

## Minutes of the Annual General Assembly

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

Held on 7 March 2011, at 4h00 p.m.  
At the Al Sharq Hotel (Al Dasha Ballroom)  
Doha – Qatar

The al khaliji Annual General Assembly (“AGA”) was held on Monday, 7 March 2011, in the Al Sharq Hotel, Doha – Qatar, at 4h00 p.m., in the presence of the members of the Board of Directors, the External Auditors and representatives from the Ministry of Business and Trade, as listed below:

	Name	Position
<b>Board Members</b>	Hamad Bin Faisal Bin Thani Al Thani	Chairman and Managing Director
	Abdullah Bin Nasser Al Misnad	Vice Chairman
	Mohammad Khalid Al Mana	Member
	Abdul Salam Al Murshidi	Member
	Hisham Al Saei	Member
	Nasser Yousef Al Marzouqi	Member
	Issam Anis Khalaf	Member
<b>Minutes Keeper</b>	Rima Boutros	Company Secretary
<b>al khaliji Senior Management</b>	Rob MaCall	Acting Chief Executive Officer
	Christiaan De Beer	Chief Finance Officer
<b>Representatives of the Ministry of Business &amp; Trade (“MBT”)</b>	Alaa Hamdi	MBT
	Khalid Al Sulaiti	MBT
	Sultan Al Dossari	MBT
<b>External Auditors, Deloitte &amp; Touche (“D&amp;T”)</b>	Samer Jaghoub (“Samer”)	Managing Partner, D&T
	Mohammed Bahemia	D&T
	Mohamed Khair	D&T
<b>Absentees</b>	Representatives of QCB	Qatar Central Bank

## **Opening of Meeting:**

The Chairman commenced with official deliberations reminding the audience that the Annual General Assembly has been announced to take place by publication in two local newspapers one in Arabic and one in English in accordance with the Commercial Companies Law No. 5 of 2002 and its amendments. In addition, the announcement was available on the Qatar Exchange website and the al khaliji's website. Therefore the AGA meeting has been validly convened.

The Chairman further mentioned that the minutes of the last AGA and EGA meetings of 15 March 2010 have been available to the shareholders at the offices of the Bank and that they may be, furthermore, downloaded from al khaliji's website.

The Chairman confirmed the presence of the representatives of the Ministry of Business and Trade to audit the meeting.

The Chairman invited the external auditors to confirm presence of quorum.

## **Quorum:**

Samer Jaghoub, Managing Partner of Deloitte & Touche, confirmed that today's AGA meeting is validly constituted and qualified to take resolutions.

He announced that, in accordance with Article 53 of al khaliji Articles of Association, the AGA meeting shall not be valid unless it is attended by a number of shareholders representing at least half the capital.

The present meeting is attended by a number of shareholders present in person and representing 123,952,915 shares, in addition to a number of proxies representing 108,731,581 shares. Therefore, the total number of shares represented in the meeting is 232,684,496 shares, corresponding to 64,62% of the total share capital of the company which is equal to QAR 360,000,000 shares as currently registered in the Commercial Register.

He further stated that it was verified by the Ministry's representatives that none of the shareholders has appointed a Board Member as a proxy and the number of shares held by natural shareholders as a proxy has not exceeded 25% of the total shares of the company. He concluded that in accordance with Article 50 of the Articles of Association ("AOA"), all resolutions issued by the AGA are binding to all shareholders, whether or not they attended and voted at the AGA.

### **Appointment of Secretary and Vote Counters:**

After declaration of quorum, the Chairman appointed Miss Rima Boutros, Company Secretary, as keeper of the minutes of this Shareholders' Meeting. In addition, he informed the Shareholders' Meeting that Alfa Omega Company has performed the quorum counting which was audited by the external auditors and the representatives of the Ministry of Business and Trade.

