



Al Khalij Commercial Bank (al khaliji) Q.S.C
Interim Condensed Consolidated Financial Statements
for the nine months ended 30 September 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 September 30, 2011, and the related interim condensed consolidated statements of income and comprehensive income for the three and nine month periods 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 accompanying interim condensed consolidated financial statements include the financial position as at September 30, 2011 and results of operations for the nine month period then ended of the subsidiary's operations in France which have been incorporated on basis of returns certified by management and have not been independently reviewed. The net profit for the nine month period ended September 30, 2011, total assets and total liabilities of the French operations as at September 30, 2011 amounted to QAR 41,660,563 QAR 2,873,984,987 and QAR 2,205,766,007 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 & Touch

Doha – Qatar

October 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 30 September 2011

		30 September 2011 (Reviewed)	31 December 2010 (Audited)
	Notes	QAR'000	QAR'000
Assets			
Cash and balances with central banks		1,099,461	1,387,231
Due from banks and financial institutions		3,961,109	3,959,853
Loans, advances and financing activities	4	8,495,438	7,256,709
Financial investments	5	9,626,377	7,083,441
Intangible assets		302,511	335,599
Property and equipment		103,317	115,672
Other assets		259,395	236,556
Total assets		23,847,608	20,375,061
Liabilities			
Due to banks and financial institutions		6,244,538	6,130,209
Customer deposits		11,217,956	7,830,622
Subordinated debt		123,940	120,503
Other liabilities		504,115	364,377
Total liabilities		18,090,549	14,445,711
Unrestricted investment accounts		359,824	674,714
Total liabilities and unrestricted investment accounts		18,450,373	15,120,425
Shareholders' equity			
Share capital		3,600,000	3,600,000
Statutory reserves		967,068	967,068
Risk reserve		108,851	108,851
Fair value reserve		197,115	76,427
Foreign currency translation reserve		31,097	8,530
Proposed dividends	6	-	360,000
Retained earnings		493,104	133,760
Total shareholders' equity		5,397,235	5,254,636
Total liabilities, unrestricted investment accounts and shareholders' equity		23,847,608	20,375,061

These Interim Condensed Consolidated Financial Statements have been approved by the Board of Directors on 17 October 2011, and signed on its behalf by:

Hamad Bin Faisal Bin Thani Al-Thani
Chairman and Managing Director

Robin McCall
Group Chief Executive Officer

The accompanying notes 1 to 12 set out on pages 7 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 nine months ended 30 September 2011

	Notes	3 months ended 30 September		9 months ended 30 September	
		2011 (Reviewed) QAR'000	2010 (Reviewed) QAR'000	2011 (Reviewed) QAR'000	2010 (Reviewed) QAR'000
Interest income		193,729	217,567	597,098	568,550
Interest expense		(49,647)	(78,567)	(153,295)	(241,166)
Net interest income		144,082	139,000	443,803	327,384
Income from Islamic financing activities		5,326	28,098	18,890	78,805
Unrestricted investment account holders' share		(3,082)	(6,421)	(10,314)	(12,410)
Net Income from Islamic financing activities		2,244	21,677	8,576	66,395
Fee and commission income		21,537	27,238	83,577	79,633
Fee and commission expense		(371)	(951)	(6,365)	(3,756)
Net fee and commission income		21,166	26,287	77,212	75,877
Dividend income		-	-	6,020	1,666
Net gains from foreign currency transactions		1,097	4,863	4,517	9,053
Net (losses) / gains from financial instruments at fair value		(468)	1,608	(1,059)	5,795
Net gains / (losses) on available-for-sale investments		33,486	63,701	108,570	91,163
Other operating income	7	158	250	50,697	250
Net operating income		201,765	257,386	698,336	577,583
General and administration expenses		(73,648)	(73,191)	(224,626)	(221,978)
Depreciation of property and equipment		(7,109)	(6,514)	(21,331)	(23,513)
Amortisation of intangible assets		(11,960)	(10,779)	(36,956)	(32,049)
Impairment losses on loans, net of recoveries		(2,860)	54,064	(28,793)	37,098
Other operating expenses	8	7,515	(736)	(17,600)	(191)
Net profit before taxes		113,703	220,230	369,030	336,950
Income tax expense		(3,480)	(2,743)	(9,686)	(7,443)
Net profit for the period		110,223	217,487	359,344	329,507
Earnings per share					
Basic and diluted earnings per share (QAR)		0.31	0.60	1.00	0.92
Weighted average number of shares outstanding		360,000,000	360,000,000	360,000,000	360,000,000

