



Unaudited  
Condensed Interim  
**Financial Statements**  
30 June 2011



# Independent Auditor's Report on Review of Condensed Interim Financial Statements

TO THE BOARD OF DIRECTORS OF AHLI BANK Q.S.C.

## Introduction

We have reviewed the accompanying condensed statement of financial position of Ahli Bank Q.S.C. (the "Bank") as at 30 June 2011 and the condensed statements of income, comprehensive income, cash flows and changes in equity for the six month period then ended and the related notes (together referred to as "the condensed interim financial statements").

The Board of Directors are responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34 "Interim Financial Reporting" and the applicable provisions of Qatar Central Bank regulations. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

## Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of 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.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements as at 30 June 2011 are not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting" and the applicable provisions of Qatar Central Bank regulations.

Gopal Balasubramaniam, Partner

**KPMG**

Qatar Auditors Registry Number 251

17 July 2011

Doha, State of Qatar

# Condensed Statement of Financial Position

At 30 June 2011

Notes	30 June 2011 QR '000 (Unaudited)	31 December 2010 QR '000 (Audited)
<b>ASSETS</b>		
Cash and balances with Qatar Central Bank	1,881,869	2,874,447
Due from banks and other financial institutions	1,026,725	562,362
Loans, advances and financing activities to customers	11,063,060	11,338,854
Financial investments	2,872,003	2,655,680
Property, furniture and equipment	179,906	182,897
Other assets	338,974	351,478
<b>Total Assets</b>	<b>17,362,537</b>	<b>17,965,718</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Due to Qatar Central Bank, banks and other financial institutions	2,357,517	2,600,437
Customers' deposits	11,259,351	11,461,343
Subordinated debt	182,000	182,000
Other liabilities	270,133	364,135
	14,069,001	14,607,915
Unrestricted investment accounts	980,480	1,293,533
<b>Total Liabilities</b>	<b>15,049,481</b>	<b>15,901,448</b>
<b>EQUITY</b>		
Share capital	3 700,781	642,383
Statutory reserve	1,038,722	775,929
Risk reserve	218,684	218,684
Fair value reserve	4 4,615	(6,242)
Proposed dividend	–	321,192
Retained earnings	350,254	112,324
<b>Total Equity</b>	<b>2,313,056</b>	<b>2,064,270</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>17,362,537</b>	<b>17,965,718</b>

**Sh. Faisal Bin Abdul-Aziz  
Bin Jassem Al Thani**  
Chairman

**Hamad Al Marzouq**  
Deputy Chairman

**Salah Murad**  
Chief Executive Officer

The attached notes 1 to 8 form an integral part of these condensed interim financial statements.

# Condensed Statement of Income

**Six Months Ended  
30 June 2011**

	Notes Three Months Ended 30 June		Six Months Ended 30 June	
	2011 QR '000 <i>(Unaudited)</i>	2010 QR '000 <i>(Unaudited)</i>	2011 QR '000 <i>(Unaudited)</i>	2010 QR '000 <i>(Unaudited)</i>
Interest income	174,643	217,657	374,444	428,957
Interest expense	(56,747)	(100,645)	(123,716)	(222,186)
<b>NET INTEREST INCOME</b>	<b>117,896</b>	<b>117,012</b>	<b>250,728</b>	<b>206,771</b>
Income from Islamic financing and investing activities	29,561	39,760	61,739	78,104
Unrestricted investment account holders' share in the profit	(2,909)	(23,530)	(15,188)	(50,050)
<b>NET INCOME FROM ISLAMIC FINANCING AND INVESTMENT ACTIVITIES</b>	<b>26,652</b>	<b>16,230</b>	<b>46,551</b>	<b>28,054</b>
Fee and commission income	29,304	22,294	51,942	45,282
Fee and commission expense	(353)	(137)	(1,255)	(272)
<b>NET FEE AND COMMISSION INCOME</b>	<b>28,951</b>	<b>22,157</b>	<b>50,687</b>	<b>45,010</b>
Dividend income	3,318	1,637	3,668	1,880
Net gain from dealing in foreign currencies	5,194	6,779	8,446	12,140
Net gain/(loss) on sale of financial investments	1,167	(58)	1,533	2,587
Other operating income	937	892	1,683	1,136
	10,616	9,250	15,330	17,743
<b>TOTAL OPERATING INCOME</b>	<b>184,115</b>	<b>164,649</b>	<b>363,296</b>	<b>297,578</b>
Provisions for impairment on loans and advances	(9,413)	(9,632)	(21,276)	(20,855)
General and administrative expenses	(46,398)	(42,485)	(92,558)	(81,056)
Depreciation	(6,400)	(5,020)	(11,532)	(10,105)
<b>TOTAL OPERATING EXPENSES AND IMPAIRMENT LOSSES</b>	<b>(62,211)</b>	<b>(57,137)</b>	<b>(125,366)</b>	<b>(112,016)</b>
<b>PROFIT FOR THE PERIOD</b>	<b>121,904</b>	<b>107,512</b>	<b>237,930</b>	<b>185,562</b>
<b>Basic and Diluted Earnings Per Share (QR)</b>	<b>1.79</b>	<b>1.71</b>	<b>3.49</b>	<b>2.94</b>

