



Al Khalij Commercial Bank (al khaliji) Q.S.C
Consolidated Financial Statements
for the year ended 31 December 2009

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

Consolidated Financial Statements

For the year ended 31 December 2009

TABLE OF CONTENTS

	Page
Independent Auditor's report	1-2
Consolidated Statement of Financial Position	3
Consolidated Statement of Income	4
Consolidated Statement of Comprehensive Income	5
Consolidated Statement of Changes in Shareholders' Equity	6
Consolidated Cash Flow Statement	7
Notes to the Consolidated Financial Statements	8-51

INDEPENDENT AUDITOR'S REPORT

To The Shareholders

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

Doha – Qatar.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Al Khalij Commercial Bank (al khaliji) Q.S.C (the "Bank"), and its subsidiaries (together the "Group") which comprise the consolidated financial position as at 31 December 2009 and the consolidated statement of income, statement of comprehensive income, changes in shareholders' equity and cash flows for the year ended 31 December 2009, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and Qatar Central Bank Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2009 and of its financial performance and its cash flows for the year ended 31 December 2009 in accordance with International Financial Reporting Standards and Qatar Central Bank regulations.

Report on Other Legal and Regulatory Requirements

We have obtained all the information and explanations which we considered necessary for the purpose of our audit. We further confirm that the financial information included in the Annual Report of the Board of Directors is in agreement with the books and records of the Group and that we are not aware of any contravention by the Group of its Articles of Association, the Qatar Commercial Companies Law No. 5 of 2002 and Decree Law No. 33 of 2006 and Qatar Central Bank regulations during the financial year that would materially affect its activities or its financial position.

For **Deloitte & Touche**

**Doha – Qatar
2 February 2010**

**Muhammad Bahemia
License No. 103**

Al Khalij Commercial Bank (al khaliji) Q.S.C
Consolidated Statement of Financial Position

As at 31 December

	Notes	2009 QAR'000	2008 (Restated) QAR'000
Assets			
Cash and balances with central banks	4	644,362	1,029,622
Due from banks and financial institutions	5	3,582,521	2,200,708
Loans, advances and financing activities to customers	6	8,585,406	6,980,053
Financial investments	7	3,965,085	1,016,283
Intangible assets	8	381,348	406,345
Property and equipment	9	131,015	146,678
Other assets	10	234,363	174,826
Total assets		17,524,100	11,954,515
Liabilities			
Due to central banks		-	42,837
Due to banks and financial institutions	11	3,131,489	2,391,626
Customer deposits	12	9,239,777	4,673,858
Subordinated debt	13	131,153	127,555
Other liabilities	14	183,339	172,667
Total liabilities		12,685,758	7,408,543
Unrestricted investment accounts	15	5,001	-
Total liabilities and unrestricted investment accounts		12,690,759	7,408,543
Shareholders' equity	16		
Share capital		3,600,000	3,600,000
Statutory reserves		924,398	907,669
Risk reserve		42,927	17,450
Fair value reserve		810	(60,649)
Foreign currency translation reserve		74,706	16,090
Retained earnings		190,500	65,412
Total shareholders' equity		4,833,341	4,545,972
Total liabilities, unrestricted investment accounts and shareholders' equity		17,524,100	11,954,515

The consolidated financial statements have been approved by the Board of Directors on 2 February 2010, and signed on its behalf by:

Sheikh Hamad Bin Faisal Al-Thani
Chairman

Abdulla Bin Nasser Al-Misnad
Deputy Chairman

The accompanying notes 1 to 31 set out on pages 8 to 51 form an integral part of the consolidated financial statements.

Al Khalij Commercial Bank (al khaliji) Q.S.C
Consolidated Statement of Income

		Year ended 31 December 2009	9 January 2007 to 31 December 2008
	Notes	QAR'000	QAR'000
Interest income		607,794	567,944
Interest expense		(328,794)	(103,251)
Net interest income	19	279,000	464,693
Income from Islamic financing and investing activities		77,365	-
Unrestricted investment account holders' share in profits		(128)	-
Net income from Islamic financing and investing activities	31	77,237	-
Fee and commission income		113,328	64,367
Fee and commission expense		(2,862)	(546)
Net fee and commission income	20	110,466	63,821
Net gains from foreign currency transactions	21	10,284	6,248
Net losses from financial instruments at fair value		(6,020)	-
Net profit on sale of available-for-sale investments		51,177	-
Other operating income		-	16,514
Net operating income		522,144	551,276
General and administration expenses	22	(310,863)	(397,040)
Depreciation of property and equipment	9	(38,941)	(28,202)
Amortisation of intangible assets	8	(42,244)	(17,642)
Impairment losses on loans, net of recoveries	6	(247,534)	(3,546)
Other income	23	291,353	-
Profit before tax		173,915	104,846
Income tax expense	24	(6,621)	(1,268)
Profit for the year / period		167,294	103,578
		QAR	QAR
Earnings per share			
Basic and diluted earnings per share	25	0.46	0.33

The accompanying notes 1 to 31 set out on pages 8 to 51 form an integral part of the consolidated financial statements.

Al Khalij Commercial Bank (al khaliji) Q.S.C
Consolidated Statement of Comprehensive Income

	Year ended 31 December 2009 QAR'000	9 January 2007 to 31 December 2008 QAR'000
Profit for the year / period	167,294	103,578
Other comprehensive income		
Foreign currency translation difference for foreign operations	58,616	16,090
Net change in fair value of available-for-sale investments	112,636	(60,649)
Net change in fair value transferred to profit and loss	(51,177)	-
Total other comprehensive income for the year / period, net of tax	120,075	(44,559)
Total comprehensive income for the year / period	287,369	59,019

The accompanying notes 1 to 31 set out on pages 8 to 51 form an integral part of the consolidated financial statements.

Al Khalij Commercial Bank (al khaliji) Q.S.C
Consolidated Statement of Changes in Shareholders' Equity

	Share Capital	Statutory Reserve	Risk Reserve	Fair Value Reserve	Foreign Currency Translation Reserve	Retained Earnings	Total
	QAR'000	QAR'000	QAR'000	QAR'000	QAR'000	QAR'000	QAR'000
Balance at 1 January 2009	3,600,000	907,669	17,450	(60,649)	16,090	65,412	4,545,972
Profit for the year	-	-	-	-	-	167,294	167,294
Foreign currency translation difference for foreign operations	-	-	-	-	58,616	-	58,616
Net change in fair value of available-for-sale investments	-	-	-	61,459	-	-	61,459
Total comprehensive income for the year, net of tax	-	-	-	61,459	58,616	167,294	287,369
Transfer to Risk Reserve	-	-	25,477	-	-	(25,477)	-
Transfer to Statutory Reserve	-	16,729	-	-	-	(16,729)	-
Balance at 31 December 2009	3,600,000	924,398	42,927	810	74,706	190,500	4,833,341
Balance at 9 January 2007	-	-	-	-	-	-	-
Capital contribution	3,600,000	-	-	-	-	-	3,600,000
Premium on issuance of capital	-	720,000	-	-	-	-	720,000
Excess establishment reserve over expenses incurred	-	166,953	-	-	-	-	166,953
Profit for the period	-	-	-	-	-	103,578	103,578
Foreign currency translation difference for foreign operations	-	-	-	-	16,090	-	16,090
Net change in fair value of available-for-sale investments	-	-	-	(60,649)	-	-	(60,649)
Total comprehensive income for the period, net of tax	-	-	-	(60,649)	16,090	103,578	59,019
Transfer to Risk Reserve	-	-	17,450	-	-	(17,450)	-
Transfer to Statutory Reserve	-	20,716	-	-	-	(20,716)	-
Balance at 31 December 2008	3,600,000	907,669	17,450	(60,649)	16,090	65,412	4,545,972

The accompanying notes 1 to 31 set out on pages 8 to 51 form an integral part of the consolidated financial statements.

Al Khalij Commercial Bank (al khaliji) (Q.S.C)
Consolidated Cash Flow Statement

		Year ended 31 December 2009	9 January 2007 to 31 December 2008 (Restated)
	Notes	QAR'000	QAR'000
Cash flow from operating activities:			
Profit for the year / period before tax		173,915	104,846
Reconciliation of profit before tax to net cash flows from operating activities:			
Adjustment for non-cash items:			
- Allowance for impairment	6	247,534	3,546
- Depreciation, and amortisation of property, equipment and intangible assets	8, 9	81,185	45,844
- Gain on sale of available-for-sale financial investments		(51,177)	-
- Loss on sales of assets		546	-
- Other provisions	14	4,149	9,922
- Amortisation of discount on financial investments		1,530	(5,088)
Profit before changes in operating assets and liabilities		457,682	159,070
Changes in operating assets and liabilities:			
- Net increase in regulatory reserves with central banks		(180,522)	(116,676)
- Net increase in due from banks and financial institutions		1,379,589	-
- Net increase in loans and advances to banks and customers		(1,869,614)	(6,397,504)
- Net increase in other assets		(60,074)	(158,653)
- Net increase in deposits		4,612,184	2,675,329
- Net increase in due to banks and financial institutions		746,542	2,060,009
- Net increase in other liabilities		2,547	667,270
Net cash from / (used in) operating activities		5,088,334	(1,111,155)
Cash flow from investment activities			
Purchase of financial investments	7	(5,133,513)	(1,065,296)
Purchase of intangible assets	8	(4,752)	(286,500)
Purchase of property and equipment	9	(25,036)	(165,940)
Proceeds from property and equipment	9	107	51
Proceeds from financial investments		2,295,818	-
Acquisitions of subsidiaries net of cash acquired	28	-	(397,135)
Net cash used in investing activities		(2,867,376)	(1,914,820)
Cash flow from financing activities			
Issue of shares		-	4,486,953
Net cash from financing activities		-	4,486,953
Net increase in cash and cash equivalents		2,220,958	1,460,978
Exchange gains on foreign currency cash and cash equivalents		6,772	21,855
Cash and cash equivalents at beginning of the year / period		1,482,833	-
Cash and cash equivalents at end of year / period	27	3,710,563	1,482,833

The accompanying notes 1 to 31 set out on pages 8 to 51 form an integral part of the consolidated financial statements.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

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.

During the period, after obtaining the appropriate approvals, the Group started providing Islamic financing services through a separate Islamic branch in Qatar.

2 Significant Accounting Policies

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below. These accounting policies have been consistently applied to the accounting periods presented except where the Group adopted standards, amendments and interpretations which are effective in the current year.

2.1 Statement of compliance

The consolidated financial statements of the Group, have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board (IASB) and the Qatar Central Bank regulations.

2.2 Standards, amendments and interpretations effective in the current year

The following standards, amendments and interpretations, which became effective in 2009, are relevant to the Group. The adoption of these standards, amendments and interpretations do not impact the financial performance of positions of the group, but impacted presentations and disclosures:

(i) IAS 1 (Revised) - Presentation of financial statements

IAS 1 has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. The standard requires entities to present owner changes in equity, and all non-owner changes to be presented either in one statement of comprehensive income or in two separate statements of income and comprehensive income. The Group has elected to present comprehensive income in two separate statements of income and comprehensive income.

