



Al Khalij Commercial Bank (al khaliji) Q.S.C
Interim Condensed Consolidated Financial Statements
for the three months ended 31 March 2011

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Interim Condensed Consolidated Financial Statements

For the three months ended 31 March 2011

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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, 2011, 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 at March 31, 2011 and results of operations for the three month 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 month period ended March 31, 2011 and the total assets and total liabilities of the subsidiary as at March 31, 2011 amounted to QAR 12,603,336, QAR 3,114,036,520 and QAR 2,397,820,536 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 17, 2011

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 2011

		31 March 2011 (Reviewed)	31 March 2010 (Reviewed)	31 December 2010 (Audited)
	Notes	QAR'000	QAR'000	QAR'000
Assets				
Cash and balances with central banks		965,367	1,024,235	1,387,231
Due from banks and financial institutions		3,564,558	2,155,312	3,959,853
Loans, advances and financing activities	3	8,048,626	9,033,937	7,256,709
Financial investments	4	8,679,555	4,990,278	7,083,441
Intangible assets		333,925	361,393	335,599
Property and equipment		111,078	134,110	115,672
Other assets		307,711	196,480	236,556
Total assets		22,010,820	17,895,745	20,375,061
Liabilities				
Due to central banks		-	64,858	-
Due to banks and financial institutions		6,878,436	4,870,622	6,130,209
Customer deposits		9,284,069	7,467,007	7,996,226
Subordinated debt		129,325	122,717	120,503
Other liabilities		220,266	165,230	198,773
Total liabilities		16,512,096	12,690,434	14,445,711
Unrestricted investment accounts		364,574	345,001	674,714
Total liabilities and unrestricted investment accounts		16,876,670	13,035,435	15,120,425
Shareholders' equity				
Share capital		3,600,000	3,600,000	3,600,000
Statutory reserves		967,068	924,398	967,068
Risk reserve		108,851	42,927	108,851
Fair value reserve		141,357	22,770	76,427
Foreign currency translation reserve		63,710	25,758	8,530
Proposed dividends	5	-	-	360,000
Retained earnings		253,164	244,457	133,760
Total shareholders' equity		5,134,150	4,860,310	5,254,636
Total liabilities, unrestricted investment accounts and shareholders' equity		22,010,820	17,895,745	20,375,061

These interim condensed consolidated financial statements have been approved by the Board of Directors on 17 April 2011, 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 9 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 2011

	Notes	3 months ended 31 March	
		2011 (Reviewed) QAR'000	2010 (Reviewed) QAR'000
Interest income		200,073	165,852
Interest expense		(52,395)	(87,621)
Net interest income		147,678	78,231
Income from Islamic financing and investment activities		8,293	24,937
Unrestricted investment account holders' share in profits		(6,309)	(2,314)
Net Income from Islamic financing and investment activities	7.1	1,984	22,623
Fee and commission income		31,293	31,649
Fee and commission expense		(3,938)	(1,573)
Net fee and commission income		27,355	30,076
Dividend income		5,069	1,205
Net gains from foreign currency transactions		172	2,483
Net gains from financial instruments at fair value		(537)	1,753
Net profit from available-for-sale investments		49,041	28,749
Other operating income		132	-
Net operating income		230,894	165,120
General and administration expenses		(77,407)	(70,813)
Depreciation of property and equipment		(7,213)	(9,993)
Amortisation of intangible assets		(12,547)	(10,606)
Impairment losses on loans, net of recoveries		(11,418)	(14,529)
Other income		-	1,263
Net profit before taxes		122,309	60,442
Income tax expense		(2,905)	(2,304)
Net profit after tax		119,404	58,138
Earnings per share			
Basic and diluted earnings per share (QAR)		0.33	0.16
Weighted average number of shares outstanding		360,000,000	360,000,000

The accompanying notes 1 to 9 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 2011

	3 months ended 31 March	
	2011	2010
	(Reviewed)	(Reviewed)
	QAR'000	QAR'000
Net Profit for the period	119,404	58,138
Other comprehensive income		
Foreign currency translation difference for foreign operations	55,180	(48,948)
Net change in fair value of available-for-sale investments	113,971	50,709
Net change in fair value transferred to profit and loss	(49,041)	(28,749)
Total other comprehensive income for the period	120,110	(26,988)
Total comprehensive income for the period	239,514	31,150