The attached notes 1 to 8 form an integral part of these condensed interim financial statements.

# Condensed Statement of Comprehensive Income

Six Months Ended  
30 June 2011

	Three Months Ended 30 June		Six Months Ended 30 June	
	2011 QR '000 <i>(Unaudited)</i>	2010 QR '000 <i>(Unaudited)</i>	2011 QR '000 <i>(Unaudited)</i>	2010 QR '000 <i>(Unaudited)</i>
Profit for the period	121,904	107,512	237,930	185,562
<b>Other comprehensive income</b>				
<i>Available-for-sale investments</i>				
Fair value gains during the period	10,479	3,180	6,835	4,552
Less: Reclassification adjustments for gains included in the statement of income for the period on derecognition	(206)	(2,299)	(6)	(2,075)
Less: Amortised during the period on reclassification to loans and receivables	19	57	36	(144)
	<b>10,292</b>	<b>938</b>	<b>6,865</b>	<b>2,333</b>
<i>Cash flow hedges</i>				
Fair value gains during the period	4,352	1,296	3,992	21
<b>Other comprehensive income for the period</b>	<b>14,644</b>	<b>2,234</b>	<b>10,857</b>	<b>2,354</b>
<b>Total comprehensive income for the period</b>	<b>136,548</b>	<b>109,746</b>	<b>248,787</b>	<b>187,916</b>

The attached notes 1 to 8 form an integral part of these condensed interim financial statements.

# Condensed Statement of Cash Flows

Six Months Ended  
30 June 2011

	Six Months Ended 30 June	
	2011 QR '000 <i>(Unaudited)</i>	2010 QR '000 <i>(Unaudited)</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the period	237,930	185,562
<b>Adjustments for:</b>		
Depreciation	11,532	10,105
Provision for impairment on loans and advances	21,276	20,855
Net gain on sale of financial investments	(1,533)	(2,587)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>	<b>269,205</b>	<b>213,935</b>
<b>Net inflow (outflow) in assets</b>		
Due from banks and other financial institutions	3,785	55,416
Loans, advances and financing activities to customers	251,636	632,354
Other assets	12,505	(93,667)
<b>Net inflow (outflow) in liabilities</b>		
Due to Qatar Central Bank, banks and other financial institutions	(242,920)	(826,245)
Customers' deposits and unrestricted investment accounts	(515,044)	72,123
Other liabilities	(94,002)	88,419
<b>Net cash (used in)/ from operating activities</b>	<b>(314,835)</b>	<b>142,335</b>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(459,596)</b>	<b>(1,583,626)</b>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>-</b>	<b>(299,505)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(774,431)</b>	<b>(1,740,796)</b>
Cash and cash equivalents at 1 January	3,319,410	4,456,332
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>2,544,979</b>	<b>2,715,536</b>
<b>Cash and cash equivalents comprise:</b>		
Cash and balances with Qatar Central Bank (i)	1,237,384	448,352
Deposits with banks and other financial institutions maturing within three months	1,307,595	2,267,184
<b>Total</b>	<b>2,544,979</b>	<b>2,715,536</b>

(i) Excludes the mandatory cash reserve requirement by Qatar Central Bank.