(ii) IFRS 7 (Revised) – Financial instruments: Disclosures

The amendments to IFRS 7 enhance the disclosures required in respect of fair value measurements and liquidity risk. With respect to fair value measurement, the amendments require disclosure of a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, the amendments modify the required liquidity disclosures with respect to derivative transactions and assets used for liquidity management and to include the financial guarantee contracts in the contractual maturity analysis.

(iii) IFRS 8 (New) - Operating segments

The new standard which replaced IAS 14 'Segment Reporting' requires a 'management approach' under which segment information is presented. Operating segments are identified on a basis, consistent with the internal reporting provided and reviewed to the Chief Operating decision maker, in order to allocate resources to the segments and to assess their performance.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

In addition to the amendments described above, a number of standards were also amended. The Improvements have led to changes in the details of the Bank's accounting policies – some of which are changes in terminology only, and some of which are substantive but have had no material effect on amounts reported.

The following amendments and interpretations became effective in 2009, but were not relevant for the Group's operations:

IAS 23 (Revised)	–	Borrowing costs
IAS 32 and IAS 1 (Revised)	–	Puttable financial instruments and obligations arising on liquidation
IFRIC 9 and IAS 39 (Revised)	–	Embedded derivatives
IFRIC 13	–	Customer loyalty programmes
IFRIC 15	–	Agreement for construction of real estate
IFRIC 16	–	Hedges of a net investment in a foreign operation

2.3 Standards, amendments and interpretation issued but not yet effective

The following accounting standards, amendments and interpretations have been issued and are mandatory for the Group's accounting periods beginning on or after 1 July 2009, and are expected to be relevant to the Group. The Group has not early adopted these new or amended standards in the year ended 31 December 2009:

IAS 27 (Revised)	– Consolidated and separate financial statements	1 July 2009
IAS 28 (Revised)	– Investments in associates	1 July 2009
IAS 31 (Revised)	– Interest in joint ventures	1 July 2009
IAS 38 (Revised)	– Intangible assets	1 July 2009
IAS 39 (Revised)	– Financial instruments: recognition and measurement	1 July 2009
IFRS 2 (Revised)	– Share-based payments	1 July 2009
IFRS 3 (Revised)	– Business combinations	1 July 2009
IFRS 5 (Revised)	– Non-current assets held for sale and discontinued operations	1 July 2009
IAS 27 (Revised)	– Consolidated and separate financial statements	1 July 2009
IAS 28 (Revised)	– Investments in associates	1 July 2009
IAS 31 (Revised)	– Interest in joint ventures	1 July 2009
IAS 38 (Revised)	– Intangible assets	1 July 2009
IAS 7 (Revised)	– Statement of cash flows	1 January 2010
IAS 17 (Revised)	– Leases	1 January 2010
IAS 36 (Revised)	– Impairment of assets	1 January 2010
IAS 39 (Revised)	– Financial instruments: recognition and measurement	1 January 2010
IFRS 1 (Revised)	– First time adoption	1 January 2010
IFRS 2 (Revised)	– Share-based payments	1 January 2010
IFRS 5 (Revised)	– Non Current assets held for sale and discontinued operations	1 January 2010
IAS 24 (Revised)	– Related party disclosures.	1 January 2011
IFRS 9 (New)	– Financial instruments –classification and measurement	1 January 2013
IFRIC 17	– Distributions of non-cash assets to owners	1 July 2009
IFRIC 18	– Transfers of assets from customers	1 July 2009
IFRIC 19	– Extinguishing financial liabilities with equity instruments	1 July 2010

The Group is considering the implications of these standards, the impact of the consolidated financial statements and the timing of its adoption by the Group.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

2.4 Basis of preparation

The consolidated financial statements comprise the consolidated statement of financial positions, the statement of income and statement of comprehensive income as two separate statements, the statement of changes in equity, the cash flow statement and the notes for Al Khaliji Commercial Bank Q.S.C. and its subsidiaries.

The consolidated and individual financial statements have been prepared under the historical cost convention, with exception for derivative financial instruments and available-for-sale financial assets that are measured at their fair values.

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.

2.5 Comparative information

2.5.1 Comparative reporting period

According to **al khaliji's** article of association the first reporting period extended from the date of incorporation to the end of the subsequent year. Accordingly, the comparative financial statements cover the period from 9 January 2007 to 31 December 2008.

2.5.2 Comparative financial reporting

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 remain 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	406,345
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.

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

For the year ended 31 December 2009

2.6 Consolidation

2.6.1 Subsidiaries

The consolidated financial statements combine the financial statements of **al khaliji** and its subsidiaries. The details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Share capital	Acquired	Ceased	Owned	Principal activities
al khaliji France S.A. (formerly BLC Bank (France) S.A.)	France	EUR 104,000,000	2008	-	100%	Banking
al khaliji Services Ltd	United Arab Emirates	USD 50,000	2008	2009	100%	Consulting

Subsidiaries are consolidated in the Group financial statements commencing on the date control is obtained until the date control ceases. Control is achieved where the Group has the power, directly or indirectly, to govern the financial and operating policies of such entities so as to obtain benefits from its activities.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities and contingent liabilities incurred or assumed. The excess of the cost of an acquisition over the Group's share of the fair value of the identifiable net assets acquired is recorded as goodwill.

Details of the acquisition and ceased operations of subsidiaries are given in Note 28.

The financial statements of the Group have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. Intra-group transactions, balances, income and expenses, and profits and losses are eliminated on consolidation.

2.7 Foreign currency translation

2.7.1 Functional and presentation currency

Items included in the financial statements of each of the Group's companies are measured using the currency of the primary economic environment in which that entity operates (the functional currency).

The consolidated financial statements are presented in Qatari Riyals (QAR), which is the functional and presentation currency of the holding company. Except as indicated all amounts are rounded to the nearest thousand Qatari Riyals.

2.7.2 Transactions and balances

Foreign currency transactions are translated into the appropriate functional currency using the spot exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the statement of income.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. Exchange gains and losses resulting therefrom are taken to the statement of income.

Non-monetary asset and liabilities that are recognised at historical cost are translated using the exchange rates prevailing at the initial transactions date. Translation differences on available-for-sale assets are recognised in the fair value reserve in equity.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

2.7.3 Group companies

For the purposes of translation into the presentational currency, assets, liabilities and equity of foreign operations are translated at the closing rate at the reporting date. Items of income and expense are translated into Qatari Riyals at the rates prevailing on the dates of the transactions, or average rates of exchange where these approximate actual rates. All resulting exchange differences are recognised in other comprehensive income and included in shareholders' equity within foreign currency translation reserve.

The exchange differences arising on the translation of a foreign operation are included in the statement of income on disposal or partial disposal of the operation.

2.8 Revenue recognition

2.8.1 Interest

The Group recognises interest income and interest expense in the statement of income for all interest bearing financial instruments classified as loans and receivables, held-to-maturity and available-for-sale using the effective interest method.

The effective interest rate is the rate that discounts the expected future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

When calculating effective interest, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes fees, including those for early redemption, to the extent that they can be measured and are considered to be an integral part of the effective interest rate. Where it is not possible to otherwise estimate reliably the cash flows or the expected life of a financial instrument, effective interest is calculated by reference to the payments or receipts specified in the contract, and the full contractual term.

Interest income on non-performing loans and advances is suspended when realisation of such interest or the principal amount becomes doubtful.

2.8.2 Fees and commissions

Fees and commission income and expenses are generally recognised in the statement of income on an accrual basis as the related services are provided except those that are integral to the effective interest rate calculations.

Loan syndication fees are recognised as revenue when the syndication has been completed and the Group has retained no part of the loan package for itself or retained a part at the same effective interest rate for the other participants.

Fees and commission included in the effective interest rate calculation are those that are incremental and directly attributable to the origination of the product and which are integral to the yield of the product.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

2.9 Financial instruments

The Group classifies its financial instruments in the following categories. Management determines the classification at initial recognition.

2.9.1 Financial assets

2.9.1.1 *Due from banks and financial institutions and loans, advances and financing activities to customers*

Due from banks and financial institutions and loans, advances and financing activities to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as fair value through profit or loss, or available-for-sale.

Due from banks and financial institutions and loans and advances are initially recognised at the draw down date at the fair value. Loans and advances are subsequently carried at amortised cost using the effective interest method less provisions for impairment.

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 instalment method.

2.9.1.2 *Held-to-maturity financial instruments*

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.

2.9.1.3 *Available-for-sale financial investments*

Available-for-sale financial investments are non derivative financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

They are initially recognised at fair value plus directly related incremental transaction costs and are subsequently carried on the statement of financial position at fair value. Unrealised gains or losses arise from changes in the fair values are recognised directly in other comprehensive income and accumulated in equity under the fair value reserve, except for impairment losses or foreign exchange gains or losses related to debt securities, which are recognised immediately in the statement of income in impairment on investment securities or other operating income respectively. On sale or maturity, previously unrealised gains and losses are recognised in operating income.

The fair value of investment securities trading in active markets is based on market prices or broker/dealer valuations. Where quoted prices on instruments are not readily and regularly available, or available prices do not represent regular transactions in the market, the fair value is estimated. These estimates use quoted market prices for securities with similar credit, maturity and yield characteristics or similar valuation models.

The Group uses settlement date accounting when recording the purchase and sale of financial investments.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

2.9.1.4 Fair value through profit and loss financial instruments

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 the statement of income.

2.9.2 Derivatives financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

2.9.3 Derivatives held for risk management and hedge accounting

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.

2.9.4 Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.9.5 Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that financial assets are impaired.

Financial assets are impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the reporting date ('a loss event') and that loss event or events has had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

2.9.5.1 Assets carried at amortised cost

For due from banks and financial institutions and loans, advances and financing activities to customers, the Group first assesses whether objective evidence of impairment exists individually for the loans that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed loan and receivable, whether significant or not, it includes the asset in a group of the loans with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of any impairment is calculated by comparing the present value of estimated future cash flows discounted at the asset's original effective interest rate with the carrying amount. The present value of estimated cash flows recoverable is determined after taking into account any security held. If impaired, the carrying value is adjusted and the difference is recognised in the statement of income.

The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. The estimation involved in these impairment assessments is considered a critical accounting estimate (see note 2.18)

When a loan is uncollectable, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the impairment account. The amount of the reversal is recognised in the statement of income.

2.9.5.2 Available-for-sale financial assets

In the case of available-for-sale financial investments, a significant or prolonged decline in the fair value of the security below its cost is also considered in determining whether impairment exists. Where such evidence exists, the cumulative net loss that has been previously recognised directly in equity is removed from equity and recognised in the statement of income. In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as all other financial assets. Reversals of impairment of debt instruments are recognised in the statement of income. Reversals of impairment of equity shares are not recognised in the statement of income. Rather, increases in the fair value of equity shares after impairment are recognised directly in other comprehensive income and accumulated in equity under the fair value reserve.

2.9.6 Unrestricted investment accounts

Profit distribution among unrestricted investment account holders and shareholders of Islamic Branch is guided by Qatar Central Bank regulations. All income and expenses of Islamic branch for the financial year are taken into consideration for profit distribution. The unrestricted investment account holders' share of profit is calculated on the basis of their daily deposit balances over the year, after deducting the pre-agreed and declared Mudaraba fee.