The accompanying notes 1 to 12 set out on pages 7 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 nine months ended 30 September 2011

	3 months ended 30 September		9 months ended 30 September	
	2011 (Reviewed) QAR'000	2010 (Reviewed) QAR'000	2011 (Reviewed) QAR'000	2010 (Reviewed) QAR'000
Net profit for the period	110,223	217,487	359,344	329,507
Other comprehensive income				
Exchange difference on translating foreign operations	(22,650)	66,055	22,567	(49,323)
Net change in fair value of available-for-sale investments	(262)	127,053	229,258	148,626
Net change in fair value transferred to Statement of Income	(33,486)	(63,701)	(108,570)	(91,163)
Total other comprehensive income for the period	(56,398)	129,407	143,255	8,140
Total comprehensive income for the period	53,825	346,894	502,599	337,647

The accompanying notes 1 to 12 set out on pages 7 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 nine months ended 30 September 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	-	-	-	-	-	-	359,344	359,344
Other comprehensive income	-	-	-	120,688	22,567	-	-	143,255
Total comprehensive income for the period	-	-	-	120,688	22,567	-	359,344	502,599
Dividends paid for the year 2010 (note 6)	-	-	-	-	-	(360,000)	-	(360,000)
Balance at 30 September 2011	3,600,000	967,068	108,851	197,115	31,097	-	493,104	5,397,235
Balance at 1 January 2010	3,600,000	924,398	42,927	810	74,706	-	186,319	4,829,160
Total comprehensive income for the period	-	-	-	57,463	(49,323)	-	329,507	337,647
Contribution to social and sports fund 2009	-	-	-	-	-	-	(4,182)	(4,182)
Balance at 30 September 2010	3,600,000	924,398	42,927	58,273	25,383	-	511,644	5,162,625

The accompanying notes 1 to 12 set out on pages 7 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 nine months ended 30 September 2011

	Notes	9 months ended 30 September	
		2011 (Reviewed) QAR'000	2010 (Reviewed) QAR'000
Cash flows from operating activities		1,286,741	1,583,446
Cash flows from investing activities			
Purchase of financial investments		(6,205,033)	(6,377,742)
Proceeds from sales of financial investments		3,857,069	3,806,704
Purchase of intangible assets		(82)	(7,216)
Purchase of property and equipment		(12,762)	(19,789)
Net cash used in investing activities		(2,360,808)	(2,598,043)
Cash flow from financing activities			
Dividends paid to shareholders		(336,489)	-
Net cash used in financing activities		(336,489)	(2,598,043)
Net decrease in cash and cash equivalents		(1,410,556)	(1,014,597)
Exchange gains on foreign currency cash and cash equivalents		60,290	(169)
Cash and cash equivalents at beginning of period		3,181,426	3,710,563
Cash and cash equivalents at end of period	12	1,831,160	2,695,797

The accompanying notes 1 to 12 set out on pages 7 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 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 subsidiaries (the "Group") are engaged in commercial and Islamic banking activities (note 10). 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 June 2011 al khaliji Q.S.C and IBQ have jointly decided to end negotiations for the proposed merger after final terms could not be agreed.

On 25 July 2011 the bank established a fully owned subsidiary "Al Khaliji Capital S.P.C" which will provide financial services such as brokerage. The company will commence operations in 2012.

2. Accounting policies

2.1 Basis of preparation

The Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 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 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 2010. The results of the nine months ended 30 September 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 year ended 31 December 2010.

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

Notes to the Interim Condensed Consolidated Financial Statements

For the nine months ended 30 September 2011

3. Financial instruments and related risk management

3.1. Financial risk factors

The Group has exposure to the following key risks related to its activities: credit risk, market risk, liquidity risk and operational risk. The Interim Condensed Consolidated Financial Statements do not include all financial risk management information and disclosures required in the Group's annual Consolidated Financial Statements, and should be read in conjunction with the Group's annual Consolidated Financial Statements as at 31 December 2010. There have been no significant changes in the risk management since year end or in any risk management policies.

3.2 Fair value estimation

During 2011, available-for-sale government bonds which had a fair value of QAR 1,124 million at 31 December 2010 started to trade and quoted prices are available from an active market.

The Group transferred these available-for-sale government bonds from level 2 (derived inputs) into level 1 (observable inputs)

There were no reclassifications of financial assets between available-for sale, fair value through profit or loss and held-to-maturity, during the period ended 30 September 2011.