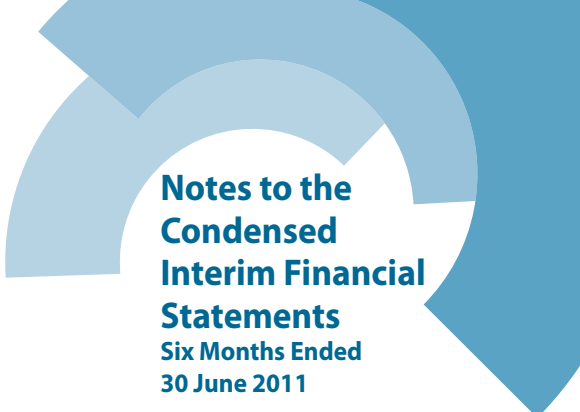
The attached notes 1 to 8 form an integral part of these condensed interim financial statements.

# Condensed Statement of Changes in Equity

Six Months Ended  
30 June 2011

	Share capital QR '000	Advance against share capital QR '000	Statutory reserve QR '000	Risk reserve QR '000	Fair value QR '000	Proposed dividend QR '000	Retained earnings QR '000	Total QR '000
Balance at 31 December 2009	613,184	160,596	644,532	218,684	(15,422)	306,592	24,409	1,952,575
Total comprehensive income for the period	-	-	-	-	2,354	-	185,562	187,916
Dividends paid (Note 3b)	-	-	-	-	-	(306,592)	-	(306,592)
Dividends waived (Note 3b)	-	-	-	-	-	-	14,600	14,600
Transfer to Social & Sports Fund for the year 2009	-	-	-	-	-	-	(7,513)	(7,513)
New shares issued (Note 3a)	29,199	(160,596)	131,397	-	-	-	-	-
<b>Balance at 30 June 2010</b> <i>(Unaudited)</i>	<b>642,383</b>	<b>-</b>	<b>775,929</b>	<b>218,684</b>	<b>(13,068)</b>	<b>-</b>	<b>217,058</b>	<b>1,840,986</b>
Balance at 31 December 2010	642,383	-	775,929	218,684	(6,242)	321,192	112,324	2,064,270
Total comprehensive income for the period	-	-	-	-	10,857	-	237,930	248,787
Dividends paid (Note 3b)	-	-	-	-	-	(321,192)	-	(321,192)
New shares issued (Note 3a)	58,398	-	262,793	-	-	-	-	321,191
<b>Balance at 30 June 2011</b> <i>(Unaudited)</i>	<b>700,781</b>	<b>-</b>	<b>1,038,722</b>	<b>218,684</b>	<b>4,615</b>	<b>-</b>	<b>350,254</b>	<b>2,313,056</b>

The attached notes 1 to 8 form an integral part of these condensed interim financial statements.



# Notes to the Condensed Interim Financial Statements Six Months Ended 30 June 2011

## 1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Ahli Bank Q.S.C. ("the Bank") was incorporated in the State of Qatar in 1983 as a public shareholding company under the Emiri Decree No. 40 of 1983. The Bank is engaged in commercial, retail and Islamic banking services and operates through its registered Head Office located at Suhaim Bin Hamad Street, Al Sadd Area in Doha (P.O. Box 2309, Doha, State of Qatar) and twenty branches established in the State of Qatar.

The Bank signed a management contract with Ahli United Bank (B.S.C.) in September 2004 for a period of ten years on a renewable basis.

The condensed interim financial statements of Ahli Bank Q.S.C. for the six months ended 30 June 2011 were authorized for issue in accordance with a resolution of the Board of Directors on 17 July 2011.

During the period, the Qatar Central Bank vide circular no 315/275/2011 has directed all conventional banks to cease booking any new Islamic business through their Islamic windows from 31 January 2011, which has been complied with by the Bank. Furthermore, the bank's management is considering available options for its existing Islamic operations.

