,433)	(21,270)	(20,821)
Impairment losses on loans, net of recoveries		(2,437)	(29,775)	(16,966)	(30,113)
Other income	6	(718)	48,270	545	82,661
Net profit before taxes		56,278	57,815	116,720	110,456
Income tax expense		(2,396)	(1,156)	(4,700)	(2,048)
Net profit for the period		53,882	56,659	112,020	108,408
Earnings per share					
Basic and diluted earnings per share (QAR)		0.15	0.16	0.31	0.30
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 six months ended 30 June 2010

	3 months ended 30 June		6 months ended 30 June	
	2010 (Reviewed) QAR'000	2009 (Reviewed) QAR'000	2010 (Reviewed) QAR'000	2009 (Reviewed) QAR'000
Net Profit for the period	53,882	56,659	112,020	108,408
Other comprehensive income				
Exchange difference on translating foreign operations	(66,430)	75,740	(115,378)	86,127
Net change in fair value of available-for-sale investments	(29,136)	56,425	21,573	51,773
Net change in fair value transferred to Statement of Income	1,287	(3,394)	(27,462)	(3,394)
Total other comprehensive income for the period	(94,279)	128,771	(121,267)	134,506
Total comprehensive income for the period	(40,397)	185,430	(9,247)	242,914

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 six months ended 30 June 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	-	-	-	48,379	86,127	108,408	242,914
Balance at 30 June 2009	3,600,000	907,669	17,450	(12,270)	102,217	173,820	4,788,886
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	-	-	-	(5,889)	(115,378)	112,020	(9,247)
Contribution to social and sports fund for 2009 (note 7)	-	-	-	-	-	(3,436)	(3,436)
Balance at 30 June 2010	3,600,000	924,398	42,927	(5,079)	(40,672)	299,084	4,820,658

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 six months ended 30 June 2010

	Notes	6 months ended 30 June		Year ended
		2010	2009	31 December
		(Reviewed)	(Reviewed)	(Audited)
		QAR'000	QAR'000	QAR'000
Cash flows from operating activities		1,552,318	3,821,268	5,088,334
Cash flows from investing activities				
Purchase of financial investments		(4,620,362)	(2,368,758)	(5,133,513)
Proceeds from sales of financial investments		2,430,772	625,980	2,295,818
Purchase of intangible assets		(3,266)	(4,245)	(4,752)
Purchase of property and equipment		(14,901)	(2,593)	(25,036)
Proceeds from property and equipment		-	-	107
Net cash used in investing activities		(2,207,757)	(1,749,616)	(2,867,376)
Net (Decrease) / increase in cash and cash equivalents		(655,439)	2,071,652	2,220,958
Exchange gains on foreign currency cash and cash equivalents		(345)	(2,551)	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	3,054,779	3,551,934	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 six months ended 30 June 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 six months ended 30 June 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 six months ended 30 June 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

In the previous year, 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 million to QAR 364 million. 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 million to QAR 136 million. The comparative figures of the financial position as at 30 June 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 six months ended 30 June 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

	30 June 2010 (Reviewed) QAR'000	30 June 2009 (Reviewed) QAR'000	31 December 2009 (Audited) QAR'000
Conventional loans and advances	8,158,493	7,270,864	7,602,725
Islamic financing activities	1,291,940	924,500	1,251,140
Gross loans, advances and financing activities	9,450,433	8,195,364	8,853,865
Allowance for impairment	(248,167)	(30,768)	(237,452)
Islamic financing activities deferred profit	(18,269)	(14,016)	(31,007)
Net loans, advances and financing activities	9,183,997	8,150,580	8,585,406

4. Financial investments

	30 June 2010 (Reviewed) QAR'000	30 June 2009 (Reviewed) QAR'000	31 December 2009 (Audited) QAR'000
Available-for-sale financial investments	5,563,832	2,047,102	2,835,728
Held-to-maturity financial investments	618,606	727,332	1,092,101
Financial investments at fair value through profit or loss	39,739	37,667	37,256
Total financial investments	6,222,177	2,812,101	3,965,085