***No objections are stated.***

### **Agenda of the AGA:**

The Chairman read out the AGA agenda in the following sequence:

1. To hear the Chairman's Statement and the Report of the Board of Directors on the activities of the Company and its financial position for the period ended 31.12.2010 and the future plans.
2. To hear and approve the Auditor's Report on the company's Financial Statements for the Period Ended 31.12.2010
3. To discuss and approve the Company's Financial Statements for the Period Ended 31.12.2010.
4. To hear and approve the Board of Director's Recommendation regarding the distribution rate of cash dividends of 10% of the nominal share value (QR 1 Per Share) for the Year 2010.
5. To absolve the Board members from any liability and fix their remuneration for the financial year ended 31 December 2010
6. To appoint the External Auditors for the year 2010 and determine their fees.

#### **Presentation and Discussion of the items on the agenda:**

##### ***Item 1: To hear the Chairman's Statement and the report of the Board of Directors on the activities of the Company and its financial position for the period ended 31.12.2010 and the future plans***

The Chairman read, on behalf of the Board, the report of the Board of Directors on the activities of the Company and its financial position for the period ended 31.12.2010 and future plans, summarizing the financial highlights. He welcomes the shareholders and thanked them for their contribution in the success of the bank and their confidence in its business and operations. He described the economic situation in light of the global economic recovery underpinned by the rebound in oil prices from their 2009 levels and an orderly restructuring of debts which served to minimize any spillover of regional corporate defaults into the banking and financial sectors. The Chairman thanked the Senior

Management and the employees for their continuous efforts to expand the business of al khaliji. In addition, he praised the continuous effective role of the Government of the State of Qatar in supporting the banking system and the economy.

The Chairman expected in his report that Qatar will witness continuous double digit growth rates in both the oil and non-oil sectors in the coming years, supported by investments in hydrocarbons and infrastructure, in addition to the development of sport, leisure and transport projects needed to facilitate the successful realization of the 2022 World Cup event.

In terms of the bank's performance, the Chairman noted that 2010 proved to be a milestone year for al khaliji, underscored by an outstanding financial performance in all areas of the business. This performance could be seen as a validation of the Bank's underlying medium term, wholesale led strategy which was agreed and put into effect at the beginning of 2010.

al khaliji Group, comprising Al Khalij Commercial Bank (al khaliji) Q.S.C. and Al Khaliji (France) S.A., registered an impressive increase in net profit, which reached QR 427 million, up 155 percent from QR 167 million in 2009.

The net interest income of QR 463 million was QR 184 million, or 66 percent, higher than in 2009. At the same time the net interest margin increased to 3.3 percent as of 31 December 2010, compared to 2.7 percent at end 2009. Net operating income at QR 760 million was up 46 percent on last year (QR 522 million). There was a continued downward trend in the cost to income ratio which decreased from 75 percent to 52 percent.

In addition, the Chairman stated that the earnings per share increased to QR 1.19, more than 2.5 times 2009's EPS. Return on average shareholder equity is 8.5 percent, and return on average assets is 2.3 percent (compared respectively to 3.5 percent and 1.1 percent at end 2009). The total shareholder equity, including paid-up share capital, reserves and retained profits, reached QR 5.26 billion, up 9 percent from QR 4.83 billion on 31 December 2009.

In terms of the future plans, the Chairman noted that all future plans of al khaliji remain subject to the proposed merger with the International Bank of Qatar (IBQ). He stated that it is believed that this proposal will yield important long term benefits for al khaliji shareholders by creating a more competitive, financially stronger and significantly larger organisation. He added that the Board is also of the considered view that the merger is highly appropriate for the Qatari financial market where the

arguments for consolidation remain highly compelling. The Chairman noted that the merger will be submitted for approval to the shareholders as soon as all required regulatory approvals are obtained.

Finally the Chairman thanked the Emir of the State of Qatar and the Heir Apparent for their continuous support of the financial sector in Qatar and of the bank. He also extended his appreciation to the shareholders and the representatives of the regulatory entities for their endless support and to the executive management and staff for their continuous efforts.

The Chairman concluded that the Annual Report including the Corporate Governance Report can be obtained from the Company Secretary's Office at al khaliji Headquarters or downloaded from al khaliji website.

***The Chairman opens the discussion. No one asked to take the floor.***

**Resolution No. AGA.1.3.2011:** The shareholders attending the present Annual General Assembly of al khaliji have unanimously resolved, that the Chairman's Statement and the Report of the Board of Directors on the activities of the Company and its financial position for the period ended 31.12.2010 and the future plans are to be approved and adopted.