The accompanying notes 1 to 9 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 2011

	Share Capital QAR'000	Statutory Reserve QAR'000	Risk Reserve QAR'000	Fair Value Reserve QAR'000	Foreign Currency Translation Reserve QAR'000	Proposed dividends QAR'000	Retained Earnings QAR'000	Total QAR'000
Balance at 1 January 2011	3,600,000	967,068	108,851	76,427	8,530	360,000	133,760	5,254,636
Profit for the period							119,404	119,404
Other comprehensive income				64,930	55,180			120,110
Total comprehensive income for the period	-	-	-	64,930	55,180	-	119,404	239,514
Dividends paid for the year 2010 (note 5)						(360,000)		(360,000)
Balance at 31 March 2011	3,600,000	967,068	108,851	141,357	63,710	-	253,164	5,134,150
Balance at 1 January 2010	3,600,000	924,398	42,927	810	74,706	-	186,319	4,829,160
Profit for the period							58,138	58,138
Other comprehensive income				21,960	(48,948)			(26,988)
Total comprehensive income for the period	-	-	-	21,960	(48,948)	-	58,138	31,150
Balance at 31 March 2010	3,600,000	924,398	42,927	22,770	25,758	-	244,457	4,860,310

The accompanying notes 1 to 9 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 2011

	3 months ended 31 March		Year ended
	2011	2010	31 December
	(Reviewed)	(Reviewed)	(Audited)
	QAR'000	QAR'000	QAR'000
Notes			
Cash flows from operating activities	296,943	42,309	3,065,199
Cash flows from investing activities			
Purchase of financial investments	(2,825,290)	(3,269,717)	(7,950,836)
Proceeds from sales of financial investments	1,320,727	2,309,119	4,436,555
Purchase of intangible assets	-	(769)	(9,212)
Purchase of property and equipment	-	(13,091)	(40,882)
Net cash used in investing activities	(1,504,563)	(974,458)	(3,564,375)
Cash flow from financing activities			
Dividends paid to shareholders	(286,833)	-	-
Net cash used in financing activities	(286,833)	-	-
Net decrease in cash and cash equivalents	(1,494,453)	(932,149)	(499,176)
Exchange gains on foreign currency cash and cash equivalents	66,446	99	(29,961)
Cash and cash equivalents at beginning of period	3,181,426	3,710,563	3,710,563
Cash and cash equivalents at end of period	9	(1,753,419)	2,778,513
			3,181,426

The accompanying notes 1 to 9 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 2011

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 subsidiary (the "Group") are engaged in commercial and Islamic banking activities (note 7). The Group operates from its head office and three branches in Qatar, one branch in France and four branches in the United Arab Emirates.

During 2010 the Board of Directors of al khaliji approved the initiation of merger talks with International Bank of Qatar (IBQ). As at the reporting date the negotiations are ongoing.

2. Accounting policies

2.1 Basis of preparation

The interim condensed consolidated financial statements for the three months ended 31 March 2011 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 (QCB) 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 2010. The results of the three months ended 31 March 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

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 2010, 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 2010.

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

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended 31 March 2011

3. Loans, advances and financing activities

	31 March 2011 (Reviewed) QAR'000	31 March 2010 (Reviewed) QAR'000	31 December 2010 (Audited) QAR'000
Conventional loans and advances	7,911,343	8,023,354	7,108,128
Islamic financing activities (note 7.1)	318,252	1,271,540	319,075
Gross loans, advances and financing activities	8,229,595	9,294,894	7,427,203
Allowance for impairment	(174,370)	(246,882)	(161,567)
Islamic financing activities deferred profit	(6,599)	(14,075)	(8,927)
Net loans, advances and financing activities	8,048,626	9,033,937	7,256,709

4. Financial investments

	31 March 2011 (Reviewed) QAR'000	31 March 2010 (Reviewed) QAR'000	31 December 2010 (Audited) QAR'000
Available-for-sale financial investments	7,863,242	4,356,972	6,298,005
Held-to-maturity financial investments	776,349	594,297	745,393
Financial investments at fair value through profit or loss	39,964	39,009	40,043
Total financial investments	8,679,555	4,990,278	7,083,441

Debt securities with a value of QAR3,276 million (31 March 2010: QAR 3,525 million; 31 December 2010: QAR 2,971.1 million) are pledged as collateral under repurchase and other borrowing agreements with other banks.