4. Loans, advances and financing activities

	30 September 2011 (Reviewed) QAR'000	31 December 2010 (Audited) QAR'000
Conventional loans and advances	8,428,334	7,108,128
Islamic financing activities (note 10.1)	250,901	319,075
Gross loans, advances and financing activities	8,679,235	7,427,203
Allowance for impairment	(182,271)	(161,567)
Islamic financing activities deferred profit	(1,526)	(8,927)
Net loans, advances and financing activities	8,495,438	7,256,709

The total non-performing loans and advances as at 30 September 2011 amounted to QAR 66.1 million representing 0.76% of the total gross loans, advances and financing activities (31 December 2010: QAR 100.3 million representing 1.3% of the total gross loans, advances and financing activities). Interest in suspense amounted to QAR 13.7 million (31 December 2010: QAR 12.0 million).

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

For the nine months ended 30 September 2011

5. Financial investments

	30 September 2011 (Reviewed) QAR'000	31 December 2010 (Audited) QAR'000
Available-for-sale financial investments	8,523,933	6,298,005
Held-to-maturity financial investments	1,062,651	745,393
Financial investments at fair value through profit or loss	39,793	40,043
Total financial investments	9,626,377	7,083,441

Debt securities with a value of QAR 3,769 million (31 December 2010: QAR 2,971 million) are pledged as collateral under repurchase and other borrowing agreements with banks.

6. 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 (2010: QAR Nil).

7. Other operating income

During the period the Group received QAR 49.8 million as part of a successful insurance claim. The full amount was recognized as income in Q2.

8. Other operating expenses

The Group has expensed all merger related costs amounting to QAR 17.6 million incurred during the current nine months for consultants, and advisors in connection with the discontinued merger with IBQ (refer note 1 above).

9. Contingent liabilities and other commitments

9.1 Contingent liabilities

	30 September 2011 (Reviewed) QAR'000	31 December 2010 (Audited) QAR'000
Guarantees	3,678,391	3,113,086
Unutilised credit facilities	4,385,248	4,395,916
Letters of credit and acceptances	976,332	892,093
Total contingent liabilities	9,039,971	8,401,095

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

For the nine months ended 30 September 2011

9.2 Other commitments

	30 September 2011 (Reviewed)	31 December 2010 (Audited)
	QAR'000	QAR'000
Operating lease commitment	27,456	48,663
Capital commitments	9,255	1,463
Foreign exchange contracts	1,113,508	625,847
Interest rate swaps	3,484,375	2,069,613
Option contracts	54,600	254,800
Total other commitments	4,689,194	3,000,386

10. 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
30 September 2011 (Reviewed)					
Net operating income	584,194	8,576	105,566	-	698,336
Net profit for the period	319,033	(1,350)	41,661	-	359,344
30 September 2010 (Reviewed)					
Net operating income	420,530	66,395	90,668	-	577,583
Net profit for the period	231,445	61,632	36,430	-	329,507
30 September 2011 (Reviewed)					
Total assets	20,249,325	252,836	2,873,985	471,462	23,847,608
Total liabilities	15,522,356	371,523	2,205,766	350,728	18,450,373
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

10.1 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 nine months ended 30 September 2011

11. Related party transactions

11.1 Statement of financial position items

	30 September 2011 (Reviewed) QAR'000	31 December 2010 (Audited) QAR'000
Key management		
Loans and advances	6,262	6,473
Customer deposits	10,891	20,846
Others		
Loans and advances	364,000	364,000
Customer deposits	851,867	737,139
Subordinated debt	123,940	120,503

11.2 Statement of Income items

	9 months ended 30 September	
	2011 (Reviewed) QAR'000	2010 (Reviewed) QAR'000
Key management		
Interest income	211	183
Interest expense	63	1,134
Profit distribution on Islamic banking activities	162	-
Others		
Interest income	9,530	45,271
Interest expense	19,369	55,545
Income from Islamic financing activities	-	40,969

11.3 Compensation of key management personnel

	9 months ended 30 September	
	2011 (Reviewed) QAR'000	2010 (Reviewed) QAR'000
Salaries and allowances and other benefits	19,599	19,806
End of service benefit	967	771
Total compensation of key management personnel	20,566	20,577

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

Notes to the Interim Condensed Consolidated Financial Statements

For the nine months ended 30 September 2011

12. Cash and cash equivalents

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

	30 September 2011 (Reviewed) QAR'000	30 September 2010 (Reviewed) QAR'000
Cash and deposits with central banks	515,660	416,958
Due from banks maturing within 3 month	1,315,500	2,278,839
Balance as at the end of the period	1,831,160	2,695,797

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