**Item 2: *To hear and approve the Auditor's Report on the Company's financial statements for the period ended 31.12.2010***

Samer Jaghoub read the External Auditors' report summarizing the financial statement, the responsibility of the External Auditors and the company management. He also briefed the opinion of the External Auditors on the compliance of the statements with IFRS and QCB instructions. Finally, he read the other legal and judicial requirements and confirmed that to his knowledge, no material violations or breaches occurred during the period covered by the statements.

***The Chairman opened the discussion. No one asked to take the floor.***

**Resolution No. AGA.2.3.2011:** The shareholders attending the present Annual General Assembly of al khaliji unanimously resolved that the Auditor's Report on the Company's financial statements for the period ended 31.12.2010 be adopted and approved.

**Item 3: *To discuss and approve the Company's Financial Statements for the year ended 31.12.2010.***

The Chairman mentioned that the Consolidated Financial Statements for the year ended 31 December

2010 have been disclosed to the shareholders by publishing them ahead of the meeting in two local newspapers one in Arabic and one in English as well as on the website of the Qatar Exchange and the website of al khaliji. Therefore, the Chairman opened the floor to questions from the present shareholders.

First question was about the reason for the decrease in the retained earnings. The Chairman mentioned that there was no actual decrease in the retained earnings and that the earnings were transferred to dividends and to reserves (legal and risk reserves) as reflected in the financial statements.

Another question was addressed about whether or not al khaliji will take advantage from the government decision to buy 10% stake in listed banks through the Qatar Investment Authority. The Chairman answered that al khaliji is very well capitalized. He also added that in light of the merger discussions, the Management was prudent to take advantage of the government support until a decision is taken about the merger to maintain transparency in the evaluation process.

A question was raised about the Board reaction with regard to the latest instructions issued by the Qatar Central Bank to close all the Islamic windows and whether or not there are any plans to make up the loss in the Islamic revenues. The Chairman answered that this decision has been taken recently and that affected banks are still discussing this decision with the regulators to find a solution together. No final decision has yet been taken by al khaliji and should there be any decision taken in the near future, it will be disclosed to the market on due time.

A shareholder raised a question about the quality of the loan book. The Chairman answered that there has been some improvement on the quality of the loan book noting that the coverage ratio, including the Bank's risk reserve, increased from 91 percent in 2009 to 270 at end 2010. Total non-performing loans and advances represent 1.3 percent of total gross loans and advances. This is a major improvement compared to current market norms and 2009 ratio of 3.5%.

Other questions were raised about the merger timeline. The Acting CEO commented that the advisors appointed by both banks are in the process of completing the tasks assigned to them and compiling a final transaction to be submitted for approval by the respective Board of both entities. After Board approval, the transaction must be reviewed and approved by a number of regulatory bodies before being submitted to the shareholders for final approval. Therefore, many factors can affect the

timeline which cannot be confirmed at this time. He; however, confirmed that all information in this regard will be disclosed to the market as soon as it becomes available.

A final question was raised about the exchange ratio. The concerned shareholder noted that al khaliji decreased the share capital a year ago, which resulted in the decrease of the ownership of the shares by 50%. Will the merger lead to another decrease in the number of shares owned by the shareholders? The Acting CEO answered that the decrease of the capital did not impact the ownership whereas the process was meant to cap the unpaid portion of the capital (50% was unpaid) in order to get to a fully paid capital. The process involved the merger of 2 shares in one resulting in a fully paid share with a double value. With regard to the exchange ratio, this is still not decided and there are still a lot of approvals and decisions to be made. He added that should the merger take place and the exchange ratio be decided, there will not be any change in the number of shares owned by the shareholders.