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

The condensed interim financial statements of the Bank are prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting* and in conformity with the applicable provisions of Qatar Central Bank regulations, and have been presented in Qatari Riyals, which is the Bank's functional and presentation currency.

The condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements of the Bank for the year ended 31 December 2010. In addition, results for the six months ended 30 June 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

### Significant accounting policies

The accounting policies used in the preparation of these condensed interim financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2010.

During the period, the Bank has adopted revised IAS 24, Related Party Transactions. The amended standard clarified the definition of related party and laid down additional requirements for disclosure of outstanding commitments of Related Parties. The adoption of the amendment did not have any impact on the financial position of the Bank.

# Notes to the Condensed Interim Financial Statements Six Months Ended 30 June 2011

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

### Standards, amendments and interpretations issued but not yet effective

The new standards, amendments to standards and interpretations which have been issued but are not yet effective for the period ended 30 June 2011 and have not been applied in preparing these condensed interim financial statements were as follows:

-IFRS 9, Financial Instruments is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard can be adopted early prospectively, and prior periods need not be restated if an entity adopts the standard for reporting periods beginning before 1 January 2012. The Bank is currently assessing the impact of this standard for future periods. As per QCB instructions, the Banks in Qatar cannot go for early adoption of IFRS 9.

In addition, in May 2011, the following Standards have been issued by International Accounting Standards Board (IASB) but are not yet effective and not early adopted:

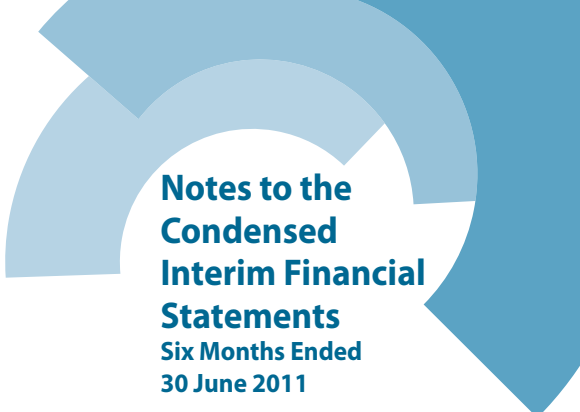
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement

These new standards are effective for annual periods beginning on or after 1 January 2013. These Standards are not likely to have an impact on the financial position of the Bank.

## 3. SHARE CAPITAL AND DIVIDENDS PAID

### a) Share Capital

	30 June 2011 QR '000 (Unaudited)	31 December 2010 QR '000 (Audited)
<b>Authorised</b>		
Ordinary shares of QR 10 each	700,781	642,383
<b>Issued and fully paid as of 30 June 2011</b>	<b>Number of shares in thousand</b>	<b>QR '000</b>
At 1 January 2010	61,318	613,183
Issue of new shares on 14 March 2010	2,920	29,200
At 31 December 2010 (Audited)	64,238	642,383
Issue of new shares on 27 February 2011	5,840	58,398
At 30 June 2011 (Unaudited)	<b>70,078</b>	<b>700,781</b>



**Notes to the  
Condensed  
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**3. SHARE CAPITAL AND DIVIDENDS PAID (continued)**

**a) Share Capital (continued)**

On 17 January 2011, the Bank received the final tranche of the share capital of QR 321,191 thousand (5,839,844 ordinary shares) by way of a private placement to the Qatar Investment Authority, in accordance with a resolution of the shareholders in their Extra-ordinary General Meeting held on 23 December 2008. The resolution approved the issue of equity shares up to 20% of the authorized capital of the Bank to the Qatar Investment Authority at QR 55 per share, representing the closing price of the Bank's shares on Qatar Exchange on 12 October 2008.

On 27 February 2011, the Bank issued the shares in respect of the final tranche upon obtaining approval from shareholders in the Annual General meeting held on 27 February 2011.

In accordance with the Qatar Commercial Companies' Law No. 5 of 2002 and applicable provisions of Qatar Central Bank regulations, the share premium amounting to QR 262,793 thousand arising from the final tranche, representing the difference between the proceeds received and the nominal value of new shares issued was credited to the statutory reserve resulting in balance of QR 1,038,722 thousand as at 30 June 2011.