Expenses or losses which arise out of misconduct on the part of the Bank due to non-compliance of regulatory instructions or sound banking norms, are not borne by the unrestricted investment account holders. Such matter is subject to the Qatar Central Bank's decision.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

In case of Islamic branch results at end of a financial year being a net loss, then the Qatar Central Bank, who has the authority to evaluate the Bank's responsibility for the loss, shall decide how this loss will be treated according to the rules and principles of Islamic Sharia.

2.9.7 Repurchase agreements

Debt securities sold subject to repurchase agreements ("repos") are retained on the statement of financial position as available-for-sale financial investments. The funds received under these agreements are included within deposits due to banks and other financial institutions, at amortised cost.

The difference between sale and repurchase prices is reflected within interest expense in the statement of income over the lives of the transactions, using the effective interest method.

2.9.8 De-recognition of financial instruments

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

2.10 Property and equipment

Property and equipment is stated at cost less accumulated depreciation and provisions for impairment, if any. Additions and subsequent expenditures are capitalised only to the extent that they enhance the future economic benefits expected to be derived from the assets.

Depreciation on property and equipment are recognised in the statement of income on a straight-line basis over their estimated useful economic lives. The depreciable amount is all costs incurred to bring the asset to the working condition for its intended use. Land is stated at cost and is not depreciated.

The estimated useful lives for the current period are as follows:

Leasehold improvements	5 years
Furniture and equipment	3 to 5 years
Motor vehicles	3 years

The useful lives, methods and the residual values underlying the calculation of depreciation of items of property and equipment are reviewed at each reporting date to take account of any change in circumstances, and adjusted if appropriate.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. No property, plant and equipment were impaired as at 31 December 2009 (2008: QAR nil). Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of income.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

2.11 Intangible assets

2.11.1 Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiaries. Goodwill on the acquisition of subsidiaries is included in intangible assets and carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units or groups of cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Goodwill is tested at each reporting date for impairment by comparing the present value of the expected future cash flows from a cash generating unit with the carrying value of its net assets, including attributable goodwill and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2.11.2 Computer software

Costs associated with the development of software for internal use are capitalised if the software is technically feasible and the Group has both the intent and sufficient resources to complete the development. Costs are only capitalised if the asset can be reliably measured and will generate future economic benefits to the Group either through sale or use.

Only costs that are directly attributable to bringing the software into working condition for its intended use are capitalised. These costs include all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in a manner intended by management. Other development expenditure is recognised in the statement of income as an expense when incurred.

Capitalised development expenditure and purchased software is stated at cost less accumulated amortisation and impairment losses. Once the software is ready for use, the capitalised costs are amortised over their expected lives, generally between three to seven years. Capitalised software is assessed for impairment where there is an indication of impairment. Where impairment exists, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss recognised in the statement of income. The amortisation charge for the asset is then adjusted to reflect the asset's revised carrying amount.

Subsequent expenditure is only capitalised when it increases the future economic benefits embodied in the specific asset to which it relates.

2.12 Financial guarantees

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date that the guarantee was given, being the premium received. Subsequent to initial recognition, the group's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the statement of income any fee income earned over the period, and the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantees at the reporting date.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

Any increase in the liability relating to guarantees is taken to the statement of income. Any liability remaining is recognised in the statement of income when the guarantee is discharged, cancelled or expires.

2.13 Employees end of service benefits, share based payments and pension fund

The Group provides for end of service benefits payable to its employees, based on the individual's period of service at the reporting date in accordance with the employment policy of the Group and the provisions in Qatar Labour Law. The expected costs of these benefits are accrued over the period of employment, and included as part of other liabilities in the statement of financial position. With respect to Qatari employees, the Group provides for its contribution to the Qatar Pension Fund in accordance with the Retirement and Pension Law No. 24 of 2002, and includes the resulting charge within the personnel cost in the statement of income. The Group's obligations are limited to these contributions.

Short-term employee benefits, such as salaries, paid absences, and other benefits, are accounted for on an accruals basis over the period which employees have provided services. Bonuses are recognised to the extent that the Group has a present obligation to its employees that can be measured reliably.

All expenses related to employee benefits are recognised in the statement of income in staff costs, which is included within operating expenses.

The Group engages in cash settled share-based payment transactions in respect of services received from certain of its employees. The fair value of the services received is measured by reference to the fair value of the awards granted on the date of the grant. The cost of the employee services received in respect of the awards granted is recognised in the statement of income over the period that the services are received, which is the vesting period. The fair value of the awards granted is determined using option pricing models.

2.14 Provisions

Provisions are recognised for present obligations arising as consequences of past events where it is more likely than not that a transfer of economic benefit will be necessary to settle the obligation, and it can be reliably estimated.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised but are disclosed unless they are remote.

2.15 Taxes, including deferred taxes

Income tax payable on taxable profits ('current tax') is recognised as an expense in the period in which the profits arise. Income tax recoverable on tax allowable losses is recognised as an asset only to the extent that it is regarded as recoverable by offset against current or future taxable profits.

2.16 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers i.e. the Group executive Board. The Board is responsible for allocating resources to and assessing the performance of the operating segments.

The Group has the following business segments; consumer banking, wholesale banking, Islamic banking and head office.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

2.17 Cash and cash equivalents

For the purposes of the cash flow statement, cash comprises cash on hand and demand deposits, and cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value with original maturities of less than three months.

Mandatory cash reserves with central banks are not available for operational purposes and not included as part of cash and cash equivalents.

2.18 Significant accounting judgements and estimates

The preparation of the consolidated financial statements necessarily requires the exercise of judgement in the application of the accounting policies, and to make certain estimates where uncertainty exists.

These judgements and estimates are reviewed on an ongoing basis, and evaluated based on historical experience and other factors, including expectation for future events that are considered reasonable and possible under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The principle critical accounting judgements and estimates made by the Group that have a material financial impact on the financial statements are as follows:

2.18.1 Fair values of financial investments

The fair value of financial assets traded in an organised financial market is determined by reference to quoted market bid prices at the close of business at the reporting date. Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, the Group uses valuation techniques. These valuation techniques include using recent arm's length transactions, reference to the current fair value of other instruments that are substantially the same, discounted cash flow analysis, option pricing models, and other valuation techniques commonly used by market participants.

2.18.2 Impairment losses on loans and advances

The Group reviews its loan portfolios at each reporting date to assess whether an allowance for impairment should be recorded in the statement of income. In determining the level of allowance required, management considers the past due instalments on the loans and the estimated amount and timing of future cash flows. Such estimates are necessarily based on the assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to the allowance.

2.18.3 Impairment of available-for-sale Investments

The Group has considered the fall in fair values of investments classified as available-for-sale to ascertain whether any impairment has occurred. Impairment is recognised when there is objective evidence that a specific financial asset is impaired. Evidence may include a debt issuer failing to make an interest or principal repayment or breaching a covenant within the security's terms and conditions or a significant or prolonged decline in the fair value of an equity instrument below its cost. Except when a default event has occurred, the determination of whether or not objective evidence of impairment is present requires the exercise of judgement by the Group.

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

For the year ended 31 December 2009

3 Financial instruments and related risk management

3.1 Financial instruments

3.1.1 Definition and classification

Financial instruments represent all the financial assets and liabilities of the Group. Note 2 describes the accounting policies applied by the Group in respect of the recognition and measurement of the key financial instruments and their related income and expense.

3.1.2 Fair value of financial instruments

3.1.2.1 Floating rate financial instruments

For financial assets and liabilities that are liquid or have a maturity less than three months, or reprice frequently the carrying amounts approximate the fair value of these assets and liabilities.

3.1.2.2 Fixed rate financial instruments:

For financial assets and liabilities with fixed rate of interest or profit carried at amortised cost, the fair value is estimated by comparing market rates when they were first recognised with current market rates offered for similar financial instruments. For financial instruments maturing within three months, the carrying amounts approximate their fair value.

3.1.2.3 Fair value measurement:

The Group uses the following hierarchy to determine and disclose the fair value of financial instruments by valuation technique:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities (observable inputs).

Level 2: Inputs, other than quoted prices, which have a significant effect on the fair value that are observable, either directly or indirectly (derived inputs).

Level 3: Valuation techniques which use inputs which have a significant effect on the fair value that are not based on observable market data (unobservable inputs).

The table below provides an analysis of financial instruments recognised at fair value by level of the fair value hierarchy set out above:

	Level 1 QAR'000	Level 2 QAR'000	Level 3 QAR'000	Total QAR'000
31 December 2009				
Available-for-sale financial investments	1,911,513	-	924,215	2,835,728
Financial investments at fair value through profit or loss	-	37,256	-	37,256
Derivative instruments held for trading	-	25,459	-	25,459
Total assets at fair value	1,911,513	62,715	924,215	2,898,443
Derivative instruments held for trading	-	(32,524)	-	(32,524)
Derivative instruments held for risk management	-	(6,884)	-	(6,884)
Total liabilities at fair value	-	(39,408)	-	(39,408)

During the reporting period 31 December 2009, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

3.2 Risk management

The identification, measurement and management of risk is a strategic priority for the Group. The overall responsibility for ensuring a robust risk management infrastructure rests with the Board of Directors. The Group has established a risk management framework covering accountability, oversight, measurement and reporting to maintain relevant standards.

The Risk governance structure at **al khaliji** consists of five layers comprising of the following:

- **Level 1: Board of Directors**
- **Level 2: Board Committees** - Compliance and Risk Committee
- **Level 3: Senior Management Committees** - Credit Risk Committee; Group Asset, Liability and Capital Committee
- **Level 4: Risk Function** - Units for Corporate Credit, Business Banking Credit, Consumer Credit, Market and Operational Risks
- **Level 5: Business Units** - Risk awareness culture, Desktop level procedures, systems and controls

Internal audit provides a third line of defence as it provides independent reviews, and reports to the Audit Committee

The Group has exposure to the following key risks from the use of financial instruments:

- Credit risk (see note 3.3)
- Market risk (see note 3.4)
- Liquidity risk (see note 3.5)
- Operational risk (see note 3.6)

These risks occur as a part of normal business activities and are identified, monitored and managed through a framework of controls. These controls include transaction analysis and suitability, risk ratings, risk limits, approval authorities and periodic reporting. Risks are reviewed on a transaction as well as portfolio basis by senior management, relevant committees and the Board of Directors. The risk management process encompasses all businesses and functions through an organization-wide culture of 'risk awareness'.

The Group remains cognizant of the market environment and calibrates its risk appetite and risk controls in light of changing conditions.

3.3 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers and other banks and available-for-sale financial investments.

The Group manages limits and controls concentrations of credit risk wherever they are identified, with specific emphasis to individual counterparties and groups, and to industries and countries.

The Group controls and mitigates its exposure to credit risk through collateral, by taking security for funds advanced, and uses approved guidelines on the acceptability of specific classes of collateral or credit risk mitigation.

