

al khaliji holds its semi-annual earnings press conference

Mid-year results reaffirm al khaliji's position as Qatar's fastest growing bank

- al khaliji achieves 122 percent increase in net profit to reach QR 249 million on 30 June 2011

Doha, July 25, 2011: al khaliji, Qatar's fastest growing bank, held its half year earnings press conference today, after the publication last week of its financials for the 6 months period ended 30 June 2011. The financials showed a strong increase in net profit, which reached QR 249 million on 30 June 2011, up 122 percent from QR 112 million on 30 June 2010. The Q2 net profit reached 130 million, up 141 percent compared to Q2 of 2010.

The investor conference was attended by Robin McCall, Group Chief Executive Officer and Christiaan de Beer, Group Chief Financial Officer. Also present were Charbel Cordahi, Head of Investor Relations, and representatives of the local media and press.

McCall started the earnings press conference by saying:

"The results achieved in the first half of 2011 are outstanding showing an accelerated momentum in al khaliji's growth YOY. In addition to achieving profits across our core businesses, we have increased productivity, improved efficiencies, and maintained our prudent approach to risk management".

The net interest margin increased to 3.3 percent as of 30 June 2011, compared to 2.8 percent at end-June 2010. Net interest income, at QR 300 million, is 59 percent higher than the 188 million in 2010, as interest expense decreased by 36 percent and interest income increased by 15 percent.

Commenting on the decrease in the net income from Islamic financing activities, Christiaan de Beer, al khaliji Group Chief Financial Officer, said:

"The decrease results from al khaliji's need to comply with Qatar Central Bank's directive on conventional banks' Islamic activities: the Bank ceased extending Islamic facilities to, or taking Islamic deposits from new customers".

al khaliji continues to expand its fee and commission based activities. Net fee and commission income for the 6 months period ended 30 June 2011 reached QR 56 million, up 13 percent compared to June 2010.

Net operating income reached QR 497 million on 30 June 2011, up 55 percent compared to the corresponding period in 2010, when it reached QR 321 million.

Commenting on the continuous improvement in the cost to income ratio, which reached 38 percent on 30 June 2011, compared to 58 percent in June 2010, Robin McCall, al khaliji Group Chief Executive Officer, said:

“The cost-to-income ratio reflects the enhanced operational efficiency and improved productivity – as the Bank generates higher profits and optimizes the business processes. Post the termination of merger discussions, we have commenced projects that were placed on hold and we will be looking to invest in additional human capital to fulfil positions placed on hold during the merger discussions”.

The operation in Qatar’s conventional banking activities contributed to 85 percent of the net operating income while Al Khaliji France S.A., the wholly owned subsidiary headquartered in Paris, France and present in 4 emirates in the UAE, contributed 14 percent.

Earnings per share (EPS) increased to QR 0.69, 2.2 times H1 2010’s EPS. Return on average shareholder equity is 11 percent, and return on average assets is 2.6 percent, compared respectively to 4.8 percent and 1.3 percent at 30 June 2010.

The results reflect the success of al khaliji wholesale led strategy – central to which is the Bank’s focus on supporting its preferred customers in Qatar, the UAE, and France. The disclosure of al khaliji results came after CPI Financial rated al khaliji as the number one growing bank in Qatar in three areas: growth in return on assets, growth in total income, and growth in net profit. The same survey rated al khaliji as the 25th best performing bank in 8 regional countries, including the GCC, Jordan and Lebanon.

The capital adequacy ratio is at 24 percent on 30 June 2011, confirming the Group’s financial strength.

al khaliji continues its expansion in Qatar, the UAE, and France. Lately, it acted as a mandated lead arranger on the USD 600 million equivalent term loan facility for Zain KSA, a subsidiary of Zain Kuwait and one of the leading telecommunication operators in the GCC and wider Middle East region.

Loans and advances increased by 17 percent since the beginning of the year and reached QR 8.46 billion on 30 June 2011. De Beer commented:

“No-one expected a year ago that both Europe and the US would be struggling with economic stagnation, nor did anyone foresee the political tension in the MENA region. This type of uncertainty causes both borrowers and banks to be more cautious. Once again we can highlight that the Qatar Government and QCB are leading the world in how to properly manage economic cycles and debt. We applaud them for that”.

On the funding side, al khaliji continues to attract retail and wholesale deposits from its customers – conventional customer deposits were up 25 percent and reached QR 9.96 billion on June 30, 2011 – and to maintain its healthy loan-to-deposit ratio – which stood at 85 percent at end-June 2011.

On 30 June 2011, non-performing loans and advances (NPLs) amounted to QR 54 million, down from QR 100 million on 31 December 2010. The NPL ratio continues to improve to 0.6 percent, down from 1.3 percent in December 2010. The Bank's set aside QR 26 million for impairment losses on loans, net of recoveries, for the first half of 2011.

Commenting on the latest economic and market developments, al khaliji Group CEO said:

"Economic projections point to continued growth in Qatar in 2011 and 2012, but we must remain vigilant about the near-term outlook and growing uncertainties in the region, which may affect investor sentiment and delay a number of projects and plans. The regional external balances are improving with oil and gas prices increasing, but we need to be cognizant that hydrocarbon volatility and prices may contribute to business uncertainty".

Commenting on his appointment last month as Group CEO, McCall, who served as acting CEO since 2009, said:

"I am honored to be appointed as Group Chief Executive Officer. al khaliji successes would not have been possible without the hard work and dedication of the entire al khaliji family".

Answering questions about the decision made last month to end merge negotiations with IBQ, McCall said:

"Final terms could not be agreed and as a result both parties agreed to discontinue merger talks".

When asked about how does the cessation of merger talks affect al khaliji plans, McCall said:

"al khaliji has a clear wholesale led strategy and continues to execute against these plans. The Bank has remained focused and committed to delivering on its chosen strategy during merger discussions – it remains "Business as Usual" as it continues to pursue its growth momentum in 2011".

McCall concluded:

"al khaliji, is a young bank. It was incorporated in 2007 but only commenced retail operations in July 2008. During the financial crises, we have acquired a European Bank with branches in the UAE, have changed direction with regards to the Bank's strategy, have been in prolonged merger discussions for over a year, and yet with all this activity we have remained focused on delivering value to our shareholders, preferred customers and employees. We believe we have the foundations and intellectual capital to continue to unlock shareholder value, as the country continues its planned growth mapped out by the Qatar National Development Strategy and the award of FIFA 2022 world cup".

– End –

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