Debt securities with a value of QAR 3,729 million (30 June 2009: QAR 1,301 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

	30 June 2010 (Reviewed) QAR'000	30 June 2009 (Reviewed) QAR'000	31 December 2009 (Audited) QAR'000
Guarantees	3,391,237	3,090,240	3,940,546
Unutilised credit facilities	4,172,155	2,837,209	2,942,374
Letters of credit and acceptances	912,536	555,287	661,948
Total contingent liabilities	8,475,928	6,482,736	7,544,868

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

5.2 Other commitments

	30 June 2010 (Reviewed) QAR'000	30 June 2009 (Reviewed) QAR'000	31 December 2009 (Audited) QAR'000
Operating lease commitment	52,195	64,924	58,177
Capital commitments	8,252	38,403	38,565
Foreign exchange contracts	922,856	1,158,538	988,487
Interest rate swaps	1,869,413	1,058,500	1,328,600
Total other commitments	2,852,716	2,320,365	2,413,829

6. Other income

In the previous year, during the 6 months ended 30 June 2009 the Group received an amount of QAR 110.9 million within the Qatari government plan to support national banks, of which QAR 82.6 million was recognised as income during the 6 months ended 30 June 2009. No such amounts were received during the same period ended 30 June 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 requires the payable amount to be recognised as a distribution of income. During the six months ended 30 June 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
30 June 2010 (Reviewed)					
Net operating income	216,834	44,718	58,645	-	320,197
Net profit for the period	160,651	42,032	23,477	(114,140)	112,020
Total assets	15,197,490	1,667,993	2,811,906	485,310	20,162,699
Total liabilities	12,690,079	243,963	2,225,886	182,113	15,342,041
30 June 2009 (Reviewed)					
Net operating income	187,319	31,618	39,431	(300)	258,068
Net profit for the period	117,091	29,237	8,401	(46,321)	108,408
Total assets	10,937,805	1,248,057	2,990,872	496,141	15,672,875
Total liabilities	7,994,691	300,000	2,371,961	217,337	10,883,989

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

For the six months ended 30 June 2010

9. Related party transactions

9.1 Statement of financial position items

	30 June 2010 (Reviewed) QAR'000	30 June 2009 (Reviewed) QAR'000	31 December 2009 (Audited) QAR'000
Key management			
Loans and advances	1,892	2,161	4,225
Customer deposits	976	87,060	848
Others			
Loans and advances	1,398,640	1,629,179	1,585,133
Customer deposits	2,617,524	1,701,341	3,234,656
Subordinated debt	111,482	128,559	131,153
Contingent liabilities	89,484	-	113,681

9.2 Statement of Income items

	6 months ended 30 June	
	2010 (Reviewed) QAR'000	2009 (Reviewed) QAR'000
Key management		
Interest income	76	371
Interest expense	-	671
Others		
Interest income	24,415	8,871
Interest expense	26,034	14,019
Commission income	3,686	682
Income from Islamic financing activities	27,308	31,618
Other income	-	82,662

9.3 Compensation of key management personnel

	6 months ended 30 June	
	2010 (Reviewed) QAR'000	2009 (Reviewed) QAR'000
Salaries and allowances and other benefits	13,604	15,920
End of service benefit	504	185
Total compensation of key management personnel	14,108	16,105

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

10. Cash and cash equivalents

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

	30 June 2010 (Reviewed) QAR'000	30 June 2009 (Reviewed) QAR'000	31 December 2009 (Audited) QAR'000
Cash and deposits with central banks	847,793	586,966	214,987
Due from banks maturing within 3 month	2,206,986	2,964,968	3,495,576
Balance as at the end of the period	3,054,779	3,551,934	3,710,563

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