3.3.1 Credit exposure

The following table provides the maximum exposure to credit risk for all financial position and off- financial position items where credit risk exposures exist. This maximum exposure depicts the gross amount before considering the effect of collateral, master netting agreements or other mitigation:

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

For the year ended 31 December 2009

3.3.1 Credit exposure (continued)	31 December 2009	31 December 2008 (Restated)
	QAR'000	QAR'000
Credit exposure relating to on-financial position items:		
Due from central banks	598,074	987,738
Due from banks and other financial institutions	3,582,521	2,200,708
Loans and advances to customers	8,585,406	6,980,053
Derivative financial instruments	25,459	32,005
Financial investments	3,965,085	1,016,283
Total on-financial position credit exposure	16,756,545	11,216,787
Credit exposure relating to off-financial position items:		
Financial guarantees	3,940,546	2,884,525
Letters of credit and acceptances	661,948	152,215
Unutilised credit facilities	2,942,374	1,687,706
Total off- financial position credit exposure	7,544,868	4,724,446
Total credit exposure	24,301,413	15,941,233

The Group does not have any exposure to sub-prime lending or collateralised debt.

3.3.2 Quality of credit exposure

	Loans, advances and financing activities QAR'000	Banks and financial institutions QAR'000	Financial investments QAR'000	Derivative financial instruments QAR'000
31 December 2009				
Neither past due nor impaired	8,426,524	4,180,967	3,965,085	25,459
Past due but not impaired	87,206	-	-	-
Impaired (net of interest in suspense)	309,128	-	-	-
Gross exposure	8,822,858	4,180,967	3,965,085	25,459
Allowance for impairment	(237,452)	(372)	-	-
Net exposure	8,585,406	4,180,595	3,965,085	25,459
31 December 2008				
Neither past due nor impaired	6,924,811	2,201,075	1,016,283	32,005
Past due but not impaired	52,137	-	-	-
Impaired (net of interest in suspense)	33,686	-	-	-
Total	7,010,634	2,201,075	1,016,283	32,005
Allowance for impairment	(30,581)	(367)	-	-
Net exposure	6,980,053	2,200,708	1,016,283	32,005

3.3.2.1 Loans and advances to customers

The table above provides an analysis of loans and advances to customers that are due to the Group. Loans and advances are considered past due where a specific expiry date is in place or regular instalments are required and such payments have not been received by the Group. A loan payable on demand is treated as overdue where a demand for repayment has been served but the repayment has not been made in accordance with demand requirements.

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

For the year ended 31 December 2009

(i) *Loans and advances neither past due nor impaired*

The table below presents an analysis of the credit quality of customer advances that are neither past due nor impaired:

	Satisfactory risk QAR'000	Viable but monitoring QAR'000	Total QAR'000	Fair value of collateral QAR'000
31 December 2009				
Consumer	5,580,215	351,739	5,931,954	2,793,361
Wholesale	1,260,383	14,049	1,274,432	1,121,698
Conventional banking	6,840,598	365,788	7,206,386	3,915,059
Islamic banking	1,220,138	-	1,220,138	-
Total	8,060,736	365,788	8,426,524	3,915,059
31 December 2008				
Consumer	929,018	6,642	935,660	743,370
Wholesale	5,939,237	49,914	5,989,151	1,200,975
Conventional banking	6,868,255	56,556	6,924,811	1,944,345
Islamic banking	-	-	-	-
Total	6,868,255	56,556	6,924,811	1,944,345

(ii) *Loans and advances past due but not impaired*

Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. The gross amount of loans and advances by class to customers that were past due but not impaired were as follows:

	Past due up to 30 days QAR'000	Past due 30 to 60 days QAR'000	Past due 60 to 90 days QAR'000	Past due longer than 90 days QAR'000	Total QAR'000	Fair value of collateral QAR'000
31 December 2009						
Consumer	29,568	4,972	47,285	1,751	83,576	80,978
Wholesale	3,630	-	-	-	3,630	37
Conventional banking	33,198	4,972	47,285	1,751	87,206	81,015
Islamic banking	-	-	-	-	-	-
Total	33,198	4,972	47,285	1,751	87,206	81,015
31 December 2008						
Consumer	4,143	45,230	-	51	49,424	76,121
Wholesale	2,254	-	459	-	2,713	1,949
Conventional banking	6,397	45,230	459	51	52,137	78,070
Islamic banking	-	-	-	-	-	-
Total	6,397	45,230	459	51	52,137	78,070

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

For the year ended 31 December 2009

(iii) Impaired loans

The breakdown of the individually impaired loans and advances by class, along with the fair value of related collateral held by the Group as security, are as follows:

	2009		2008	
	Gross Amount QAR'000	Fair value of collateral QAR'000	Gross Amount QAR'000	Fair value of collateral QAR'000
Consumer	71,128	32,256	7,443	7,653
Wholesale	238,000	22,330	26,243	-
Conventional banking	309,128	54,586	33,686	7,653
Islamic banking	-	-	-	-
Total	309,128	54,586	33,686	7,653

(iv) Collateral

The Group holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets and guarantees. Estimates of the fair value of collateral are based on the value of collateral assessed at inception of the borrowing, using valuation techniques commonly used for the corresponding assets. The value of repossessed collateral at the reporting date amounted to QAR 0.3 million (2008: QAR nil).

No collateral is generally held over loans and advances to banks or against financial investments, and no such collateral was held at 31 December 2009.

3.3.2.2 Financial assets other than advances

The table below provides the credit quality of financial assets other than loans, advances and financing activities to customers that are neither past due nor impaired, based on credit ratings:

	Banks and financial institutions QAR'000	Derivative financial instruments QAR'000	Financial investments QAR'000	Total QAR'000
31 December 2009				
AAA to AA-	2,398,734	-	662,651	3,061,385
A+ to A-	1,204,508	25,459	2,394,499	3,624,466
Lower than A-	256,194	-	43,164	299,358
Unrated	321,159	-	864,771	1,185,930
Total	4,180,595	25,459	3,965,085	8,171,139
31 December 2008				
AAA to AA-	1,598,267	-	172,953	1,771,220
A+ to A-	1,075,220	-	664,112	1,739,332
Lower than A-	221,022	32,005	52,357	305,384
Unrated	293,937	-	126,861	420,798
Total	3,188,446	32,005	1,016,283	4,236,734

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

For the year ended 31 December 2009

3.3.3 Concentration of risk of financial assets with credit exposure

3.3.3.1 Geographical sectors

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorised by geographical region. For this table, the Group has allocated exposures to regions based on the country of domicile of counterparties.

	Qatar QAR'000	Other GCC QAR'000	Europe QAR'000	Canada and US QAR'000	Other QAR'000	Total QAR'000
31 December 2009						
Due from banks and financial institutions	2,374,106	432,277	679,453	487,670	207,089	4,180,595
Loans, advances and financing activities	5,789,093	2,362,432	185,776	-	248,105	8,585,406
Derivative financial instruments	-	-	25,459	-	-	25,459
Financial investments	2,310,805	994,796	491,945	161,635	5,904	3,965,085
Net exposure	10,474,004	3,789,505	1,382,633	649,305	461,098	16,756,545
31 December 2008						
Due from banks and financial institutions	1,494,866	979,472	608,474	91,117	14,517	3,188,446
Loans, advances and financing activities	4,739,269	1,809,620	146,738	-	284,426	6,980,053
Derivative financial instruments	32,005	-	-	-	-	32,005
Financial investments	-	126,850	46,185	843,248	-	1,016,283
Net exposure	6,266,140	2,915,942	801,397	934,365	298,943	11,216,787

3.3.3.2 Industry

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorised by the industry sectors of our counterparties:

	Banks and financial institutions QAR'000	Loans and advances QAR'000	Derivative financial instruments QAR'000	Financial investments QAR'000	Total QAR'000
31 December 2009					
Government	-	671,410	-	898,083	1,569,493
Government agencies	598,074	-	-	882,148	1,480,222
Industry	-	326,704	-	513,508	840,212
Commercial	-	1,089,085	-	97,910	1,186,995
Services and financial institutions	3,582,893	3,973,761	25,459	1,573,436	9,155,549
Contracting	-	547,350	-	-	547,350
Real Estate	-	1,530,587	-	-	1,530,587
Personal	-	614,627	-	-	614,627
Others	-	69,334	-	-	69,334
Total	4,180,967	8,822,858	25,459	3,965,085	16,994,369
Allowance for impairment	(372)	(237,452)	-	-	(237,824)
Net exposure	4,180,595	8,585,406	25,459	3,965,085	16,756,545

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

For the year ended 31 December 2009

3.3.3.2 Industry (continued)

	Due from banks QAR'000	Loans and advances QAR'000	Derivative financial instruments QAR'000	Financial investments QAR'000	Total QAR'000
31 December 2008					
Government	-	-	-	-	-
Government agencies	-	-	-	-	-
Industry	-	63,683	-	-	63,683
Commercial	-	1,558,462	-	-	1,558,462
Services and Financial institutions	3,188,813	2,036,048	-	883,338	6,108,199
Contracting	-	293,647	-	-	293,647
Real Estate	-	1,877,278	-	-	1,877,278
Personal	-	125,154	-	-	125,154
Other	-	1,056,362	32,005	132,945	1,221,312
Total	3,188,813	7,010,634	32,005	1,016,283	11,247,735
Allowance for impairment	(367)	(30,581)	-	-	(30,948)
Net exposure	3,188,446	6,980,053	32,005	1,016,283	11,216,787

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

For the year ended 31 December 2009

3.4 Market risk

Market risk is the risk arising from changes in the value of financial instruments due to changes in interest rates, foreign exchange rates, as well as equity and commodity prices. Market risk management ensures that risk exposures from the generic risk factors do not exceed the risk appetite of the Group, as articulated in the risk limits, policies and product programs. These controls define permissible conduct, and also specify the types of financial instruments which the Group can acquire as part of its trading and investment activities.

