



Al Khalij Commercial Bank (al khaliji) (Q.S.C.)
Interim Condensed Consolidated Financial Statements
for the nine months ended 30 September 2009

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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 statement of financial position as at September 30, 2009, and the related interim condensed consolidated statements of income, comprehensive income for the three and nine month period then ended, changes in shareholders' equity and cash flows for the nine 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 of September 30, 2009 and results of operations for the three and nine month period then ended of the subsidiaries have been incorporated on basis of returns certified by management of the subsidiaries and have not been independently reviewed. The net profit for the nine month period ended September 30, 2009 and the total assets and total liabilities of the subsidiaries as at September 30, 2009 amounted to QR 20,272,220, QR 3,236,814,522 and QR 2,585,136,066 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, 2009**

**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 2009

		30 September 2009	31 December 2008
		(Reviewed)	(Audited)
			(Restated)
	Notes	QAR'000	QAR'000
Assets			
Cash and balances at central banks		933,334	1,029,622
Due from banks and financial institutions		2,487,591	2,200,708
Loans, advances and financing activities	3	8,326,892	6,980,053
Financial investments	4	3,543,769	1,016,283
Intangible assets	12	396,182	405,616
Property and equipment		121,057	147,407
Other assets		317,912	174,826
Total assets		16,126,737	11,954,515
Liabilities			
Due to central banks		42,411	42,837
Due to banks and financial institutions		3,150,835	2,391,626
Customer deposits		7,776,137	4,673,858
Subordinated debt		133,268	127,555
Other liabilities	12	200,321	172,667
Total liabilities		11,302,972	7,408,543
Shareholders' equity			
Share capital	5	3,600,000	3,600,000
Statutory reserves		907,669	907,669
Risk reserve		17,450	17,450
Fair value reserve		9,955	(60,649)
Foreign currency translation reserve		86,937	16,090
Retained earnings		201,754	65,412
Total shareholders' equity		4,823,765	4,545,972
Total liabilities and shareholders' equity		16,126,737	11,954,515

These Interim condensed consolidated financial statements have been approved by the Board of Directors on 19 October 2009, 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 12 set out on pages 8 to 14 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 2009

	3 months ended 30 September		9 months ended 30 September		
	2009 (Reviewed) QAR'000	2008 (Reviewed) QAR'000	2009 (Reviewed) QAR'000	2008 (Reviewed) QAR'000	
	Notes				
Interest income		149,586	81,166	442,973	238,723
Interest expense		(93,249)	(14,309)	(231,898)	(42,596)
Net interest income		56,337	66,857	211,075	196,127
Income from Islamic financing activities		15,656	3,180	47,274	3,180
Fee and commission income		26,829	23,660	93,067	30,989
Fee and commission expense		752	(67)	(1,682)	(67)
Net fee and commission income		27,581	23,593	91,385	30,922
Net gains from foreign currency transactions		1,334	3,132	5,654	3,000
Net losses from financial instruments at fair value		(6,509)	-	(6,315)	-
Net profit on sale of available for sale investments		39,417	-	42,811	-
Net operating income		133,816	96,762	391,884	233,229
Administration and general expenses		(66,569)	(73,774)	(226,357)	(188,801)
Depreciation of property and equipment		(10,893)	(7,216)	(30,416)	(16,003)
Amortisation of intangible assets		(10,489)	(7,212)	(31,338)	(7,212)
Impairment losses on loans, net of recoveries		(112,515)	-	(142,628)	-
Other income	6	96,957	-	179,618	-
Net profit before taxes		30,307	8,560	140,763	21,213
Income tax expense		(2,373)	-	(4,421)	-
Net profit for the period		27,934	8,560	136,342	21,213
Earnings per share					
Basic and diluted earnings per share (QAR)		0.08	0.02	0.38	0.06
Weighted average number of shares outstanding	5	360,000,000	360,000,000	360,000,000	360,000,000

The accompanying notes 1 to 12 set out on pages 8 to 14 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 2009