Ahli United Bank B.S.C., Bahrain holds 33.3% of the ordinary shares of the Bank with the remaining shares held by Qatar Investment Authority (16.7%) and members of the public (50%).

**b) Dividends Paid**

During the period, the Bank has paid an amount of QR 5 per share totaling to QR 321,192 thousand as cash dividends for the year 2010 (2010 - QR 5 per share totaling to QR 306,592 thousand as cash dividends for the year 2009).

In 2010, one of the shareholders, Qatar Holding L.L.C (a wholly owned subsidiary of Qatar Investment Authority) waived its dividend entitlement for 2009 of QR 14,600 thousand and was credited back to Retained Earnings.

# Notes to the Condensed Interim Financial Statements Six Months Ended 30 June 2011

## 4. FAIR VALUE RESERVE

	30 June 2011 ( <i>Unaudited</i> )			31 December 2010 ( <i>Audited</i> )		
	Available- for-sale investments QR '000	Cash flow hedges QR '000	Total QR '000	Available- for-sale investments QR '000	Cash flow hedges QR '000	Total QR '000
At the beginning of the period/year	9,782	(16,024)	(6,242)	2,945	(18,367)	(15,422)
Realised during the period/year	(6)	-	(6)	(2,004)	-	(2,004)
Net movement in unrealised fair values during the period/year	6,835	3,992	10,827	8,985	2,343	11,328
Amortised during the period/year on reclassification to loans and receivables	36	-	36	(144)	-	(144)
<b>At the end of the period/year</b>	<b>16,647*</b>	<b>(12,032)</b>	<b>4,615</b>	<b>9,782*</b>	<b>(16,024)</b>	<b>(6,242)</b>

\* Includes QR 1,873 thousand (31 December 2010: QR 1,909 thousand) relating to unamortised portion of fair value reserve on available-for-sale financial investments transferred to loans and receivables.

## 5. SEASONALITY OF RESULTS

Dividend income of QR 3,668 thousand (30 June 2010: QR 1,880 thousand) is of a seasonal nature.

## 6. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the period by the weighted average number of shares in issue during the period. During the period, the Bank issued additional ordinary shares to increase the share capital.

	Six Months Ended 30 June	
	2011 ( <i>Unaudited</i> )	2010 ( <i>Unaudited</i> )
Profit for the period – QR '000	237,930	185,562
Weighted average number of shares	68,239,059	63,060,634
Basic and diluted earnings per share (QR)	3.49	2.94

# Notes to the Condensed Interim Financial Statements Six Months Ended 30 June 2011

## 6. EARNINGS PER SHARE (continued)

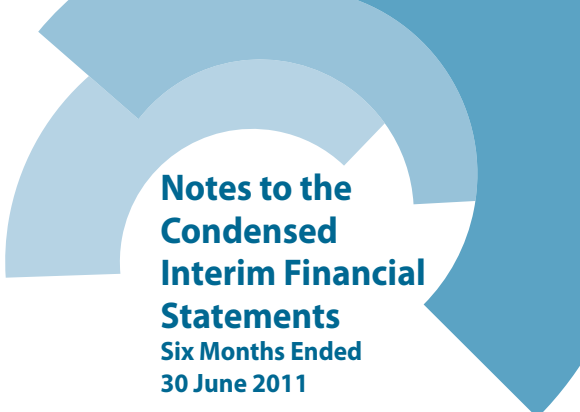
The weighted average number of shares has been calculated as follows:

	Six Months Ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
Qualifying shares at the beginning of the period	64,238,282	61,318,360
Weighted average of new share issue on 14 March 2010	–	1,742,274
Weighted average of additional share issue on 27 February 2011 (Note 3a)	4,000,777	–
Qualifying weighted average shares at the end of the period	<b>68,239,059</b>	<b>63,060,634</b>

There were no potentially dilutive shares outstanding at any time during the period, therefore, the diluted earnings per share is equal to the basic earnings per share.