3.4.1 Interest rate risk

The principle risk to which non-trading portfolios are exposed to is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps. The Group Asset, Liability and Capital Committee is the monitoring body for compliance with these limits and is assisted by Risk Management in its day-to-day monitoring activities. A summary the Group's interest rate gap position on non-trading portfolios, using the shorter of maturity or repricing periods is as follows:

	Within 3 months QAR'000	3 months to 1 year QAR'000	1 to 5 years QAR'000	More than 5 years QAR'000	Non-interest bearing QAR'000	Total QAR'000	Effective interest rate QAR'000
31 December 2009							
Cash and balances at central banks	116,857	19,829	-	-	507,676	644,362	2.0%
Due from banks and financial institutions	3,563,897	18,624	-	-	-	3,582,521	1.6%
Loans, advances and financing activities	3,633,130	1,823,898	1,796,908	110,185	1,221,285	8,585,406	7.0%
Available-for-sale financial investments	1,222,344	-	1,964,202	778,539	-	3,965,085	4.2%
Other assets	-	-	-	-	746,726	746,726	
Total assets	8,536,228	1,862,351	3,761,110	888,724	2,475,687	17,524,100	
Deposits from banks	3,105,258	26,231	-	-	-	3,131,489	1.4%
Customer deposits	8,791,341	448,351	85	-	-	9,239,777	4.3%
Subordinated liabilities	-	-	131,153	-	-	131,153	
Other liabilities	-	-	-	-	183,339	183,339	
Unrestricted investment accounts	-	-	-	-	5,001	5,001	
Shareholders' equity	-	-	-	-	4,833,341	4,833,341	
Total liabilities and shareholders' equity	11,896,599	474,582	131,238	-	5,021,681	17,524,100	
Financial position re-price gap	(3,360,371)	1,387,769	3,629,872	888,724	(2,545,994)		
Derivatives held for risk management	564,200	-	564,200	-	-	-	
Interest rate repricing gap	(2,796,171)	1,387,769	3,065,672	888,724	(2,545,994)	-	
Cumulative interest rate repricing gap	(2,796,171)	(1,408,402)	1,657,270	2,545,994	-	-	

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

For the year ended 31 December 2009

3.4.1 Interest rate risk (continued)

	Within 3 months QAR'000	3 months to 1 year QAR'000	1 to 5 years QAR'000	More than 5 years QAR'000	Non-interest bearing QAR'000	Total QAR'000	Effective interest rate QAR'000
31 December 2008 (restated)							
Cash and balances at central banks	755,692	-	-	-	273,930	1,029,622	1.2%
Due from banks and financial institutions	2,151,663	14,595	-	-	34,450	2,200,708	1.8%
Loans, advances and financing activities	5,222,714	1,066,582	599,362	90,846	549	6,980,053	6.8%
Available-for-sale financial investments	1,010,199	-	6,084	-	-	1,016,283	3.6%
Other assets	63,049	-	-	-	664,800	727,849	-
Total assets	9,203,317	1,081,177	605,446	90,846	973,729	11,954,515	
Deposits from banks	2,383,363	1,786	-	-	49,314	2,434,463	1.5%
Customer deposits	3,813,641	272,724	622	-	586,871	4,673,858	4.5%
Subordinated liabilities	-	127,555	-	-	-	127,555	-
Other liabilities	37,083	-	-	-	135,584	172,667	-
Shareholders' equity	-	-	-	-	4,545,972	4,545,972	-
Total liabilities and shareholders' equity	6,234,087	402,065	622	-	5,317,741	11,954,515	
Interest rate repricing gap	2,969,230	679,112	604,824	90,846	(4,344,012)	-	
Cumulative interest rate repricing gap	2,969,230	3,648,342	4,253,166	4,344,012	-	-	

3.4.1.1 Net Interest income sensitivity

Assuming that the financing and size of the interest sensitive assets / liabilities remain the same, the Group's profits will decline with approximately QAR 1.4 million (2008: QAR 3.6 million increase) with the increase of 10 basis points in interest rates. In case interest rates declines by 10 basis points the Group profits will increase by approximately QAR 1.4 million (2008: QAR 3.6 million decrease).

The principal driver of interest rate risk is re-pricing mismatch. Certain behavioural re-pricing assumptions – for example, prepayment rates – also affect interest rate risk. However, at present the Group's asset and liability portfolio do not have a material exposure to prepayment risk.

The measure, however, is simplified in that it assumes all interest rates, for all currencies and maturities, move at the same time and by the same amount. Also, it does not incorporate the impact of management actions that, in the event of an adverse rate movement, could reduce the impact on net interest income.

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

For the year ended 31 December 2009

3.4.2 Foreign exchange risk

The Group takes on exposures to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group has a set of limits on the level of currency exposure, which are monitored continually. The Group had the following significant net exposures:

	QAR QAR 000	EUR QAR 000	USD QAR 000	AED QAR 000	Other QAR 000	Total QAR 000
31 December 2009						
Financial position items:						
Assets	7,544,296	1,240,187	6,885,412	1,427,978	426,227	17,524,100
Liabilities and shareholders' equity	7,551,501	1,550,414	6,549,891	1,414,341	457,953	17,524,100
Financial position currency exposure	(7,205)	(310,227)	335,521	13,637	(31,726)	-
Off-financial position items:						
Contingent liabilities	3,231,522	106,704	1,573,844	2,629,277	3,521	7,544,868
Other commitments	96,742	10,480	2,121,369	185,238	-	2,413,829
Off-financial position currency exposure	3,328,264	117,184	3,695,213	2,814,515	3,521	9,958,697
31 December 2008 (restated)						
Financial position items:						
Assets	5,075,732	686,153	4,781,131	1,288,930	122,569	11,954,515
Liabilities and shareholders' equity	5,709,523	714,182	4,214,711	1,188,368	127,731	11,954,515
Financial position currency exposure	(633,791)	(28,029)	566,420	100,562	(5,162)	-
Off-financial position items:						
Contingent liabilities	1,797,884	126,338	1,202,376	1,582,659	15,189	4,724,446
Other commitments	126,059	480,957	5,758	-	-	612,774
Off- financial position currency exposure	1,923,943	607,295	1,208,134	1,582,659	15,189	5,337,220

Foreign currency sensitivity analysis

The following table illustrates the Group's sensitivity to a reasonably possible change, of the relevant foreign currencies against the Qatari Riyals.

	Percentage change	2009 QAR'000	2008 QAR'000
Euro	+/-3%	(10,066)	(841)
Other currencies	+/-3%	409	(37)

The Qatari Riyals and the United Arab Emirate Dirham (AED) are both officially pegged against the US Dollar (USD). No sensitivity analysis has been calculated for exposures to USD and AED as these exposures are not considered subject to fluctuation.

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

For the year ended 31 December 2009

3.5 Liquidity risk

Liquidity risk arises when the Group is unable to meet its payment obligations when they fall due and to replace funds when they are withdrawn, in particular, its failure to meet obligations to repay depositors and fulfil commitments to lend.

The aim of liquidity management is to honour the payment obligations and to minimize the costs of funding of the Group's activities.

Liquidity management is divided with respect to maturity into following two categories:

- Operational liquidity: day-to-day management of cash and the Group's accounts with other banks
- Medium-term and long-term liquidity: to manage expected cash flows generated by on- and off-financial position items and to provide sufficient funds for the Group's business activities.

Two categories of tools are used to measure liquidity risk, the liquidity ratio approach and expected cash-flow approach. Both aim to quantify the current and expected gap between cash inflows (from new funding or asset maturities / sales) and outflows (funding maturities / withdrawals and new assets). Cognizance is taken of the difference between nominal and actuarial or expected maturities of assets and liabilities.

The table below illustrates the maturity profile of the Group's financial assets and liabilities based on contractual maturities. The contractual maturities of assets and liabilities have been determined based on the remaining period at the reporting date to the contractual maturity date and do not take account of the Group's deposit retention history.

3.5.1 Financial position items

31 December 2009	Up to 1 month QAR'000	1 to 3 months QAR'000	3 to 12 months QAR'000	1 to 5 years QAR'000	More than 5 years QAR'000	Total QAR'000
Assets						
Cash and balances with central banks	322,997	19,829	-	-	301,536	644,362
Banks and financial institutions	3,340,705	223,192	18,624	-	-	3,582,521
Loans, advances and financing activities	860,432	919,619	3,009,000	3,149,125	647,230	8,585,406
Financial Investments	500,116	460,587	-	2,225,837	778,545	3,965,085
Other assets	113,973	1,165	1,544	185	629,859	746,726
Total assets	5,138,223	1,624,392	3,029,168	5,375,147	2,357,170	17,524,100
Liabilities						
Deposits from banks	1,670,106	1,143,952	26,231	291,200	-	3,131,489
Customer deposits	6,434,914	2,356,427	448,351	85	-	9,239,777
Other liabilities	52,004	-	-	-	131,335	183,339
Subordinated loan	-	-	-	131,153	-	131,153
Unrestricted investment accounts	5,001	-	-	-	-	5,001
Total liabilities	8,162,025	3,500,379	474,582	422,438	131,335	12,690,759
Financial position maturity gap	(3,023,802)	(1,875,987)	2,554,586	4,952,709	2,225,835	4,833,341

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

For the year ended 31 December 2009

3.5.2. Financial position items (continued)

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
31 December 2008 (restated)	QAR'000	QAR'000	QAR'000	QAR'000	QAR'000	QAR'000
Assets						
Cash and balances with central banks	899,998	-	-	-	129,624	1,029,622
Banks and financial institutions	2,137,642	48,471	14,595	-	-	2,200,708
Loans, advances and financing activities	2,086,087	1,763,802	946,527	1,858,940	324,697	6,980,053
Financial Investments	10	-	-	1,016,273	-	1,016,283
Other assets	94,741	41,961	11,190	26,934	-	174,826
Total assets	5,218,478	1,854,234	972,312	2,902,147	454,321	11,401,492
Liabilities						
Deposits from banks	1,841,268	591,409	1,786	-	-	2,434,463
Customer accounts	3,532,646	867,848	272,742	622	-	4,673,858
Other liabilities	27,697	50,877	5,943	23,548	64,602	172,667
Subordinated loan	127,555	-	-	-	-	127,555
Total liabilities	5,529,166	1,510,134	280,471	24,170	64,602	7,408,543
Financial position maturity gap	(310,688)	344,100	691,841	2,877,977	389,719	3,992,949

3.5.2 Off-financial position items

The table below summarises the maturity profile of the Group's off-financial position financial instruments based on the earliest contractual maturity date:

	No later than 1 year	1 to 5 years	More than 5 years	Total
31 December 2009	QAR'000	QAR'000	QAR'000	QAR'000
Loan commitments	1,582,285	1,360,089	-	2,942,374
Other financial facilities	2,891,436	1,683,803	27,255	4,602,494
Contingent liabilities	4,473,721	3,043,892	27,255	7,544,868
Other commitments	1,085,229	1,237,600	91,000	2,413,829
Total off-financial position items	5,558,950	4,281,492	118,255	9,958,697
31 December 2008				
Loan commitments	1,668,853	18,853	-	1,687,706
Other financial facilities	2,349,123	666,030	21,587	3,036,740
Contingent liabilities	4,017,976	684,883	21,587	4,724,446
Other commitments	554,597	58,177	-	612,774
Total off-financial position items	4,572,573	743,060	21,587	5,337,220

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

3.6 Operational Risk

The Group manages and undertakes to minimise operational losses as follows:

- Identify and assess the operational risk inherent in all material products, activities, processes and systems, and ensure that before new products, activities, processes and systems are introduced or undertaken, the inherent operational risk in them is subject to adequate assessment procedures.
- Implement a process to monitor operational risk profiles and material exposures to losses on a regular basis.
- Establish and implement policies, processes and procedures to mitigate and/or control material operational risks. Periodically review organizational risk limitation and control strategy and adjust its operational risk profile using appropriate strategies in the context of the Group's overall risk appetite and profile.
- Ensure contingency and business continuity plans are in place to ensure the Group's ability to operate on an ongoing basis and to limit losses in the event of severe business interruption, disruption or loss.

3.7 Capital management

The Group maintains a strong capital base to support the development of its business and to meet its regulatory capital requirements at all times. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities.

The QCB supervises the Group on a consolidated basis and, as such, receives information on the capital adequacy of, and sets capital requirements for, the Group as a whole. Individual banking subsidiaries are directly regulated by their local supervisors, who set their capital adequacy requirements.