	3 month ended 30 September		9 months ended 30 September	
	2009 (Reviewed) QAR'000	2008 (Reviewed) QAR'000	2009 (Reviewed) QAR'000	2008 (Reviewed) QAR'000
Net Profit for the period	27,934	8,560	136,342	21,213
Other comprehensive income				
Exchange difference on translating foreign operations	(15,280)	-	70,847	-
Net change in fair value of available for sale investments	61,642	(88,649)	113,415	(88,649)
Net change in fair value transferred to profit and loss	(39,417)	-	(42,811)	-
Total other comprehensive income for the period	6,945	(88,649)	141,451	(88,649)
Total comprehensive income for the period	34,879	(80,089)	277,793	(67,436)

The accompanying notes 1 to 12 set out on pages 8 to 14 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 nine months ended 30 September 2009

	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 as at 1 January 2008 (Audited)	3,600,000	886,953	-	-	-	74,309	4,561,262
Total comprehensive income for the period	-	-	-	(88,649)	-	21,213	(67,436)
Balance at 30 September 2008 (Reviewed)	3,600,000	886,953	-	(88,649)	-	95,522	4,493,826
Balance at 1 January 2009 (Audited)	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 (Reviewed)	3,600,000	907,669	17,450	9,955	86,937	201,754	4,823,765

The accompanying notes 1 to 12 set out on pages 8 to 14 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 nine months ended 30 September 2009

	Notes	9 months ended 30 September	
		2009 (Reviewed) QAR'000	2008 (Reviewed) QAR'000
Cash flows from/(used in) operating activities - net		4,008,798	(1,322,917)
Net cash used in investing activities - net		(2,421,195)	(2,399,760)
Net increase / (Decrease) in cash and cash equivalents		1,587,603	(3,722,677)
Exchange gains on foreign currency cash and cash equivalents		(2,702)	2,371
Cash and cash equivalents at beginning of period		1,482,833	4,197,734
Cash and cash equivalents at end of period	7	3,067,734	477,428

The accompanying notes 1 to 12 set out on pages 8 to 14 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 2009

1. Incorporation and Principal Activities

Al Khalij Commercial Bank (Q.S.C.) (“al khaliji”) was incorporated on 9 January 2007 as a Qatari Shareholding Company under Commercial Registration No. 34548, with its registered head office in Doha.

al khaliji and its subsidiaries (the “Group”) are engaged in commercial and Islamic banking activities and consulting services. 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 the period, after obtaining the appropriate approvals, the Group started providing Islamic financing services through a separate Islamic branch in Qatar.

2. Accounting policies

2.1 Basis of preparation

The interim condensed consolidated financial statements for the nine months ended 30 September 2009 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. Statement of income and balance sheet 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 period ended 31 December 2008. The results of the nine months ended 30 September 2009 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2009.

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 period ended 31 December 2008 except as follows:

- **IAS 1 – Presentation of financial statements (revised) – effective 1 January 2009:** Adoption of revised IAS 1 resulted in the requirement to present the total comprehensive income. Total comprehensive income includes statement of income items in addition to items that are recognized directly in equity. Items recognized directly in equity are presented under the heading “other comprehensive income”. Revised IAS 1 permits the presentation of total comprehensive income in a single “statement of comprehensive income” or in a statement of income and a separate statement for comprehensive income. The Group elected to present total comprehensive income in a separate statement. The adoption of revised IAS 1 did not have any effect of the financial position or performance of the Group.
- **IFRS 8 - Operating Segments - effective 1 January 2009:** IFRS 8 is a disclosure standard that has resulted in a re-designation of the Group’s reportable segments (see note 9), but has had no impact on the reported results or financial position of the Group.
- **Derivatives held for risk management and hedge accounting:** During the period, the group designated certain derivatives as hedging instruments in qualifying hedge relationships.

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and the strategy in undertaking the hedge transaction, together with the method that will be used to assess the effectiveness of the hedging relationship. The group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be 'highly effective' in offsetting the changes in the fair value or cash flows of the respective hedged item during the period for which hedge is designated.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the statement of income, together with any changes in the fair value of the hedged item that are attributable to the hedged risk. Effective changes in fair value of hedging instruments and related hedged items are reflected in the same statement of income line item. Any ineffectiveness is recognised in 'Gains/losses from financial instruments at fair value'.