## 7. CONTINGENT LIABILITIES, GUARANTEES AND OTHER COMMITMENTS

	30 June 2011 QR '000 (Unaudited)	31 December 2010 QR '000 (Audited)
<b>Contingent Liabilities:</b>		
Acceptances	22,669	39,066
Guarantees	1,630,635	1,562,016
Letters of credit	242,575	283,330
	<b>1,895,879</b>	<b>1,884,412</b>
<b>Commitments and other contingencies:</b>		
Unused credit facilities	5,398,544	3,997,195
Interest rate swaps	474,629	604,471
Forward foreign exchange contracts	1,390,942	1,082,143
Legal claims	57,176	25,293
Capital commitments	5,804	9,674
	<b>7,327,095</b>	<b>5,718,776</b>
<b>Total</b>	<b>9,222,974</b>	<b>7,603,188</b>



**Notes to the  
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**7. CONTINGENT LIABILITIES, GUARANTEES AND OTHER COMMITMENTS (continued)**

**Unused credit facilities**

Commitments to extend credit represent contractual commitments to fund loans and revolving credits. Commitments generally have fixed expiry dates or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements. The commitments generally have expiry dates of less than one year.

**Acceptances, guarantees and letters of credit**

Letters of credit, guarantees and acceptances commit the Bank to make payments on behalf of customers contingent upon their failure to perform under the terms of the contract. Guarantees and standby letters of credit carry the same risk as loans. Credit guarantees can be in the form of irrevocable letters of credits, advance payment guarantees and endorsements liabilities from bills rediscounted.

**Capital commitments**

This represents the contractual commitment on the purchase of a plot of land. As at the end of the reporting period, the land is still under development and the Bank has approximately 11% of the committed value payable through 3 quarterly installments with the final instalment payable in Jan 2012.

**8. SEGMENT INFORMATION**

For management reporting purposes, the Bank is organised into two major operating segments:

**Retail and private banking and wealth management** Principally handling individual customers' deposit and current accounts, providing consumer loans, residential mortgages, overdrafts, credit cards and fund transfer facilities. Private banking and wealth management represents servicing high net worth individuals through a range of investment products, funds, credit facilities, trusts and alternative investments.

**Corporate banking, treasury and investments** Principally handling loans and other credit facilities, and deposit and current accounts for corporate and institutional customers and providing money market, trading and treasury services, as well as management of the bank's funding.

Management monitors the operating results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

# Notes to the Condensed Interim Financial Statements Six Months Ended 30 June 2011

## 8. SEGMENT INFORMATION (continued)

Segment information for the period is as follows:

	Retail and private banking and wealth management QR '000	Corporate banking, treasury and investments QR '000	Total QR '000
<b>30 June 2011 (Unaudited)</b>			
Net interest income	108,425	142,303	250,728
Net income from Islamic financing	6,266	40,285	46,551
Others	20,277	45,740	66,017
Total operating income	134,968	228,328	363,296
(Provisions)/Recoveries	(15,615)	(5,661)	(21,276)
General and administrative expenses	(54,068)	(38,490)	(92,558)
Depreciation	(9,207)	(2,325)	(11,532)
<b>Profit for the period</b>	<b>56,078</b>	<b>181,852</b>	<b>237,930</b>
<b>Total assets</b>	<b>3,669,266</b>	<b>13,693,271</b>	<b>17,362,537</b>
<b>Total liabilities</b>	<b>6,076,361</b>	<b>8,973,120</b>	<b>15,049,481</b>
<b>30 June 2010 (Unaudited)</b>			
Net interest income	87,247	119,524	206,771
Net income from Islamic financing	5,719	22,335	28,054
Others	18,967	43,786	62,753
Total operating income	111,933	185,645	297,578
(Provisions)/Recoveries	(19,661)	(1,194)	(20,855)
General and administrative expenses	(48,005)	(33,051)	(81,056)
Depreciation	(7,694)	(2,411)	(10,105)
<b>Profit for the period</b>	<b>36,573</b>	<b>148,989</b>	<b>185,562</b>
<b>Total assets</b>	<b>3,782,996</b>	<b>13,889,273</b>	<b>17,672,269</b>
<b>Total liabilities</b>	<b>6,008,892</b>	<b>9,822,393</b>	<b>15,831,285</b>