The table below summarises the composition of regulatory capital and the ratios of the Group as at 31 December 2009. The individual entities in the Group and the Group complied with the externally imposed capital requirements to which they are subject:

	31 December 2009 QAR'000	31 December 2008 QAR'000
Tier 1 capital	4,564,992	3,890,784
Tier 2 capital	207,909	100,446
Total regulatory capital	4,772,901	3,991,230
Risk weighted assets	17,615,614	13,207,145
Tier 1 capital adequacy ratio	25.9%	29.5%
Total capital adequacy ratio	27.1%	30.2%

Tier 1 capital includes issued paid-up capital, statutory reserves, and retained earnings (including the profit for the reporting period), adjusted for goodwill. Tier 2 capital includes risk reserve (limited to 1.25% of risk weighted assets), fair value reserves and foreign currency translations reserve (limited to 45% if positive, 100% if negative), and subordinated debt (limited to 50% of Tier 1 capital).

The minimum required capital adequacy ratio is 10% as determined by the QCB.

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

For the year ended 31 December 2009

4 Cash and balances with central banks

	31 December 2009 QAR'000	31 December 2008 QAR'000
Cash	46,288	41,884
Balances with central banks other than mandatory cash reserves	168,699	168,183
Cash and balances with central bank included in cash and cash equivalents	214,987	210,067
Deposits with central banks (maturities longer than 3 months)	19,829	588,916
Mandatory cash reserves with central banks	409,546	230,639
Cash and balances with central banks	644,362	1,029,622

5 Due from banks and financial institutions

	31 December 2009 QAR'000	31 December 2008 QAR'000
Demand accounts	668,509	126,243
Deposits	2,827,067	1,146,523
Balances with banks included in cash and cash equivalents	3,495,576	1,272,766
Long term deposits	18,624	402,707
Loans and advances to banks	68,693	525,602
Less: Allowance for impairment	(372)	(367)
Total due from banks and financial institutions	3,582,521	2,200,708
Movement in allowances for impairments		
Balance at beginning of the year / period	367	-
Acquired in business combination	-	367
Foreign currency movement	5	-
Balance at the end of the year / period	372	367

6 Loans, advances and financing activities to customers

6.1 By type

	31 December 2009 QAR'000	31 December 2008 QAR'000
<i>(a) Conventional banking loans and advances</i>		
Loans	6,852,336	6,469,789
Overdrafts	649,641	473,609
Discounted notes	100,748	67,236
Gross loans and advances	7,602,725	7,010,634
Allowance for impairment	(237,452)	(30,581)
Net conventional loans and advances	7,365,273	6,980,053
<i>(b) Islamic financing activities</i>		
Receivables and balances of Murabaha financing activities	1,251,140	-
Deferred income	(31,007)	-
Net Islamic financing activities to customers	1,220,133	-
Total net loans, advances and financing activities to customers	8,585,406	6,980,053

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

For the year ended 31 December 2009

As part of the government program to support the national banks, the Group has sold loans and advances with a net amount of QAR 769 million to the government, in exchange for government bonds. The Group continues to perform the administration for these loans on behalf of the government, without retaining any risks or rewards.

The total non-performing loans, advances and financing activities at 31 December 2009 amounted to QAR 309.1 million (2008: QAR 33.6 million), representing 3.5% (2008: 0.5%) of the total gross loans, advances and financing activities. Interest in suspense amounted to QAR 21.4 million (2008: QAR 0.3 million).

6.2 By industry

	Loans	Overdrafts	Discounted Notes	Islamic financing activities	Total
	QAR'000	QAR'000	QAR'000	QAR'000	QAR'000
31 December 2009					
Government	365,000	860	-	305,550	671,410
Industry	320,368	6,068	268	-	326,704
Commercial	393,214	212,431	78,105	405,335	1,089,085
Services	3,912,983	45,640	15,138	-	3,973,761
Contracting	322,183	222,567	2,600	-	547,350
Real Estate	1,019,204	2,135	-	509,248	1,530,587
Personal	456,172	153,818	4,637	-	614,627
Others	63,212	6,122	-	-	69,334
Gross loans, advances and financing activities	6,852,336	649,641	100,748	1,220,133	8,822,858
Less allowance for impairment	(218,235)	(19,217)	-	-	(237,452)
Net loans, advances and financing activities	6,634,101	630,424	100,748	1,220,133	8,585,406
31 December 2008					
Industry	19,883	34,662	9,138.00	-	63,683
Commercial	1,340,254	187,534	30,674.00	-	1,558,462
Services	1,897,990	110,634	27,424	-	2,036,048
Contracting	181,691	111,956	-	-	293,647
Real Estate	1,877,278	-	-	-	1,877,278
Personal	120,281	4,873	-	-	125,154
Others	1,032,411	23,951	-	-	1,056,362
Gross loans, advances and financing activities	6,469,789	473,609	67,236	-	7,010,634
Less allowance for impairment	(19,202)	(11,379)	-	-	(30,581)
Net loans, advances and financing activities	6,450,587	462,230	67,236	-	6,980,053

6.3 Movement in allowance for impairment

	31 December 2009 QAR'000	31 December 2008 QAR'000
Balance at the beginning of the year / period	30,581	-
Acquired in business combination	-	29,955
Provided during the year / period	250,798	3,546
Recoveries during the year / period	(3,264)	-
Net impairment during the year / period	247,534	3,546
Amounts written off	(41,395)	(3,754)
Foreign exchange translation differences	732	834
Balance at the end of the year / period	237,452	30,581

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

For the year ended 31 December 2009

7 Financial investments

	31 December 2009 QAR'000	31 December 2008 QAR'000
Available-for-sale financial investments	2,835,728	1,016,283
Financial investments at fair value through profit or loss	37,256	-
Held-to-maturity financial investments	1,092,101	-
Total financial investments	3,965,085	1,016,283

Debt securities with a carrying value of QAR 2,020.5 million (2008: QAR 727.5 million) are pledged as collateral under repurchase agreements with other banks.

7.1 By type

	31 December 2009		31 December 2008	
	Quoted QAR'000	Unquoted QAR'000	Quoted QAR'000	Unquoted QAR'000
Available-for-sale financial investments				
State of Qatar securities	898,089	-	-	-
Other debt securities	1,013,424	606,026	883,338	132,945
Mutual funds	-	318,179	-	-
Equities	-	10	-	-
Financial investments at fair value through profit or loss				
Other debt securities	-	37,256	-	-
Held-to-maturity financial investments				
Other debt securities	158,636	933,465	-	-

7.2 By interest rate

	31 December 2009 QAR'000	31 December 2008 QAR'000
Available-for-sale financial investments		
Fixed rate	2,556,436	-
Floating rate	279,282	1,016,283
Fair value through profit or loss		
Fixed rate	37,256	-
Held-to-maturity financial investments		
Fixed rate	1,063,101	-
Floating rate	29,000	-

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

For the year ended 31 December 2009

8 Intangible assets

	Goodwill QAR'000	Software QAR'000	Total QAR'000
31 December 2009			
Cost:			
At beginning of the period	136,298	287,689	423,987
Additions	-	4,752	4,752
Adjustments	-	(1,113)	(1,113)
Foreign currency translation	13,608	-	13,608
Total cost	149,906	291,328	441,234
Accumulated amortisation:			
At beginning of the period	-	17,642	17,642
Charged during the period	-	42,244	42,244
Total accumulated amortisation	-	59,886	59,886
Net carrying amount	149,906	231,442	381,348
31 December 2008 (Restated)			
Net carrying amount	136,298	270,047	406,345

8.1 Goodwill

The Group acquired all the shares of BLC Bank (France) S.A., resulting in goodwill amounting to EUR 28.6 million (approximating QAR 136.3 million) at date of acquisition, being recognised (See Note 2.5.2 and 28).

9 Property and equipment

	Land QAR'000	Leasehold Improvements QAR'000	Furniture & Equipment QAR'000	Motor Vehicles QAR'000	Capital work in progress QAR'000	Total QAR'000
31 December 2009						
Cost:						
Balance at beginning of the year	-	21,731	86,564	1,141	66,587	175,023
Additions	12,150	162	2,604	158	9,962	25,036
Disposals	-	-	(584)	-	-	(584)
Transfers and adjustments	-	21,409	20,656	-	(43,729)	(1,664)
Foreign currency translation	-	156	168	-	-	324
Total cost	12,150	43,458	108,408	1,299	32,820	198,108
Accumulated Depreciation:						
Balance at beginning of the year	-	2,453	25,564	328	-	28,345
Charged during the year	-	5,823	32,711	407	-	38,941
Disposals	-	-	(305)	-	-	(305)
Foreign currency translation	-	27	107	5	-	139
Total accumulated depreciation	-	8,303	58,077	740	-	67,120
Net carrying amount	12,150	35,155	50,331	559	32,820	131,015

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

For the year ended 31 December 2009

9 Property and equipment (continued)

	Land QAR'000	Leasehold Improvements QAR'000	Furniture & Equipment QAR'000	Motor Vehicles QAR'000	Capital work in progress QAR'000	Total QAR'000
31 December 2008						
Cost:						
Balance at beginning of the period	-	-	-	-	-	-
Additions	-	15,102	82,015	1,046	66,587	164,750
Disposals	-	6,297	3,353	100	-	9,750
Transfers and adjustments	-	-	(51)	-	-	(51)
Foreign currency translation	-	332	247	(5)	-	574
Total cost	-	21,731	85,564	1,141	66,587	175,023
Accumulated Depreciation:						
Balance at beginning of the period	-	-	-	-	-	-
Charged during the period	-	2,425	25,449	328	-	28,202
Disposals	-	-	(51)	-	-	(51)
Foreign currency translation	-	28	166	-	-	194
Total accumulated depreciation	-	2,453	25,564	328	0	28,345
Net carrying amount	-	19,278	60,000	813	66,587	146,678

10 Other assets

	31 December 2009 QAR'000	31 December 2008 QAR'000
Accrued income	116,773	91,988
Derivatives with positive fair value (note 17)	25,459	32,005
Prepaid expenses	13,258	13,304
Other receivables	78,873	37,529
Total other assets	234,363	174,826

11 Due to banks and financial institutions

	31 December 2009 QAR'000	31 December 2008 QAR'000
Demand and call deposits	78,776	77,934
Term deposits	1,103,573	1,694,395
Borrowings under repurchase agreements	1,949,140	619,297
Total due to banks and financial institutions	3,131,489	2,391,626

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

For the year ended 31 December 2009

12 Customer deposits

	31 December 2009 QAR'000	31 December 2008 QAR'000
By type		
Demand and call accounts	1,175,690	815,974
Saving accounts	13,586	15,764
Term deposits	7,922,802	3,839,075
Other	127,699	3,045
Total customer deposits	9,239,777	4,673,858
By sector		
Government	4,867,345	1,804,381
Corporate	2,959,828	1,913,741
Individuals	1,412,604	955,736
Total customer deposits	9,239,777	4,673,858

13 Subordinated debt

The subordinated debt consists of a loan amounting to EUR 25 million for an undetermined period, and carries interest at EONIA monthly rate (Euro Overnight index average) payable in arrears on a quarterly basis. This loan will, in the event of the winding-up of the issuer, be subordinated to the claims of depositors and all other creditors of the issuer.