If the hedge no longer meets the criteria for fair value hedge accounting, hedge accounting is prospectively discontinued. Any adjustment up to that point, to a hedged item for which the effective interest method is used, is amortised to profit or loss as part of the effective interest rate of the item over its remaining life.

- **Held to maturity financial investments:** During the period the Group acquired certain financial investments that were classified as held to maturity financial investments.

Held to maturity financial investments are non derivative financial assets, with fixed or determinable payments and fixed maturities that the group has the ability and the positive intent to hold to maturity, and are not designated as fair value through profit or loss, or available for sale. Held to maturity investments are carried at the amortised cost using the effective interest rate method.

- **Fair value through profit or loss:** The Group acquired certain financial investments that were designated as financial investments at fair value through profit and loss. Financial investments are classified as fair value through profit and loss if the investments are managed, evaluated and reported internally on fair value basis. Changes in fair value of these investments are recognised immediately in profit or loss.
- **Islamic financing activities:** Islamic financing activities are stated at their gross principal amounts less any amount received, provision for credit loss and deferred profit. Revenues from Islamic financing transactions are recognised on an accrual basis using the reducing installment method.

Application of new accounting policies or adoption of other new or amended accounting standards effective on 1 January 2009 does not have a significant effect on the financial position or performance 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 2008.

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

Notes to the Interim Condensed Consolidated Financial Statements

For the nine months ended 30 September 2009

3. Loans, advances and financing activities

	30 September 2009 (Reviewed) QAR'000	31 December 2008 (Audited) QAR'000
Conventional loans and advances	7,567,861	6,810,054
Islamic financing activities	924,500	203,500
Gross loans, advances and financing activities	8,492,361	7,013,554
Allowance for impairment	(162,289)	(30,581)
Islamic financing activities deferred profit	(3,180)	(2,920)
Net loans, advances and financing activities	8,326,892	6,980,053

As part of the government program to support banks in Qatar, the Group has sold loans and advances with a net amount of QAR 769 million for government bonds.

4. Financial investments

	30 September 2009 (Reviewed) QAR'000	31 December 2008 (Audited) QAR'000
Available for sale financial investments	2,914,970	1,016,283
Held to maturity financial investments	589,532	-
Financial investments at fair value through profit or loss	39,267	-
Total financial investments	3,543,769	1,016,283

5. Share Capital

During the period, the Group obtained approval to reduce the authorised share capital from QAR 7.2 billion to QAR 3.6 billion. This resulted in the cancellation of the unpaid amount of authorised share capital, and reducing the number of issued shares from 720 million shares to 360 million shares by offering one 100% paid-up share to every shareholder for every two 50% paid-up shares previously issued. The restructuring had no effect on either the amount of issued share capital or the ownership structure of the Group. The earnings per share calculation was adjusted retrospectively to reflect the effect of the above.

6. Other income

During the nine months period ended 30 September 2009 the Group recognised a total amount of QAR 179.6 million as income within the Qatari government plan to support national banks. Of this amount QAR 110.9 million was received before June 30 and a further QAR 68.7 million was recorded as receivable as at 30 September 2009. This amount, together with an additional amount of 111.3 (total of QAR 180 million) was received subsequent to the statement of the financial position date.

The Group recognizes government assistance as income over the periods necessary to match them with the related costs which they are intended to compensate according to the conditions of the assistance provided that there is reasonable assurance that the assistance will be received and the group will comply with the attached conditions.

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

Notes to the Interim Condensed Consolidated Financial Statements

For the nine months ended 30 September 2009

In absence of conditions, recognition is based on the Group's management estimate of incurrence of related costs. The Group estimates that costs warranting recognition of income from the above mentioned government assistance is represented in the difference between the actually achieved margins during stressed market conditions and the margins that would have been achieved under normal market conditions.