5. Dividends

A cash dividend of 10% (QAR 1 per share) relating to the year ended 31 December 2010, amounting to QAR 360 million was approved by the shareholders at the Annual General Assembly held on 7 March 2011 (2009: QAR Nil).

6. Contingent liabilities and other commitments

6.1 Contingent liabilities

	31 March 2011 (Reviewed) QAR'000	31 March 2010 (Reviewed) QAR'000	31 December 2010 (Audited) QAR'000
Guarantees	2,984,708	3,667,038	3,113,086
Unutilised credit facilities	3,729,462	3,071,421	4,395,916
Letters of credit and acceptances	670,285	930,457	892,093
Total contingent liabilities	7,384,455	7,668,916	8,401,095

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

For the three months ended 31 March 2011

6.2 Other commitments

	31 March 2011 (Reviewed)	31 March 2010 (Reviewed)	31 December 2010 (Audited)
	QAR'000	QAR'000	QAR'000
Operating lease commitment	38,072	55,186	48,663
Capital commitments	3,927	33,832	1,463
Foreign exchange contracts	1,072,006	638,506	625,847
Interest rate swaps	2,979,613	1,929,200	2,069,613
Option contracts	309,400	-	254,800
Total other commitments	4,403,018	2,656,724	3,000,386

7. Segment information

The Group is organised into three main operating segments for management purposes, which comprise conventional banking, Islamic banking and foreign operations. The results of each of the operating segments which are reviewed regularly by the Group's management, are as follows:

	Conventional Banking QAR'000	Islamic Banking QAR'000	al khaliji France QAR'000	Unallocated QAR'000	Total QAR'000
31 March 2011 (Reviewed)					
Net operating income	196,410	1,984	32,500	-	230,894
Net profit for the period	165,862	1,984	12,603	(61,045)	119,404
Total assets	18,132,664	375,677	3,114,037	388,442	22,010,820
Total liabilities	13,973,317	373,693	2,397,821	131,839	16,876,670
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	8,655,174	1,400,396	2,217,427	762,438	13,035,435
31 December 2010 (Audited)					
Total assets	16,151,985	989,626	3,082,106	151,344	20,375,061
Total liabilities	11,670,392	688,088	2,580,155	181,790	15,120,425

7.1 Islamic banking operations

During the period, the QCB issued a directive to conventional banks to close down their Islamic banking activities by the year-end. In accordance with this directive al khaliji ceased to extend Islamic facilities to, or take Islamic deposits from new customers. The Group's management is considering available options for its existing Islamic operations.

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

For the three months ended 31 March 2011

8. Related party transactions

8.1 Statement of financial position items

	31 March 2011 (Reviewed) QAR'000	31 March 2010 (Reviewed) QAR'000	31 December 2010 (Audited) QAR'000
Key management			
Loans and advances	6,329	4,185	6,473
Customer deposits	12,462	733	20,846
Others			
Loans and advances	364,000	1,237,464	364,000
Customer deposits	636,342	1,686,101	889
Subordinated debt	129,325	122,717	120,503

8.2 Statement of Income items

	3 months ended 31 March	
	2011 (Reviewed) QAR'000	2010 (Reviewed) QAR'000
Key management		
Interest income	83	75
Interest expense	54	2
Others		
Interest income	3,318	7,508
Interest expense	2,302	4,348
Income from Islamic financing activities	-	6,660

8.3 Compensation of key management personnel

	3 months ended 31 March	
	2011 (Reviewed) QAR'000	2010 (Reviewed) QAR'000
Salaries and allowances and other benefits	6,589	6,049
End of service benefit	441	134
Total compensation of key management personnel	7,030	6,183

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

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended 31 March 2011

9. Cash and cash equivalents

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

	31 March 2011 (Reviewed) QAR'000	31 March 2010 (Reviewed) QAR'000	31 December 2010 (Audited) QAR'000
Cash and deposits with central banks	544,290	622,059	942,818
Due from banks maturing within 3 month	1,209,129	2,156,454	2,238,608
Balance as at the end of the period	1,753,419	2,778,513	3,181,426

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