	31 December 2009 QAR'000	31 December 2008 QAR'000
Balance at the beginning of year / period	127,555	-
Acquired in business combination	-	119,247
Foreign exchange translation difference	3,598	8,308
Balance at the beginning of year / period	131,153	127,555

14 Other liabilities

	31 December 2009 QAR'000	31 December 2008 QAR'000
Deferred income	15,490	45,106
Accounts payable	21,609	30,207
Derivative with negative fair value (note 17)	39,408	28,929
Provision for staff benefits (note 14.1)	21,485	19,249
Accrued expenses	59,396	28,038
Directors remuneration	1,850	2,000
Other payables	24,101	19,138
Total other liabilities	183,339	172,667

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

For the year ended 31 December 2009

14.1 Provisions for staff benefits

	31 December 2009 QAR'000	31 December 2008 QAR'000
Balance as at 1 January	19,249	-
Acquired in business combination	-	9,503
Additional provisions made during the period	4,149	9,922
Utilised during the period	(1,873)	(492)
Translation differences	(40)	316
Total provisions for staff benefits	21,485	19,249

15 Unrestricted investment accounts

	31 December 2009 QAR'000	31 December 2008 QAR'000
By type		
Term deposits	5,001	-
By sector		
Individuals	5,001	-
Profit distribution rates for the investment account holders		
6 months term	5%	-

16 Shareholders' equity

16.1 Issued Capital

During the year, 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.

16.2 Statutory Reserve

During the year, an extra ordinary Shareholders' meeting approved the amendment of the Article of Association by changing the annual legal reserve transfer from 20% of net profits for the year to 10%, pursuant to the provisions of the Commercial Companies Law No. 5 of 2002. The transfer to the legal reserve is required until the legal reserve equals the paid up capital, and is not available for distribution except in circumstances specified in the Qatar Commercial Companies Law No. 5 of 2002 and after Qatar Central Bank approval.

16.3 Risk Reserve

In accordance with Qatar Central Bank regulations, a minimum of 1.5% of net loans, advances and financing activities to customers, is required as risk reserve. The Qatar Central Bank has approved that the Group gradually building up the risk reserve, with 0.5% of net loans, advances and financing activities to customers approved for current year (2008: 0.25%) and will be revised at the end of next year.

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

For the year ended 31 December 2009

16.4 Fair Value Reserve

Fair value reserve comprises the cumulative change in fair value of available-for-sale financial assets (mark to market) until these assets are derecognised or impaired. The fair value reserve arises from the revaluation of the available-for-sale financial investments.

17 Derivative financial instruments

The Group transacts in derivatives as principal either as a trading activity or to manage risk. The Group's objectives and policies on managing the risks that arise in connection with derivatives are included in Note 3 under the headings 'Market Risk', 'Credit Risk' and 'Liquidity Risk'.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market rates or prices relative to their terms.

The fair value of a derivative contract represents the amount at which that contract could be exchanged in an arms-length transaction, calculated at market rates ruling at the reporting date.

The fair values and notional amounts of derivative instruments are set out in the following table:

	Notional amount	Fair value		Notional amount by term to maturity		
		Assets	Liability	Within 3 months	3 months to 1 year	1 to 5 years
	QAR'000	QAR'000	QAR'000	QAR'000	QAR'000	QAR'000
31 December 2009						
Derivatives for customers						
Forward exchange contracts	988,487	2,095	7,999	988,487	-	-
Interest rate swaps	764,400	23,364	24,525	-	-	764,400
Derivative held for risk management						
Interest rate swaps	564,200	-	6,884	-	-	564,200
Derivative assets/(liabilities)	2,317,087	25,459	(39,408)	988,487	-	1,328,600
31 December 2008						
Derivatives held for trading						
Forward exchange contracts	486,455	760	-	486,455	-	-
Interest rate swaps	728,400	31,245	(28,929)	364,200	-	364,200
Derivative assets/(liabilities)	1,214,855	32,005	(28,929)	850,655	-	364,200

The Group enters into fair value hedges to manage interest rate risk in the financial position. Fair value hedges principally involve interest rate swaps hedging the interest rate risk in recognised financial assets and financial liabilities. Interest rate derivatives designated as fair value hedges primarily hedge the interest rate risk of fixed rate debt securities held.

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

For the year ended 31 December 2009

18 Contingent liabilities and commitments

To meet the financial needs of customers, the Group issues various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised with the financial position, they do contain credit risk and are therefore part of the overall risk of the Group. In many instances, the amount recognised with the financial position for incurred obligations do not represent the loss potential of the arrangement in full. The total outstanding commitments and contingent liabilities are as follows:

	31 December 2009 QAR'000	31 December 2008 QAR'000
Contingent liabilities		
Guarantees	3,940,546	2,884,525
Unutilised credit facilities	2,942,374	1,687,706
Letters of credit and acceptances	661,948	152,215
Total contingent liabilities	7,544,868	4,724,446
Other commitments		
Operating lease commitment	58,177	71,669
Capital commitments	38,565	54,650
Foreign exchange contacts (note 17)	988,487	486,455
Interest rate swaps (note 17)	1,328,600	727,400
Total other commitments	2,413,829	1,340,174

18.1 Acceptances, guarantees and letters of credit

Letters of credit, guarantees and acceptances commit the Group to make payments on behalf of customers contingent upon the failure of the customer 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 credit, advance payment guarantees and endorsement liabilities from bills rediscounted.

18.2 Unused facilities

Commitments to extend credit represent contractual commitments to make 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.

However, the potential credit loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

18.3 Capital commitments

The capital commitments represent refurbish commitments relating to the completion of the head office building and new branch buildings, as well as contractual commitments in respect of software development.

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

For the year ended 31 December 2009

18.4 Operating lease commitments

The Group has entered into commercial leases on certain buildings. These leases have an average life of between three and five years. There are no restrictions placed upon the Group by entering into these leases.

Future minimum lease payments under operating leases are as follows:

	31 December 2009 QAR'000	31 December 2008 QAR'000
No later than one year	11,965	13,492
Later than one year and no later than 5 years	46,212	58,177
Later than 5 years	-	-
Total operating lease commitments	58,177	71,669

18.5 Litigation and claims

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business amounting to QAR 14.7 million. Based on legal advice, the Group does not expect the outcome of the legal claims to have a material effect on the Group's financial position.

19 Net interest income

	Year ended 31 December 2009 QAR'000	9 January 2007 to 31 December 2008 QAR'000
<i>Interest income</i>		
Banks and financial institutions	42,993	336,748
Financial investments	102,828	49,867
Loans and advances to customers	461,973	181,329
Total interest income	607,794	567,944
<i>Interest expense</i>		
Due to banks and other financial institutions	(39,368)	(62,258)
Customer deposits	(289,426)	(38,768)
Other borrowed funds	-	(2,225)
Total interest expense	(328,794)	(103,251)
Net interest income Total	279,000	464,693

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

For the year ended 31 December 2009

20 Net fee and commission income

	Year ended 31 December 2009 QAR'000	9 January 2007 to 31 December 2008 QAR'000
<i>Fee and commission income</i>		
Loans, advances to customers	75,778	56,579
Indirect credit facilities	30,754	7,752
Bank service fees	6,796	36
Total fee and commission income	113,328	64,367
Fees paid	(2,862)	(546)
Total fee and commission expense	(2,862)	(546)
Net fee and commission income	110,466	63,821

21 Net income from foreign currency transactions

	Year ended 31 December 2009 QAR'000	9 January 2007 to 31 December 2008 QAR'000
Profits from foreign currency transactions	6,926	5,424
Profit from revaluation of assets and liabilities	3,358	824
Net income from foreign currency transactions	10,284	6,248

22 General and administration expenses

	Year ended 31 December 2009 QAR'000	9 January 2007 to 31 December 2008 QAR'000
Salaries, allowances and other staff costs	191,638	194,603
Employee end of service benefits	8,255	8,669
Directors' remuneration and meeting attendance fees	2,260	1,600
Advertising, marketing and promotional expenses	2,908	20,814
Legal and professional fees	22,062	47,999
Rent and maintenance	32,237	33,806
Computer and IT costs	42,872	66,667
Travelling expenses	2,459	12,760
Licences and subscriptions	2,202	4,685
Other expenses	3,970	5,437
Total administration and general expenses	310,863	397,040

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

For the year ended 31 December 2009

23 Other income

During the year the Group has received a total amount of QAR 291 million within the Qatari government plan to support national banks. The Group has recognised this amount as income during the year consistent with the requirements of IAS 20, Accounting for Government Grants and Disclosure of Government Assistance.

24 Income tax expense

According to the laws and regulations effective in France and United Arab Emirates income tax expense of QAR 6.6 million (2008: QAR 1.3 million), was calculated for the subsidiary companies in France and United Arab Emirates for the year ended 31 December 2009 (2008: From acquisition date (3 November 2008) to 31 December 2008).

The subsidiary company in France has previously accumulated tax losses amounting to EUR 7.5 million which it intends to utilise against the company's future taxable income. The benefit of the tax losses has not been recognised in these financial statements by raising a deferred tax asset as the exact amount of the benefit is uncertain.

25 Earnings per share

	Year ended 31 December 2009 QAR'000	9 January 2007 to 31 December 2008 QAR'000
Profit attributable to equity holders	167,294	103,578
Basic weighted average number of shares in issue (shares)	360,000,000	314,079,606
Basic and diluted earnings per share (in QAR)	0.46	0.33

Basic and diluted earnings per share is calculated by dividing the profit for the year / period attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the period. No potential dilutions of ordinary shares existed at 31 December 2009.

26 Related party transactions

The Group has carried out transactions in the ordinary course of business with directors and members of the senior management team, their close family members, and affiliated companies which have significant influence in the Group's financial and operating decisions. These transactions include loans, financing activities, deposits and foreign currency transactions. At the reporting date the balances for such transactions were as follows:

26.1 Statement of financial position items

	Key management QAR'000	Others QAR'000	Total QAR'000
31 December 2009			
Loans and advances	4,225	1,585,133	1,589,358
Customer deposits	848	3,234,656	3,235,504
Subordinated debt	-	131,153	131,153
31 December 2008			
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 Consolidated Financial Statements

For the year ended 31 December 2009

26.2 Statement of income items

	Key management QAR'000	Others QAR'000	Total QAR'000
Year ended 31 December 2009			
Interest income	231	786	1,017
Interest expense	288	38,733	39,021
Commission income	-	1,113	1,113
Income from Islamic financing activities	-	77,367	77,367
Period 9 January 2007 to 31 December 2008			
Interest income	91	27,412	27,503
Interest expense	24	4,614	4,638
Commission income	-	3,529	3,529

26.3 Compensation of key management personnel

	Year ended 31 December 2009 QAR'000	9 January 2007 to 31 December 2008 QAR'000
Salaries, allowances and other benefits	30,024	41,101
End of service indemnity benefits	778	2,038
Total compensation paid to key management personnel	30,802	43,139

26.4 Board of Directors' fees

The Board of Directors fees for 2009 amounted to QAR 2,260,000 (2008: QAR 1,600,000) which is subject to the approval of the General Assembly.