7. Cash and cash equivalents

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

	30 September 2009 (Reviewed) QAR'000	30 September 2008 (Reviewed) QAR'000
Cash and deposits with central banks	580,144	81,969
Due from banks maturing within 3 months	2,487,590	395,459
Balance as at the end of the period	3,067,734	477,428

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

8. Contingent liabilities and other commitments

8.1 Contingent liabilities

	30 September 2009 (Reviewed) QAR'000	31 December 2008 (Audited) QAR'000
Guarantees	3,205,030	2,884,525
Unutilised credit facilities	2,957,157	1,687,706
Letters of credit and acceptances	515,197	152,215
Total contingent liabilities	6,677,384	4,724,446

8.2 Other commitments

	30 September 2009 (Reviewed) QAR'000	31 December 2008 (Audited) QAR'000
Operating lease commitment	62,675	71,669
Capital commitments	43,574	54,650
Notional amounts of interest rate swaps and forward contracts	1,809,236	486,455
Total other commitments	1,915,485	612,774

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

Notes to the Interim Condensed Consolidated Financial Statements

For the nine months ended 30 September 2009

9. Segment information

9.1 Operating segments

The group is organised into three main operating segments, wholesale banking, consumer banking and Islamic banking, in addition to the head office. Following are segment information as reviewed regularly by the Group's management:

	Consumer Banking QAR'000	Wholesale Banking QAR'000	Islamic Banking QAR'000	Head office QAR'000	Total QAR'000
30 September 2009 (Reviewed)					
Net operating income	125,757	219,306	47,274	(453)	391,884
Net profit for the period	(66,894)	172,081	47,274	(16,119)	136,342
Total assets	3,647,452	10,382,242	971,093	1,125,950	16,126,737
Total liabilities	3,056,660	8,188,396	7,733	50,183	11,302,972
30 September 2008 (Reviewed)					
Net operating income	8,813	221,236	3,180	-	233,229
Net profit for the period	(12,281)	206,701	3,180	(176,387)	21,213
Total assets	128,592	6,647,510	206,100	868,048	7,850,250
Total liabilities	147,833	6,361,752	2,920	(3,156,081)	3,356,424

9.2 Geographical segments

Qatar operations contribute 85% in terms of the Group's net profits, and hold 83% of the Group's assets.

10. Related party transactions

10.1 Statement of financial position items

	Key management QAR'000	Others QAR'000	Total QAR'000
30 September 2009 (Reviewed)			
Loans and advances	2,186	1,840,850	1,843,036
Customer deposits	83,123	1,893,508	1,976,631
Subordinated debt	-	133,268	133,268
31 December 2008 (Audited)			
Loans and advances	5,310	1,183,359	1,188,669
Customer deposits	28,845	208,301	237,146
Subordinated debt	-	127,555	127,555

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

For the nine months ended 30 September 2009

10.2 Statement of Income items

	Key management QAR '000	Others QAR '000	Total QAR '000
<i>9 months ended 30 September 2009 (Reviewed)</i>			
Interest income	100	29,411	29,511
Interest expense	569	22,446	23,015
Commission income	-	47,274	47,274
Income from Islamic financing activities	-	992	992
Other income	-	177,071	177,071
<i>9 months ended 30 September 2008 (Reviewed)</i>			
Interest income	-	9,609	9,609
Interest expense	-	3,180	3,180
Commission income	-	-	-
Income from Islamic financing activities	-	-	-
Other income	-	-	-

10.3 Compensation of key management personnel

	9 months ended 30 September	
	2009 (Reviewed) QAR '000	2008 (Reviewed) QAR '000
Salaries and allowances and other benefits	41,683	29,532
End of service benefit	817	1,153
Total compensation of key management personnel	42,500	30,685

11. Liquidation of a subsidiary

During the period, the group liquidated Al khaliji services Ltd, one of its subsidiaries located in United Arab Emirates. The net loss of the subsidiary for the nine months ended 30 September 2009 was QAR 115,000 (September 2008: QAR 91,000). At the date of the liquidation total assets were QAR 217,000 and total liabilities were QAR 313,000.

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

Notes to the Interim Condensed Consolidated Financial Statements

For the nine months ended 30 September 2009

12. Comparative information

During the period the Group finalized the purchase price of its subsidiary BLC France SA which was acquired during the prior year. 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 remains 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.

Comparative information for the statement of financial position was restated to reflect these changes; the impact on the 2008 statement of financial position line items is as follows:

Line item	Before restatement	After restatement
	QAR '000	QAR '000
Intangible assets	951,616	405,616
Other liabilities	718,667	172,667

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