***No further questions were raised. Therefore, the Chairman invited the shareholders to vote on this item.***

**Resolution No. AGA.3.3.2011:** The shareholders attending the present Annual General Assembly of al khaliji unanimously resolved that the Financial Statements of the company for the year ended 31 December 2010, audited by Deloitte & Touche, under their audit report presented to this present meeting, are to be approved and adopted

***Item 4: To hear and approve the Board of Director's Recommendation regarding the distribution rate of cash dividends of 10% of the nominal share value (QR 1 Per Share) for the Year 2010.***

The Chairman noted that Board recommends the AGA to distribute cash dividends in the rate of 10% of the nominal share value; i.e. QAR 1 per share for the year 2010.

The Chairman added that the dividend cheques will be distributed to the shareholders starting from Sunday 13 March 2010 at the Bank's retail branch situated in Bin Omran, Town Centre.

***The Chairman opened the discussion. No one asked to take the floor.***

**Resolution No. AGA.4.3.2011:** The shareholders attending the present al khaliji Annual General Assembly unanimously resolved that the Board of Director's recommendation regarding the distribution of cash dividends in the rate of 10% of the nominal share value for the year 2010 is to be adopted and approved.

**Item 5: To absolve the Board members from any liability and fix their remuneration for the financial year ended 31 December 2010**

The Chairman expressed his thanks to his colleagues on the Board and to the Management for their commitment to the Company throughout the last year. He has further put to vote the discharge of liability to all members of the Board for the year 2010 and the payment of a total remuneration of QAR 2,190,000 to all Board members for their activities in 2010. He stated that the Remuneration Policy of al khaliji was prepared in accordance with Article 69 of the Articles of Association of al khaliji and pursuant to Qatar Central Bank Circular No. 6/2008.

The Chairman reminded the shareholders that the Board of Directors made available for inspection by the shareholders, three days prior to the AGA meeting, a detailed statement including information on the Board remuneration. This statement will remain available for inspection at the Company Secretary's office.

***The Chairman opened the discussion. No one asked to take the floor.***

**Resolution No. AGA.5.3.2011:** The shareholders attending the present Annual General Assembly of al khaliji unanimously resolved that the members of the Board of Directors are to be discharged from any liability for the period ended 31.12.2010; and that the remuneration of the Board members is to be fixed at QAR 2,190,000 (Qatari Riyals two million one hundred and ninety thousand) for the year 2010.

**Item 6: To appoint the External Auditors for the year 2011 and determine their fees.**

The Chairman requested that the external auditors leave the meeting room before opening the discussion of this item. He then noted that it is the Board recommendation to re-appoint Deloitte & Touche as the external auditors for the year 2010. He also stated that Deloitte submitted the best quotation among all the other bidders approved by Qatar Central Bank.

A shareholder noted that it is normally recommended under the best practices in corporate governance that the external auditors are changed after the elapse of the third year of appointment. He asked about the reason why the Board is still recommending the re-appointment of the same external auditor.

The Chairman supported the shareholder's view to change the external auditors after three years of

appointment. However, it was the Board's view to keep the same external auditors until the merger is closed. He stated that the current external auditors are aware of all the internal controls and processes of al khaliji. Appointing new external auditors in the middle of the merger project may not be very prudent at this stage.

The shareholders supported this view and agreed to keep the same external auditors until a decision on the merger is taken.

***The Chairman closed the discussion and invited the shareholders to vote on this item***

**Resolution No. AGA.6.3.2011:** The shareholders attending the present Annual General Assembly of al khaliji unanimously resolved that Deloitte & Touche are to be re-appointed as the Statutory External Auditors of the bank for the year 2011 and that the Board of Directors is to be delegated to conclude the commercial terms with them as they may deem appropriate.

**The Chairman concluded that all items on the agenda have been discussed and resolved upon noting that this year's Annual General Assembly of the Shareholders has reached the end. The minutes of the Shareholders' meeting will be available for inspection within one month from the date of the meeting at al khaliji website or by contacting the Company Secretary at the bank's headquarters.**

**The Chairman thanked the audience for their attention and attendance at this AGA meeting and officially closed the 2010 AGA meeting.**

Signed by:

**Hamad Bin Faisal Bin Thani Al Thani**  
Chairman & Managing Director

**Samer Jaghoub**  
On behalf of Deloitte & Touche

**Rima Boutros**  
Company Secretary & Minutes Keeper