27 Cash and cash equivalents

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

	31 December 2009 QAR'000	31 December 2008 QAR'000
Cash and balances with central banks (note 4)	214,987	210,067
Due from banks and financial institutions (note 5)	3,495,576	1,272,766
Cash and cash equivalents	3,710,563	1,482,833

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

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

For the year ended 31 December 2009

28 Acquisition and liquidation of subsidiaries

28.1 Acquisition of subsidiary

On 3 November 2008 the Group acquired all of the shares in BLC Bank (France) S.A. for USD 100 million (see note 2.5.2 for restatement of comparative information). BLC Bank is engaged in banking and investing activities. During the year the Group, after obtaining the necessary approvals, has rebranded the BLC Bank as al khaliji France. The acquisition had the following effect on the Group's assets and liabilities on acquisition date:

	Pre-acquisition values QAR'000	Fair value recognised on acquisition date QAR'000
31 December 2008		
Cash and cash equivalents acquired	512,865	512,865
Reserves and balances with Central Bank	656,724	656,724
Due from banks and financial institutions	506,068	506,068
Loans and advances to customers	899,601	899,601
Financial investments	6,187	6,187
Property, furniture and equipment	9,750	9,750
Other assets	14,428	14,428
Identifiable assets	2,605,623	2,605,623
Due to banks and financial institutions	348,615	348,615
Deposits from customers	1,872,285	1,872,285
Subordinated loans	119,247	119,247
Other liabilities	37,774	37,774
Identifiable liabilities	2,377,921	2,377,921
Net carrying amount of assets		227,702
Recognised goodwill on acquisition		136,298
Consideration given (See note 2.5.2)		364,000
Cash acquired		(512,865)
Consideration net of Cash acquired		(148,865)

Pre-acquisition carrying amounts were determined based on applicable IFRS immediately before the acquisition. The values of assets, liabilities, and contingent liabilities recognised on acquisition are their estimated fair values. The fair value of the financial assets acquired includes loans and advances with a fair value of QAR 899.6 million.

The goodwill recognised on the acquisition is attributable mainly to the synergies expected to be achieved from gaining access to BLC markets due to the geographical positioning of its branches in France and United Arab Emirates.

28.2 Liquidation of a subsidiary

During the period, the group liquidated Al Khaliji Services Ltd, one of its subsidiaries located in United Arab Emirates. At the date of the final liquidation, 8 September 2009, the total assets were QAR 217,000 and total liabilities were QAR 313,000. The net loss of the subsidiary for the period ended 1 January 2009 to 9 September 2009 was QAR 115,000 (2008: QAR 163,000).

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

For the year ended 31 December 2009

29 Segmental reporting

29.1 By business segment

The performance of the Group's main business segments can be illustrated as follow:

	Consumer banking QAR'000	Wholesale banking QAR'000	Islamic banking QAR'000	Head Office QAR'000	Total QAR'000
31 December 2009					
Net interest income	65,617	204,243	-	9,140	279,000
Net income from Islamic financing activities	-	-	77,237	-	77,237
Net fees and commission income	51,119	54,812	-	4,535	110,466
Net income from foreign currency transactions	-	10,284	-	-	10,284
Other operating income	-	45,157	-	-	45,157
Net operating income	116,736	314,496	77,237	13,675	522,144
General and administration expenses	(47,077)	(48,925)	(5,962)	(208,899)	(310,863)
Depreciation and amortisation	(444)	(1,287)	(28)	(79,426)	(81,185)
Impairment losses on loans, net of recoveries	(15,070)	(232,464)	-	-	(247,534)
Other income	-	-	-	291,353	291,353
Segment results	54,145	31,820	71,247	16,703	173,915
Tax	-	-	-	(6,621)	(6,621)
Net profit	54,145	31,820	71,247	10,082	167,294
Assets and liabilities					
Total assets	1,066,955	13,620,660	1,312,897	1,523,588	17,524,100
Total liabilities	(1,685,652)	(10,904,303)	(20,210)	(80,594)	(12,690,759)
31 December 2008					
Net interest income	24,405	440,288	-	-	464,693
Net fees and commission income	15,282	48,539	-	-	63,821
Net income from foreign currency transactions	2,414	4,360	-	(526)	6,248
Other operating income	-	16,439	-	75	16,514
Net operating income	42,101	509,626	-	(451)	551,276
General and administration expenses	(45,089)	(21,171)	-	(330,780)	(397,040)
Depreciation and amortisation	(527)	-	-	(45,317)	(45,844)
Impairment losses on loans, net of recoveries	(678)	(2,868)	-	-	(3,546)
Segment results	(4,193)	485,587	-	(376,548)	104,846
Tax	-	-	-	(1,268)	(1,268)
Net profit	(4,193)	485,587	-	(377,816)	103,578
Assets and liabilities					
Total assets	2,841,732	7,021,718	-	2,091,065	11,954,515
Total liabilities	(2,684,446)	(4,734,253)	-	(535,844)	(7,954,543)

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

For the year ended 31 December 2009

29.2 By geographical segment

Geographically, the Group operates in Qatar and through its branches and subsidiary in Europe and GCC. The Qatar operations contribute 82% (2008: 95%) in terms of the Group's profits, and hold 83% (2008: 79%) of the Group's assets as illustrated below:

	Qatar QAR'000	Other GCC Countries QAR'000	Europe QAR'000	Total QAR'000
31 December 2009				
Net interest income	225,578	34,472	18,950	279,000
Income from Islamic financing activities	77,237	-	-	77,237
Net fees and commission income	83,623	23,234	3,609	110,466
Other operating income	40,106	10,489	4,846	55,441
Net operating income	426,544	68,195	27,405	522,144
General and administration expenses	(254,994)	(31,289)	(24,580)	(310,863)
Depreciation and amortization	(78,078)	(1,927)	(1,180)	(81,195)
Impairment losses on loans, net of recoveries	(246,710)	(2,222)	1,398	(247,534)
Other income	290,661	692	-	291,353
Segment results/net profit before taxes	137,423	33,449	3,043	173,915
Income tax expense	-	(6,540)	(81)	(6,621)
Net profit for the period	137,423	26,909	2,962	167,294
Assets and liabilities				
Total assets	14,535,677	1,529,897	1,458,526	17,524,100
Total liabilities	(10,479,989)	(1,247,162)	(963,608)	(12,690,759)
31 December 2008				
Net interest income	455,958	5,704	3,031	464,693
Net fees and commission income	59,892	3,253	676	63,821
Net income from foreign currency transactions	3,885	2,236	127	6,248
Other operating income	16,463	51	-	16,514
Net operating income	536,198	11,244	3,834	551,276
General and administration expenses	(388,228)	(4,147)	(4,665)	(397,040)
Depreciation and amortization	(45,317)	(384)	(143)	(45,844)
Impairment losses on loans, net of recoveries	(4,609)	569	494	(3,546)
Segment results/net profit before taxes	98,044	7,282	(480)	104,846
Income tax expense	-	(1,268)	-	(1,268)
Net profit for the period	98,044	6,014	(480)	103,578
Assets and liabilities				
Total assets	9,293,694	1,541,386	1,119,435	12,500,515
Total liabilities	(4,997,108)	(1,401,118)	(1,010,317)	(7,954,543)

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

For the year ended 31 December 2009

30 Financial statements for the Parent Company

30.1 Statement of financial position for the Parent Company as at 31 December

	2009 QAR'000	2008 QAR'000
Assets		
Cash and balances with central banks	435,972	327,395
Due from banks and financial institutions	2,449,252	1,169,321
Loans, advances and financing activities to customers	7,383,171	6,157,724
Financial investments	3,690,462	1,010,189
Investment in subsidiaries	691,571	364,380
Intangible assets	231,442	269,319
Property and equipment	123,191	137,638
Other assets	199,201	136,619
Total assets	15,204,262	9,572,585
Liabilities		
Due to banks and financial institutions	2,732,694	2,065,057
Customer deposits	7,599,238	2,846,537
Other liabilities	143,056	136,536
Total liabilities	10,474,988	5,048,130
Unrestricted investment account	5,001	-
Total liabilities and unrestricted investment accounts	10,479,989	5,048,130
Shareholders' equity		
Share capital	3,600,000	3,600,000
Statutory reserves	924,398	907,669
Risk reserve	42,927	17,450
Fair value reserve	1,691	(60,704)
Retained earnings	155,257	60,040
Total shareholders' equity	4,724,273	4,524,455
Total liabilities, unrestricted investment accounts and shareholders' equity	15,204,262	9,572,585

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

For the year ended 31 December 2009

30.2 Statement of Income for the Parent Company

	Year ended 31 December 2009 QAR'000	9 January 2007 to 31 December 2008 QAR'000
Interest income	527,831	551,884
Interest expense	(302,253)	(95,926)
Net interest income	225,578	455,958
Income from Islamic financing and investing activities	77,365	-
Unrestricted investment account holders' share of profits	(128)	-
Net income from Islamic financing and investing activities	77,237	-
Fee and commission income	84,904	60,199
Fee and commission expense	(1,281)	(307)
Net fee and commission income	83,623	59,892
Net gains from foreign currency transactions	1,797	3,885
Net losses from financial instruments at fair value	(8,593)	-
Net profit on sale of available-for-sale investments	46,900	-
Other operating income	-	16,463
Net operating income	426,542	536,198
General and administration expenses	(254,994)	(388,066)
Depreciation of property and equipment	(35,834)	(27,675)
Amortisation of intangible assets	(42,244)	(17,642)
Impairment losses on loans, net of recoveries	(246,710)	(4,609)
Other Income	290,661	-
Profit for the year / period	137,421	98,206

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

For the year ended 31 December 2009

31 Islamic Banking

The Statement of financial position and statement of income of **al khaliji al islami** are presented below. The Islamic branch's accounts are prepared in accordance with the Financial Accounting Standards issued by the Accounting and Audit Organisation for Islamic Financial Institutions (AAOIFI) and Qatar Central Bank regulations

31.1 Statement of financial position as at 31 December 2009

	2009
	QAR'000
Assets	
Cash and balances with central bank	107
Due from banks and financial institutions	25,834
Due from financing activities to customers	1,220,133
Property and equipment	4,085
Other assets	62,738
Total Assets	1,312,897
Liabilities	
Customer current accounts	1,316
Qardh	1,066,439
Other liabilities	18,894
Total liabilities	1,086,649
Unrestricted investment accounts	5,001
Total liabilities and unrestricted investment accounts	1,091,650
Shareholders' equity	
Capital funding provided by Head Office	150,000
Retained earnings	71,247
Total shareholders' equity	221,247
Total liabilities, unrestricted investment accounts and shareholders' equity	1,312,897

31.2 Statement of income for the year ended 31 December 2009

	2009
	QAR'000
Income from financing and investing activities	70,616
Fee and commission income	6,770
Fee and commission expense	(42)
Net fee and commission income	6,728
Net gains from foreign currency transactions	21
Net Operating income	77,365
General and administration expenses	(5,962)
Depreciation of property and equipment	(28)
Profit for the year	71,375
Unrestricted investment account holders' share of profits	(128)
Profit for the year attributable to shareholders	71,247